

(TRANSLATION)

Security Code 5002

March 9, 2011

To Our Shareholders

2-3-2, Daiba, Minato-ku, Tokyo

Showa Shell Sekiyu K.K.

Chairman and Representative Director: Shigeya Kato

Notice of the 99th Annual General Meeting of Shareholders

Dear Shareholders,

We would like to hereby inform you that the Company's 99th Annual General Meeting of Shareholders will be held as described below. You are cordially invited to attend the meeting.

If you are unable to attend the meeting, we would like to ask you to review the attached reference materials and exercise your voting right by either sending back the enclosed mail ballot form with the indication of your approval or disapproval or accessing the web site (<http://www.web54.net>) with the voting code and password printed on the enclosed mail ballot form.

Date and Time: 10:00 a.m. on Wednesday, 30th March, 2011

Place: Hotel Nikko Tokyo (1st Floor, Pegasus Room)
9-1, Daiba 1-chome, Minato-ku, Tokyo.

AGENDA

Items to Report

1. To report on the contents of the Business Report and Consolidated Financial Statements for the 99th Period (from 1st January to 31st December, 2010) with the outline of Audit Reports submitted by Accounting Auditors and Auditors' Meeting.
2. To report on the contents of the Nonconsolidated Financial Statement for the 99th Period (from 1st January to 31st December, 2010).

Items for Resolution

1. To approve the Proposed Appropriation of Profit for the 99th Period.
2. To appoint 8 Directors of the Company.
3. To appoint an Auditor of the Company.
4. To appoint a Substitute Auditor of the Company.
5. To approve the Provision of a Bonus for Directors and Auditors.

Three ways to exercise your voting right:

1. If you plan to attend the meeting, please bring your mail ballot form with you and submit it at the front desk.
2. If you plan to exercise your voting right by mail, please send the enclosed mail ballot form with the indication of your approval or disapproval so that the mail ballot form reaches us by 5:30 p.m. on Tuesday, 29th March 2011.
3. If you plan to exercise your voting right by internet, please access the web site (<http://www.web54.net>) with the voting code and password printed on the enclosed mail ballot form and exercise your voting right on the screen in accordance with the guidance (English NOT available).

Notes on the handling of your voting:

1. Your vote by mail or by internet will be valid, if it reaches to the Company by 5:30 p.m. on Tuesday, 29th March 2011.
2. If no indication is made in a yes-no column on the mail ballot form submitted to the Company, the vote shall be deemed as in favor of the Company's proposal.
3. If you exercise your vote both by mail and by internet, the vote exercised by internet shall be deemed valid.
4. If you exercise your vote by internet more than once, the last vote shall be deemed valid.

Notes on proxy appointment:

1. You may exercise your vote by appointing a proxy who is also a shareholder of the Company with the right to vote at the General Meeting of Shareholders. Please note that only one (1) person will be appointed as your proxy.
2. If you plan to exercise your vote by appointing a proxy, a document authorizing the proxy shall be submitted to the Company at the front desk.



©If any correction becomes necessary to the reference materials for the General Meeting of Shareholders, Business Report, Financial Statements or Consolidated Financial Statements after the dispatch of notice until the day before the date of the General Meeting of Shareholders, the Company will disclose the corrected items in the Company's website (<http://www.showa-shell.co.jp/>).

BUSINESS REPORT

(TRANSLATION)

(FROM 1ST JANUARY TO 31ST DECEMBER, 2010)

We present the following summary of the business of the Company for the 99th term, namely, the period from 1st January to 31st December, 2010.

1. SUMMARY OF THE BUSINESS SITUATION

(1) Progress and Results of the Business

Business Environment

The Japanese economy showed some signs of recovery as consumer spending and corporate incomes grew. In the last half of the year, however, as export growth declined, uncertainty surrounding the future heightened and the economy as a whole was perceived at a standstill.

The crude oil price was at 78 dollar per barrel for Dubai crude oil at the beginning of the period. The price, temporarily falling to below 70 dollar per barrel in February, began to rise thereafter, but after reaching 87 dollar per barrel in early May, it plunged to below 70 dollar per barrel again at the end of May. The Dubai crude oil price steadily rose thereafter and the price at the end of the period was 88 dollar per barrel.

In the foreign exchange market, the exchange rate for the Japanese yen to the U.S. dollar started at 93 yen at the beginning of the year. Although the yen was temporarily weak from March to April, the currency was consistently strong against the US dollar after May, and the exchange rate for the Japanese yen to the U.S. dollars at the end of the period was 81.

Business Results

Regarding the consolidated business results for this period, the domestic sales volume of petroleum products decreased, due to decreasing consumption resulting from the decline of economy, the prevalence of fuel-efficient cars and fuel shift to other energy for industrial use, but our total sales slightly increased from the previous year, as we exported not only gas oil but also jet fuel and gasoline aggressively. The sales proceeds were 2,346.0 billion yen, an increase of 16.0% when compared with the previous period, as the selling price of petroleum products increased in line with the rising of crude oil price.

The Profit and Loss Statement shows that the Operating Profit was 36.7 million yen, an increase of 93.8 billion yen from 57.1 billion yen loss in the previous period. The Ordinary Profit was 42.1 billion yen, an increase of 98.6 billion yen from the previous period. This was partly because the margin of oil products improved, and partly because the effect of inventory valuation, which had been caused by rising crude oil price, was favorable. Although the solar business did not contribute to the profit, as there were expenses relating to the start-up of the

Miyazaki third (Kunitomi) plant, it was in line with our initial plan, counteracting to module price decline and the effect of foreign currency exchange with improvements in cost efficiency. The Ordinary Profit without the effect of inventory valuation was 34.2 billion yen, an improvement of 45.9 billion yen from 11.6 billion yen loss in the previous period.

In the Special Profit and Loss Account, the balance was a 5.8 billion yen loss, because losses on the disposal of service station facilities as well as impairment losses were recorded against gains on the sales of dormant assets and investment securities. The net profit before taxes was 36.2 billion yen. The net profit after taxes, tax adjustments and minority interest was 15.9 billion yen, an increase of 73.5 billion yen compared with the same period last year.

Cash Flows

The Company's cash flow from operating activities was a positive 89.8 billion yen. This was because of positive factors such as net profit before taxes (36.2 billion yen) and an increase in depreciation (33.9 billion yen). The cash flow from investment activities was a negative 82.5 billion yen. This was mainly because of investments in relation to the construction of the Miyazaki third plant in the solar cell business. The free cash flow, which combines the cash flows from operating activities and investment activities, was a positive 7.3 billion yen. The cash flow from financing activities was negative 8.6 billion yen after dividend payment. The total borrowings at the end of the period were 301.0 billion yen, an increase of 2.9 billion yen when compared with the end of previous period.

Business Progress and Results of each Segment

【Downstream Petroleum Segment】

In crude oil acquisition, we maintained the relationship with Saudi Aramco as the main supplier, coordinating other Middle East oil producers and the Shell Group, and carried out flexible crude oil acquisition in order to optimize the crude oil mix for our refineries.

In manufacturing, we made efforts to optimize production in order to correspond to decreasing demand, and maintained the stable and efficient operation of the group refineries. We also made cost reduction and improved the ratio of higher value-added products in our product mix, whereas we proactively made exports in order to improve refinery utilization rate.

In domestic sales, we launched a new customer-reward point membership system named as "Ponta" with Lawson and GEO, in order to attract new customers and repeaters to our service stations. In December, the number of the members reached approximately 2.9 million and member merchants 27, making 13,362 outlets (including 2,325 outlets in our network) available for the point service throughout the country. We also introduced "Softbank Wi-Fi Spot", a wireless LAN service, in our network in order to make more comfortable our customers in our service stations, making 856 stations available with the service by the end of December. Furthermore, we launched a model for next-generation service stations with a charging facility for electric vehicles (EV) in Okayama prefecture in December. The model station contributed to CO2 reduction with its solar panels equipped as well as social needs for a local preparedness center during disasters, as it was also equipped with a water storage tank.

The sales proceeds of the Downstream Petroleum Segment were 2,301.6 billion yen (15.6% increase from the previous year) and operating profit was 44.7 billion yen (up by 102.0 billion yen from the previous year). The operating profit without the effect of inventory valuation was 36.8 billion yen (up by 49.4 billion yen from the previous year).

【Energy Solution Segment】

For solar cell business, we changed the corporate name of our subsidiary to Solar Frontier K.K. and started our global expansion of the business with universal brand and logo.

Regarding solar cell marketing, we established our sales subsidiaries in Germany and the United States, making use of these locations plus Japan as three centers for global marketing. We also made efforts to obtain new customers, and made an agreement with General Electric (GE) for the supply of GE branded solar cells as an original equipment manufacturer and joint activities regarding power plant system and installation technologies. Furthermore, we were positively engaged in mega-solar projects, large-scale photovoltaic power generation enterprises, starting the operation of those in Niigata and Miyazaki prefectures as well as being committed to supply solar cells to not only domestic projects such as Tokyo Electricity's Komekurayama Solar Power Station (Yamanashi prefecture) and Miyazaki Solar Way but also cross-border projects including those in Saudi Arabia and Thailand.

In manufacturing of solar cells, we continued smooth production in our Miyazaki second plant, which had started its commercial production in 2009. As for the third plant with 900 mega-watt production capacity per year, one of the largest solar panel manufacturing facilities in the world, we made satisfactory preparation for its commencement of commercial production scheduled in 2011.

Regarding research and development for next-generation solar technology, we agreed with IBM to make joint research and development for CZTS (Copper, Zinc, Tin, Sulfur and Selenium) thin-film solar cells, which would be manufactured without rare metal.

As for electric power business, we started as scheduled commercial operation of a natural gas fired large-scale electric power generation plant, which was run by Ogishima Power, a joint venture with Tokyo Gas. We increased our electricity sales in Kanto area and continued to make transactions through the Japan Electric Power Exchange.

The sales proceeds of the Energy Solution Segment, which also included city gas business, were 31.0 billion yen (79.7% increase from the previous year) and operating loss was 11.6 billion yen (down by 8.1 billion yen from the previous year).

【Real Estate Segment】

In the office building lease business, vacancy rate countrywide remained high with sluggish economy. The Company's rents received were slightly decreased, due to vacancy during the change of tenants, but profit was kept at the same level as the previous year because of the reduction of maintenance costs. The sales proceeds of the Real Estate Segment were 4.2 billion yen (0.1% decrease from the previous year) and operating profit was 2.9 billion yen (up by less than 0.1 billion yen from the previous year).

【Other Business Segment】

The Other Business Segment included construction, automobile supplies sales and other businesses. The sales proceeds of the Other Business Segment were 9.0 billion yen (7.7% decrease from the previous year) and operating profit was 0.5 billion yen (down by less than 0.1 billion yen from the previous year).

Efforts to develop future fuels

In our continuing efforts to develop new fuel, we expanded a geographic area for the continuing test marketing of “Eco-kerosene”, made by the GTL (Gas To Liquids) technology, which synthesizes liquid fuel from natural gas.

As for biomass fuel, having finished the bio-gasoline test-marketing project, we started in January blending bio-ETBE (Ethyl Tertiary Butyl Ether), which was made from bio-ethanol, with regular gasoline in, and shipped from, Keihin Refinery of Toa Sekiyu K.K.

With respect to the fuel cells, we continued the test supply of hydrogen to automobiles and continued the marketing of household fuel cell systems, which are replenished with LPG.

In response to the introduction of electric vehicles (EV) by automobile manufactures and in order to prepare for the future prevalence of EV, we were commissioned by the Ministry of Economy, Trade and Industry to make an experimental charge operation in service stations, and made investigations on next-generation infrastructures and feasibility studies.

Procurement Activities

In relation to procurement activities, while market environment was changing and the price of materials fluctuated, we, enhancing stable supply and quality assurance, continued to achieve cost reduction by continuous implementation of joint procurement with the group refineries and the use of electronic bidding, with efforts to review procurement specifications and streamline supply chains.

Health, Safety, Security and Environment (HSSE) Activities

Aiming for zero accidents at all the installations in the group, and also enhancing quality assurance, we continued our safety and quality general movement as “Safety & Quality First 2010” with the wide range of participants including our dealers, transporters and other contractors. We also had our directors and other officers visit installations in order to reassure the proper understanding of safety awareness and the implementation of important measures and thus strengthened organizational structure for safety promotion.

As for the crisis management, we conducted a comprehensive drill to assure the effectiveness of our Crisis Management Plan (CMP) and Business Continuity Plan (BCP).

With respect to environment preservation, we continued to carry out a company-wide movement named as “ECO TRY 21” to promote ecology activities commonplace at work and home. We also participated in the Nature Conservation Committee of Nippon Keidanren

(Japan Business Federation), collaborating in nature conservation activities, and continued our participation in a project for forest restoration at Mt. Fuji.

In health management, we made interviews with employees and training workshops in job sites for mental healthcare, in addition to medical examinations.

Countermeasures against global warming

As a countermeasure against global warming, we, as a member of Japan Petroleum Association, participated in the Environmental Voluntary Action Plan proposed by Nippon Keidanren (Japan Business Federation) and continued to take energy conservation measures in refineries. Under the post-Kyoto protocol framework after 2013, we will also participate in Nippon Keidanren's Commitment to a Low Carbon Society as a member of Japan Petroleum Association. We continued to be involved in a feasibility study, which was conducted by Japan CCS Research K.K., of Carbon dioxide Capture and Storage (CCS) technology. We also participated with our three group refiners as members in the integrated trading system of carbon dioxide emission credit in Japan.

Litigation issues

Regarding a lawsuit filed on 24 December, 2004 in the Tokyo District Court by twelve female employees, who claimed for the confirmation of their being in higher ability rank and the payment of wage difference based on gender discrimination, consolation money and attorney fee, the Company, which had appealed to the Tokyo High Court against the lower court decision of 29 June, 2009 to order the Company to pay 49.45 million yen as consolation and attorney fee, entered in a general settlement agreement, which also settled other labor disputes, in December.

As for an anti-monopoly law case in relation to jet fuel supply to the Self-Defense Agency (current Self-Defense Ministry), the Company appealed against the decision of the Fair Trade Commission (Decision No.7 in 1999), which alleged the Company's bidding illegal, but the Supreme Court dismissed the Company's appeal on 26 November 2010, making the commission's decision final. In relation to the same case, the Company also appealed in an administrative proceeding against the surcharge (577,440 thousand yen) order made by the Fair Trade Commission on 16 January 2008, but the Company received on 16 February 2011 a notice from the commission dismissing the Company's appeal.

Internal Control System

Our "Basic Policy on Internal Control System to Ensure Business Appropriateness" was continually reviewed and was revised, as we were expanding our solar business overseas, in accordance with the formation of our "Government Anti-Corruption Rules", which set out the standard of conduct in relation to the prevention of bribery to public officials including those of foreign countries. We also presented web-learning program in relation to our "Compliance Book", which describes proper actions in specific situations according to our "Code of Conduct", to the officers and employees of our group companies to deepen their understanding of corporate ethics and put it into practice. In addition, we promoted our group companies to establish, and continually review, their internal control system to correspond to changes in

business environment and in particular strengthened internal control system in solar business subsidiaries, as their business expansion required.

As for internal control in relation to financial reporting, following the assessment of internal control in the previous year, we reviewed risks corresponding to changes in business environment and adjust control system accordingly, continuing our control activities, reviews and monitoring to make the system continuously and effectively function.

(2) Future challenges for the Company

Our Medium Term Business Vision: “Epoch 2010”

We, having taken into account changing business environment surrounding energy industry, formulated in 2009 our medium term business vision, “Epoch 2010” in order to become an energy company that meet the needs of customers and society into future. We also established a medium term business plan, which covers the period from 2010 to 2014, and according to the plan will promptly pursue our four main pillars of the vision: namely “strengthening the oil business to enhance profitability”, “growing the solar business”, “developing the energy and home solution business” and “fostering the seeds for future growth”. We shall properly combine aggressive and defensive strategies in order to overcome great environmental changes, and we aim to meet with excellent competitiveness and sustainability the needs of customers and society.

Our Challenges in 2011

In the petroleum business, in order to strengthen our profitability even in the environment of declining demand and globalization, we will achieve more efficient production by making the best use of our most profit-making refining facility, and offer products and services, which meet customers’ needs. In the marketing of the product, we will enhance our domestic sales network by selective investments, and adopt flexible marketing strategy by maintaining ample export capacity as well as utilizing the international trading network of the Shell Group. We will also conduct structural cost reduction at all the points of our supply chain in order to strengthen our profitability.

In the solar business, in order to meet globally expanding demand for solar cells, we will focus on the start-up of our third plant (Kunitomi Factory), which will be one of the largest single manufacturing facilities in the world, and make every effort to continue its stable and efficient production. We will also increase our sales volume to the expanding production level, strengthening our global sales network with its centers placed in Japan, Europe and the United States and acquiring more new customers in household, industrial and power-generation markets.

Compliance and HSSE (Health, Safety, Security and Environment) Activities

We regard Compliance and HSSE (Health, Safety, Security and Environment) most important in any circumstance. When we say Compliance, we not only comply with laws and regulations but also our own “Code of Conduct”, which is set forth in our own discretion in order to

recognize our social responsibilities. We, therefore, will observe the “Code of Conduct” and our “Basic Policy for Health, Safety, Security and Environment (HSSE)”, and share these policies with our subsidiaries.

To Shareholders

We positively strive to meet the expectation of shareholders through all the efforts mentioned above. It is our hope that all shareholders will give even more support, encouragement and cooperation.

(3) Production and Sales of the Group and the Company

1) Sales of the Group

The results of the sales of the Group during this period are described below:

Segment	99th Period (This Period) (M Yen)	98th Period (Last Period) (M Yen)	Increase/ Decrease over last year (%)
Downstream Petroleum	2,301,684	1,991,167	+15.6
Energy Solution	31,099	17,302	+79.7
Real Estate	4,260	4,263	-0.1
Other	9,036	9,787	-7.7
Total	2,346,081	2,022,520	+16.0

Note 1: The above amounts do not include consumption taxes.

2: The amounts for Sales in each Segment consist of the sales proceeds from unaffiliated customers.

2) Manufacturing, Purchases and Sales of the Company

The volume manufactured and purchased as well as the sales quantity of petroleum products of the Company during this period are described below:

Item		99th Period (This Period) (1,000kl)	98th Period (Last Period) (1,000kl)	Increase/ Decrease over last year (%)
Manufactured & Purchased Quantities	Manufactured	17,934	18,111	-1.0
	Purchased	11,799	11,445	+3.1
	Total	29,733	29,555	+0.6
Sales Quantities	Gasoline	10,487	9,963	+5.3
	Kerosene & Gas Oil	12,175	11,752	+3.6
	Fuel Oil	2,859	3,313	-13.7
	Others	4,615	4,666	-1.1
	Total	30,136	29,694	+1.5

Note 1: “Manufactured Quantity” represents the volume of products, which the Company had the Group's refineries and others manufacture in commission.

2: “Other Sales” includes LPG, naphtha, lubricants and asphalt, etc.

(4) Capital Investment in Plant and Equipment of the Group

The total investment in plants and equipment during the period was approximately 81.1 billion yen, and the principal investments are described below:

Segment	Item	Principal investments
Downstream Petroleum	Manufacturing	Maintenance and repairs of refineries, Enhancing environmental and safety measures, Energy-saving measures, Added-value improvement measures
	Sales facilities	Maintenance, repainting, environmental and safety measures for existing service stations, Construction of self-service facilities
	Distribution	Enhancing quality measures, Maintenance and repairs of depots
Energy Solution	Manufacturing	Construction of Solar cell manufacturing facilities
	Research	Maintenance and repairs of solar cell research facilities

(5) Fund Raising

The Company's fund requirement is financed by cash on hand, borrowings, bonds and commercial paper, not by capital increase.

The balance of each fund-raising instrument at the end of the period was as follows:

Item	99th Period (This Period)	98th Period (Last period)
	M Yen	M Yen
Short –term borrowings	37,203	91,743
Long-term borrowings to be repaid within a year	3,178	9,837
Bond to be repaid within a year	200	15,000
Long-term borrowings	110,470	62,292
Commercial paper	115,000	104,000
Bonds	35,000	15,200
Total	301,051	298,073

(6) Changes in the Business Results of the Group

The results of the Group for the period under review and the three previous periods are set out below:

Division	2007 96th Period	2008 97th Period	2009 98th Period	2010 (This Period) 99th Period
Sales proceeds (M Yen)	3,082,641	3,272,801	2,022,520	2,346,081
Ordinary profit or Ordinary loss (Δ)(M Yen)	92,709	Δ 10,065	Δ 56,455	42,148
Net profit or net loss (Δ) after tax (M Yen)	43,729	Δ 16,221	Δ 57,619	15,956
Net profit or Net loss (Δ) per share (Yen)	116.12	Δ 43.07	Δ 152.99	42.37
Total asset (M Yen)	1,339,114	1,209,956	1,172,739	1,193,149

Note: Profit per share is calculated based on the average number of issued shares during the relevant period, whereas the number of treasury shares is excluded. The calculation is in accordance with Corporate Accounting Standards No.2 “Accounting Standards regarding Profit per Share” (Corporate Accounting Standard Committee: 25th September, 2002 with revisions as of 30th June 2010).

(7) Main Businesses of the Company (As of December 31, 2010)

Segment	Main Business
Downstream Petroleum	Manufacturing, Process, Transportation, Storage, Sales and Export/Import of Petroleum Products
Energy Solution	Solar Cell Business, Electric Power Generation and City Gas
Real Estate	Lease of Real Estate Properties
Other	Construction, Automobile Supplies Sales and others

Note: Business segments are re-categorized into 4 segments shown above from 3 segments in the previous period, namely “Downstream Petroleum”, “Real Estate” and “Other”.

(8) Relationships with Important Subsidiaries, Affiliates, and Other Important Companies (As of December 31, 2010)

1) Important Subsidiaries and Affiliated Companies

Important Subsidiaries

Company Name	Capital	Ratio of Capital Held by the Company	Main Business
Showa Shell Solar K.K.	35,120M Yen	100.00%	Manufacturing and Sales of Solar Cell Modules
Wakamatsu Gas K.K.	460M Yen	100.00%	City Gas business and Sales of Petroleum Products
Showa Shell Sempaku K.K.	450M Yen	100.00%	Overseas Shipping & Transportation; Vessel Chartering
K.K. Rising Sun	200M Yen	100.00%	Automobile Supplies Sales, Leasing, Insurance Agency
Shoseki Engineering K.K.	100M Yen	100.00%	Design, Construction and Inspection of Industrial Facilities
Nihon Grease K.K.	100M Yen	99.21%	Manufacturing and Sales of Grease and Lubricant Oil
Showa Yokkaichi Sekiyu K.K.	4,000M Yen	75.00%	Manufacturing of Petroleum Products
K.K. Enessance Holdings	115M Yen	51.00%	Management of LPG Sales subsidiaries
Toa Sekiyu K.K.	8,415M Yen	50.11%	Manufacturing of Petroleum Products

Affiliated Companies

Company Name	Capital	% of our Company's shares	Main Business
Seibu Sekiyu K.K.	8,000M Yen	38.00%	Manufacturing of Petroleum Products
Marubeni Energy K.K.	2,350M Yen	33.40%	Sales of Petroleum Products
K.K. Ogichima Power	5,350M Yen	25.00%	Sales of Electricity

Note 1: Showa Shell Solar K.K. changed its name to Solar Frontier K.K. on 1 April 2010.

2: K.K. Ogishima Power is added as an important affiliated company in this period, because its importance increased by its business expansion.

2) Other Important Relationships

The Company has an alliance with the Shell Group in relation to the matters such as the capital participation, crude oil supply and technological support, and also has close

business relations through the use of the trademarks, research and development, sharing of management know-how and personnel exchange.

The Company has a basic agreement regarding crude oil supply with Saudi Aramco, whereas its subsidiary, Aramco Overseas Company B.V., invested in the Company.

(9) Acquisition of the stock of other corporations and other restructuring activities

We acquired new shares issued by Solar Frontier K.K. to finance its construction of a solar cell manufacturing plant in December.

(10) Primary Place of Business and Plants (As of December 31, 2010)

Head Office of the Company	3-2, Daiba 2-chome, Minato-ku, Tokyo (Daiba Frontier Building)
Branch Offices of the Company	Hokkaido Branch (Sapporo-shi) Tohoku Branch (Sendai-shi) Shutoken Branch (Minato-ku, Tokyo) Kanto Branch (Minato-ku, Tokyo) Chubu Branch (Nagoya-shi) Kinki Branch (Osaka-shi) Chugoku Branch (Hiroshima-shi) Kyushu Branch (Fukuoka-shi)
Laboratory	Central Laboratory (Aikawa-machi, Aikou-gun, Kanagawa Prefecture) Solar Frontier K.K. Atsugi Research Center (Atsugi-shi, Kanagawa Prefecture)
Refineries	Showa Yokkaichi Sekiyu K.K., Yokkaichi Refinery (Yokkaichi-shi, Mie Prefecture) Toa Sekiyu K.K., Keihin Refinery (Kawasaki-shi) Seibu Sekiyu K.K., Yamaguchi Refinery (Sanyo-Onoda-shi, Yamaguchi Prefecture)
Import Terminal	Niigata Import Terminal (Niigata-shi)
Lubricant Plants	Yokohama Installation (Yokohama-shi) Kobe Installation (Kobe-shi)
Grease Plants	Nihon Grease K.K., Yokohama Plant (Yokohama-shi) Nihon Grease K.K., Kobe Plant (Kobe-shi) Nihon Grease K.K., Shimonoseki Plant (Shimonoseki-shi, Yamaguchi Prefecture)
Solar Cell Manufacturing Plants	Solar Frontier KK., Miyazaki Plants (Miyazaki-shi)

Note: The refining facilities of Kawasaki Refinery of the Company are leased to Toa Sekiyu K.K. and operated along with Toa Sekiyu's facilities as Keihin Refinery.

(11) Employment Situation of the Group and the Company (As of December 31, 2010)

a) The Group's Employment Situation

Number of Employees	Change from Previous Period
5,761	+ 322

b) The Company's Employment Situation

Number of Employees		Change from Previous Period	Average Age	Average Length of Service
Male	707	-18	45.9	22.2Years
Female	223	+9	40.0	17.6Years
Total	930	-9	44.5	21.1Years

Note 1: Temporary employees and seconded personnel to other companies are excluded.

2: Seconded personnel (91 persons) to the Company are included.

(12) Main Creditors of the Group (As of December 31, 2010)

Creditor	Amount of Loan (Thousands)
Development Bank of Japan	73,267 M Yen
Japan Oil, Gas and Metals National Corporation	33,101 M Yen
K.K. Mizuho Corporate Bank	8,633 M Yen
K.K. Bank of Tokyo-Mitsubishi UFJ	8,102 M Yen
Mitsubishi UFJ Trust Bank K.K.	5,000 M Yen
K.K. Mitsui Sumitomo Bank	4,640 M Yen
Sumitomo Corporation Financial Management K.K.	2,940 M Yen
Sumitomo Trust & Banking K.K.	2,590 M Yen
K.K. Shinsei Bank	2,590 M Yen
The Norin Chuo Kinko Bank	2,000 M Yen

2. Shares of the Company (As of December 31, 2010)

(1) Total Numbers of Shares Authorized	440,000,000
(2) Numbers of Shares Issued	376,850,400
(Number of Treasury shares	157,554)
(3) Number of Shares per Unit	100
(4) Breakdown of Shareholders	

Classification	Number of Shareholders		Number of Shares Held (Thousands)	
	As of Dec. 31, 2009	As of Dec. 31, 2010	As of Dec. 31, 2009	As of Dec. 31, 2010
Individuals	61,033 98.03%	60,099 98.10%	60,957.6 16.18%	60,816.1 16.14%
Governments	1 0.00%	1 0.00%	1.0 0.00%	1.0 0.00%
Financial Institutions	192 0.31%	139 0.23%	82,649.4 21.93%	72,198.2 19.16%
Other Corporations	668 1.07%	637 1.04%	12,348.6 3.28%	12,228.6 3.24%
Foreign Shareholders	367 0.59%	389 0.63%	220,893.8 58.62%	231,606.6 61.46%
Total	62,261 100.00%	61,265 100.00%	376,850.4 100.00%	376,850.4 100.00%

(5) Major Shareholders (Top 10)

Name	Investment in the Company	
	Number of Shares (Thousands)	Shareholding ratio
The Shell Petroleum Company Limited	125,261.2	33.25%
Aramco Overseas Company B.V.	56,380.0	14.97
Nihon Trusty Service Trust Bank K.K. (Custody Account)	15,845.8	4.21
Nihon Master-Trust Trust Bank K.K. (Custody Account)	14,271.2	3.79
The Anglo-Saxon Petroleum Company Limited	6,784.0	1.80
JP Morgan Securities K.K.	4,125.5	1.10
Kawasaki Kisen K.K.	3,503.7	0.93
Deutsche Securities K.K.	3,194.5	0.85
Asset Management Services Trust Bank K.K. (Securities Investment Trust Account)	3,175.6	0.84
Rabobank Nederland Tokyo Branch	2,984.4	0.79

Note 1: The shareholding ratio is calculated from the number of shares issued less the number of treasury shares.

2: The ratio of shares held by the Shell Group, to which the Shell Petroleum Company Limited and the Anglo-Saxon Petroleum Company Limited belong, amounts to 35.05% in total.

3: Aramco Overseas Company B.V., which merged on 16 August 2010 its wholly owned Aramco Japan Holdings B.V., a former major shareholder (shareholding ratio 14.97%), became a major shareholder.

3. Officers (As of December 31, 2010)

(1) Name of Directors and Auditors

Position	Name	Responsibility	Other Important Concurrent Status
Chairman and Representative Director	Shigeya Kato	(Note 1)	Representative Director, Shell Chemicals Japan K.K. Director, Seibu Sekiyu K.K. Director, Solar Frontier K.K. Outside Director, AOC Holdings K.K.
President and Representative Director	Jun Arai	(Note 2)	Director, Showa Yokkaichi Sekiyu K.K. Director, Solar Frontier K.K.
Vice President and Director	Richard A. Carruth	CFO, Group Functions (Finance, Credit Control, Procurement)	President and Representative Director, Shell Japan Trading K.K. Director, Solar Frontier K.K.
Managing Director	Hitoshi Sato	Group Functions (Personnel, General Affairs, Internal Control Promotion, IT Planning)	Representative Director, Showa Yokkaichi Sekiyu K.K. Director, Solar Frontier K.K.
Director	Yoshihiko Miyauchi	(Outside Director)	Chairman, Director/Representative Officer/Group CEO, Orix K.K. Representative Director/Owner, Orix Baseball Club K.K.
Director	Tan Chong-Meng	(Outside Director)	Executive Vice President, Shell Eastern Petroleum Co.(Singapore)
Director	Yukio Masuda	(Outside Director)	Advisor, Mitsubishi Corporation K.K.
Director	Khalid D. Al-Faddagh	(Outside Director)	General Auditor, Saudi Aramco (Saudi Arabia)
Full time Auditor	Hisao Nozaki		
Full time Auditor	Tadamitsu Fukuchi		Auditor, Solar Frontier K.K.
Auditor	Midori Miyazaki	(Outside Auditor)	Dean, Chiba Shoka University, Department of Policy Information
Auditor	Kenji Yamagishi	(Outside Auditor)	Attorney, Risolute Law Office

Notes:

1. Chairman is in charge of Code of Conduct, and directly supervises Audit.
2. President is Chief General Manager of Oil Business Center and Solar Business Center.
3. Outside director or auditor positions in other companies held by outside directors and outside auditors are stated in (3) "Information relating to Outside Directors and Outside Auditors" below.

4. Mr. Yoshihiko Miyauchi, Mr. Yukio Masuda, Ms. Midori Miyazaki and Mr. Kenji Yamagishi are registered as independent directors/auditors in the Tokyo Stock Exchange.
5. Auditors appointed and retired during this period were as follows
Appointed: Tadamitsu Fukuchi
Retired: Kanji Yamamoto
(With effect from 30 March, 2010)
6. Richard A. Carruth, Director and Vice President, was retired on 25 March 2010 from, and appointed on 10 November 2010 as, Director of Solar Frontier K.K.
7. Hitoshi Sato, Managing Director, was appointed as Director of Solar Frontier K.K. on 25 March 2010 and as Representative Director of Showa Yokkaichi Sekiyu K.K. on 31 March 2010.
8. Tadamitsu Fukuchi, Auditor, was appointed as Auditor of Solar Frontier K.K. on 10 November 2010.
9. The Company made transactions with Shell Chemical Japan K.K. in relation to petroleum products sales, the lease of petroleum product trading business, services and lease of offices.
10. The Company had transactions in relation to service provisions with Shell Japan Trading K.K.
11. The Company and its affiliates made transactions with Orix K.K. and its affiliates regarding sales transaction of petroleum products, automobile and office supplies lease, transactions accompanied with usage of ETC cards, lease contract of office for retail outlets, and additional services. Furthermore, the Company has a joint venture company named as K.K. Onsite Power, which conducts electricity and heat supply business, with Orix K.K.
12. Shell Eastern Petroleum Co. (Singapore) belongs to the Shell Group. The Shell Group and the Company are in alliance in relation to the matters such as the capital participation, crude oil supply and technological support, and also has close business relations through the use of the trademarks, research and development, sharing of management know-how and personnel exchange.
13. Mitsubishi Corporation K.K. is a major business partner, and the Company has important business relationship with it.
14. The Company has a basic agreement regarding crude oil supply with Saudi Aramco. Its subsidiary, Aramco Overseas Company B.V., holds shares in the Company.
15. Showa Yokkaichi K.K. and Solar Frontier K.K. are important subsidiaries. Seibu Sekiyu is our important affiliate.

16. There is no special relation with the Company to Chiba Shoka University or Resolute Law Office.

17. List of Executive Officers:

Position	Responsibility	Name
Senior Executive Officer	Oil Business Center (Bitumen & Lubricants, International Sales, Research & Development, Laboratory)	Yukimichi Ikemura
Senior Executive Officer	Solar Business Center (President/Representative Director of Solar Frontire K.K.)	Shigeaki Kameda
Corporate Executive Officer	Solar Business Center (Corporate Executive Officer, Solar Frontier K.K. , Domestic Sales, Overseas Sales, Power Generation Project)	Atsuhiko Hirano
Corporate Executive Officer	Oil Business Center (Supply Planning, Products Trading, Crude Oil, Marine)	Kazunori Yamamoto
Corporate Executive Officer	Oil Business Center (Electricity), Group Functions (Corporate Planning (including Corporate Governance), Secretariat, Public Relations)	Hiroto Tamai
Corporate Executive Officer	Oil Business Center (Sales, Consumer Sales, Marketing Planning, Retail Sales, Retail EPOCH Project, Branches)	Tsuyoshi Kameoka
Executive Officer	Oil Business Center (Retail Sales, Assistant to Corporate Executive Officer in charge of Sales)	Naoto Komatsu
Executive Officer	Group Functions (Accounting & Finance, Credit Control)	Kiyotaka Yamada
Executive Officer	Oil Business Center (Home Solutions, New Business Development)	Katsuhiro Nakagawa
Executive Officer	Oil Business (Manufacturing)	Misao Hamamoto
Executive Officer	Solar Business Center (Executive Officer, Solar Frontier K.K. Miyazaki Factory, Procurement), Group Functions (Intellectual Property Strategy)	Tomoaki Ito
Executive Officer	Oil Business Center (Distribution, Real Estate, Import Terminal), Group Functions (Health, Safety, Security and Environment (HSSE))	Kaoru Shiraki
Executive Officer	Group Functions (Legal Affairs (including Personal Data Protection))	Yuri Inoue
Executive Officer	Oil Business Center (Manager, Kinki Branch)	Katsuaki Shindome
Executive Officer	Oil Business Center (Manager, Shutoken Branch)	Naomasa Okuda
Executive Officer	Reporting to President in charge of special missions, Solar Business Center (Executive Officer, Solar Frontier K.K. Planning)	Brooks Herring

(2) Remuneration paid to Directors and Auditors:

The remunerations of the directors and auditors during this period are described below:

Classification	Directors		Auditors		Total	
	Number of Directors	Amount Paid	Number of Auditors	Amount Paid	Number of Directors and Auditors	Amount Paid
Remuneration Paid Based on Resolution of General Shareholders' Meeting	8 (4)	428M Yen (40)	5 (2)	93M Yen (15)	13 (6)	521M Yen (55)
Bonus	5 (2)	29 (3)	4 (2)	3 (1)	9 (4)	32 (4)
Sub Total		458 (43)		96 (16)		554 (59)

Notes:

1. The ceilings of remuneration to be paid to Directors and Auditors set out by the resolution of general meeting of shareholders are as follows:

Directors: 780 million Yen per annum

Auditors: 120 million Yen per annum

2. The data above includes remunerations paid to an auditor retired at the closing of the 98th Annual General Meetings of shareholders held on March 30 2010. The number of Directors and Auditors at the end of December is 8 and 4, respectively.
3. Numbers in parenthesis show the amounts of remuneration paid to outside directors or outside auditors.

(3) Policy regarding the determination of remuneration amount for Directors and Auditors

The total remuneration to all Directors decided by the resolution of the Annual General Meeting of shareholders held on 30 March 1994 is 65 million yen or less per month. Within the limit of the total amount, base remuneration to each Director is determined by rank based upon a remuneration table as monthly fixed-amount payment, except for Mr. Richard A. Carruth, for whom base remuneration is determined by a secondment contract with the Shell Group.

The total remuneration to all Auditors decided by the resolution of the Annual General Meeting of shareholders held on 28 March 2008 is 10 million yen or less per month. Within the limit of the total amount, remuneration to each Auditor is determined by the agreement of all Auditors.

The amount of bonus to Directors and Auditors is based on consideration of economic circumstances and business performance during the period, and determined each year by the resolution of an Annual General Meeting of shareholders.

Retirement allowance to Directors and Auditors was abolished at the closing time of the Annual General Meeting of shareholders held on 29 March 2007.

(4) Information relating to Outside Directors and Outside Auditors

a) Concurrent Outside Director/Auditor Positions (as of December 31, 2010)

Classification	Name	Name of corporations	Position
Outside Director	Yoshihiko Miyauchi	KK. ACCESS	Outside Director
Outside Director	Tan Chong-Meng	Fraser & Neave Ltd. (Singapore)	External Director
Outside Director	Yukio Masuda	Tokyo Gas K.K.	Outside Auditor
Outside Auditor	Kenji Yamagishi	K.K. T&D Holdings Daido Life Insurance K.K.	Outside Auditor Outside Auditor

Notes:

1. The Company has a joint venture, K.K. Ogishima Power, which runs commercial operation of a natural gas fired large-scale electric power generation plant, with Tokyo Gas K.K.
2. There is no special relation other than stated in the above note 1.
3. Mr. Yoshihiko Miyauchi retired from Director of Sony K.K. on 18 June 2010.
4. Executive and other positions held in other parties and relationship to these parties are stated in (1) "Name of Directors and Auditors".

b) Principal Activities

Name	Attendance	Remarks at the Board Meetings and Auditors' Meetings
Yoshihiko Miyauchi (Outside Director)	86% of the board meetings (6 out of 7 meetings)	He commented on the managing structure and expansion strategy of solar business, corporate governance, compliance measures and other issues.
Tan Chong-Meng (Outside Director)	100% of the board meetings (7 out of 7 meetings)	He commented on oil refining business strategy, oil marketing strategy, information disclosure to investors, dividend policy, marketing strategy and expansion strategy in solar business, subsidiary control, safe operation, decision making process, information sharing and other issues.

Yukio Masuda (Outside Director)	86% of the board meetings (6 out of 7 meetings)	He commented on oil refining business strategy, corporate governance, compliance, dividend policy, management structure and expansion strategy in solar business and other issues.
Khalid D. Al-Faddagh (Outside Director)	86% of the board meetings (6 out of 7 meetings)	He commented on marketing strategy in solar business, compliance measures, pension plan, divided policy, finance and other issues.
Midori Miyazaki (Outside Auditor)	100% of the board meetings (7 out of 7 meetings) 93% of the Auditor's meetings (13 out of 14 meetings)	She actively expressed her opinions in the Auditors' Meetings. She also commented in the Board Meetings on information control, brand strategy and governance in solar business and other issues.
Kenji Yamagishi (Outside Auditor)	86% of the board meetings (6 out of 7 meetings) 93% of the Auditor's meetings (13 out of 14 meetings)	He actively expressed his opinions in the Auditors' Meetings. He also commented in the Board Meetings on marketing policy in oil business, accident prevention measures, reinforcement of Anti-monopoly law compliance, governance in solar business and other issues.

c) Summary of Liability Limitation Contract

Outside directors (Yoshihiko Miyauchi, Tan Chong-Meng, Yukio Masuda and Khalid D. Al-Faddagh) and outside auditors (Midori Miyazaki and Kenji Yamagishi) entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of Corporate Code. Amounts of liability under this agreement shall be higher amounts of 10,000,000 yen and amounts designated by the Corporate Code.

4. Accounting Auditors

(1) Names of Accounting Auditor:

Arata Audit Corporation

(2) Remunerations to be paid to Remuneration Accounting Auditor:

Amount of Remuneration as Accounting Auditors paid by the Company	119,200 thousands Yen
Total Amount of Remuneration paid by the Company and its Subsidiaries	180,000 thousands Yen

Notes:

1. In the audit contract between the Company and Accounting Auditor, there is no distinction between the remuneration for the audit based on Corporate Code as Accounting Auditors and that for the audit based on the Financial Products Exchange Law and it is not practically possible to distinguish them. Therefore, the above amounts include both of them.
2. Total Amount of Remuneration paid by the Company and its subsidiaries includes remuneration for advisory activities in relation to International Financial Reporting Standard (IFRS), audit on consolidated financial statements (Annual Report) in English and production of a “Letter from Auditor to Lead Underwriting Firm” as non-audit activities other than those set out in Article 2, item 1 of Certified Public Accountant Law.

(3) Policies of dismissal or denial of reappointment of Accounting Auditors:

We dismiss accounting auditors when we conclude that the conducts of accounting auditors are applicable to any item of Article 340 of Corporate Code. Furthermore when we doubt the competency and trustworthiness of such accounting auditors, both in light of Japanese and international accounting standards, we do not reappoint them, and we nominate other appropriate audit corporation and submit the proposal to a general meeting of shareholders for appointment.

5. System to ensure directors’ compliance with laws and regulations and articles of incorporation, and other systems to ensure proper business conducts (Basic Policy on Internal Control System to Ensure Business Appropriateness).

The content of the policy approved by the Board of Directors is shown below. The policy was revised twice during this period by the resolution of the Board of Directors in accordance with the establishment of the Solar Strategic Meeting and the formation of Government Anti-Corruption Rules. The policy was also revised in February 2011 upon the dissolution of the Corporate Governance Committee, making it clear that independent directors and auditors would assume the role of the committee.

1. System to ensure that execution of businesses by directors and executive officers comply with laws and the Articles of Associations.

- a. To set the Code of Conduct to make directors, executive officers and employees recognize distinctly duties of compliance with laws and the responsibilities to the society.
 - b. Under the Code of Conduct, to set concrete compliance rules regarding related major laws and regulations such as anti-monopoly law, insider trading, export control, environmental regulations, government anti-corruption and others, and to thoroughly work on the compliance with them.
 - c. To appoint a director or an executive officer in charge of the Code of Conduct and to set up organizations and committee etc. so as to establish cross functional compliance systems and control them.
 - d. To set Rules of the Board of Directors, Guidelines of Items for Resolution of the Board of Directors, Rules of the Executive Officers, Rules of the Executive Committee, Rules of the Solar Strategic Meeting and Authorization Rule etc. in order to conduct businesses in line with laws and the Articles of Association.
 - e. To regularly request each executive director and executive officer to submit a written confirmation regarding an appropriateness of contents of financial reports and a compliance level etc., and President shall assess and report the status of internal control over financial report.
 - f. The Board of corporate auditor will audit maintenance level of the internal control system and regularly exchanges information and opinions with directors.
 - g. To appoint independent director and/or auditor to secure interest of general shareholders and to ensure further improvement in transparency and objectivity of management.
2. Information record management system regarding business execution by directors and executive officers.
- a. Authorization by a director or an executive officer shall be recorded in a designated form and all of such authorization records shall be subject to audit.
 - b. Minutes of an important meeting such as the board of directors, the executive committee, the Solar Strategic Meeting etc., authorization documents and contracts shall be retained over the necessary period specified by related laws or internal rules.
 - c. Rules with respect to information management are set. Through setting up rules for information disclosure, Disclosure Sub-Committee placed under Internal Control Promotion Committee determine the appropriateness of information to be disclosed. Information disclosure shall be centralized at the Public Affairs Division in timely and appropriate manner. These rules are well known to all employees in our group.

3. Rules and systems with respect to loss-related risk management
 - a. To specify various potential risks in a business environment of our group and work out measures in line with their characteristics and regularly review an effectiveness of the measures.
 - b. To set basic policy with respect to health, safety, security and environmental preservation and set up a specialized department to roll out company-wide education/training activities and improve a control system through regular audits.
 - c. To lay down a Crisis Management Plan and a Business Continuity Plan and regularly drill and review them so as to continue important businesses even if an unforeseen incident such as a disaster or an accident etc. occurs.
4. System to ensure efficiency in business execution by directors and executive officers
 - a. To make our organization simple without superimposed layers for a quick decision-making, and upon delegation by the board of directors, decisions on certain important business executions shall be made by a mutual consent in the Executive Committee, the Solar Strategic Meeting.
 - b. To specify the scope of authorization power of the board of directors • the executive committee, the Solar Strategic Meeting, each director or executive officer, and take a designated procedure for delegation of authorization power when necessary so as to enable a flexible decision-making.
 - c. When making a decision on an important matter, the board of directors, the Executive Committee, the Solar Strategic Meeting and anyone with authorization power will consult with certain committees providing advices as requested by inquiries so as to reflect opinions from expert point of views of various related departments.
 - d. To set upon a middle term business plan, an annual budget plan etc. and regularly review their progress and work out measures for an efficient business execution.
 - e. To maintain secured Information Technology environment to enable accurate and speedy grasp/communication of management information and improve business efficiency.
5. System to ensure that an execution of businesses by employees comply with laws and the Articles of Associations
 - a. Under the Code of Conduct, to set concrete compliance rules regarding related major laws and regulations such as anti-monopoly law, insider trading, export control, environmental regulations, government anti-corruption and others, and to thoroughly work on the compliance with them.
 - b. When allocating employee's duties and fixing related business execution flow, to consider not only business efficiency but also mutual checking balances between or within the related departments.

- c. Internal Control Promotion Committee and Internal Control Promotion Division are established in order to improve the quality of business activities and make effective company-wide integration of functions related to internal control in our group
 - d. The internal audit department, directly reports to Chairperson shall regularly check the status of business execution of each department and an effectiveness of internal control system; and also report the results and subsequent improvements of those to directors and the board of corporate auditors.
 - e. To regularly request a responsible person of each department to submit a written confirmation regarding an appropriateness of contents of financial reports and a compliance level etc.
 - f. To establish a whistle blower system and make it well known to cope with a situation an employee might raise a question anonymously with respect to performing a social responsibility or compliance with laws.
 - g. To have no relation at all with individuals and groups who would give threat to the order and safety of society, and to be alert to these individuals and groups at any time. To oppose organizationally when receiving any false claim from such anti-social power or group. General administration division is in charge of the handling of matters relating to the anti-social power or group.
6. System to ensure an appropriateness of business in our Group
- a. Group Companies share the spirits of SSSKK's Code of Conduct, Basic Policy on Health, Safety, Security and Environmental Preservation and other various important basic policies and put them into practice in each company as SSSKK does.
 - b. To regularly request a responsible person of subsidiaries etc. to submit a written confirmation regarding implementation status of systems to ensure an appropriateness of contents of financial reports and a compliance level etc. so as to confirm effectiveness of those and regularly review them. Further, our internal audit department and a corporate auditor of each Group Company seconded from SSSKK shall conduct audit to verify reported matters.
7. Matters with respect to employees to support business of corporate auditors when requested.
- a. To set up a secretariat of the board of corporate auditors and assign employees of SSSKK to support business of the board of corporate auditors.
8. Matters with respect to independency of the employees in the previous clause from directors.
- a. As for nomination, changes in personnel and treatment with respect to the employees in the previous clause, a consent by the board of corporate auditors is required.
9. Reporting System from directors or employees to auditors and any other reporting systems to auditors

a. In related company rules, to specify duties of immediate report to the board of corporate auditors upon arising any incidents which might have some impact on company' business management and to make such a practice well known.

10. Any other systems to ensure an effective audit by corporate auditors

a. Corporate auditors can attend any important meetings and minutes of those meetings, if recorded, shall be sent to the board of corporate auditors by its secretariat.

b. The results of audit by the internal audit department and accounting auditors and the subsequent improvements shall be reported to the board of corporate auditors. The board of corporate auditors shall regularly exchange information among the internal audit department and accounting auditors.

Consolidated Balance Sheet

(As of 31 December 2010)

(Unit: Million Yen)

Assets		Liabilities	
<u>I. Current Assets</u>	602,975	<u>I. Current Liabilities</u>	668,517
Cash & Deposits	20,943	Notes & Accounts payable	273,531
Notes & Accounts receivable	291,104	Short-term debts	40,381
Inventories - products	108,200	Current portion of bonds	200
Inventories - work in progress	1,158	Commercial paper	115,000
Inventories - crude, materials & stor	127,032	Accounts payable	185,000
Deferred tax assets	18,258	Income taxes payable	2,151
Other current assets	36,526	Accrued expenses	9,846
Provisions for doubtful debts	(249)	Accrued bonus	2,173
		Provision for directors' bonuses	40
		Other current liabilities	40,191
<u>II. Fixed Assets</u>	590,173	<u>II. Long-term Liabilities</u>	261,626
Tangible fixed assets	473,719	Bonds	35,000
Buildings & Structures	106,324	Long-term debts	110,470
Oil tanks	11,429	Deferred tax liabilities	4,444
Machineries & Vehicles	111,001	Provision for retirement benefits	72,426
Lands	162,795	Provision for directors' retirement benefits	475
Construction in progress	75,858	Provision for special maintenance	11,687
Others	6,310	Other long-term liabilities	27,122
Intangible fixed assets	12,836	Total Liabilities	930,143
Leasehold rights	4,109	Net Assets	
Software	6,385	<u>I. Shareholders' Equity</u>	239,087
Others	2,341	Share capital	34,197
Investments etc.	103,617	Capital surplus	22,113
Securities	38,913	Retained earnings	182,959
Long-term loans	8,006	Treasury shares	(183)
Deferred tax assets	41,129	<u>II. Valuation and Translation Gains/Losses</u>	1,117
Others	16,459	Difference on valuation of investment securities	1,117
Provisions for doubtful debts	(892)	<u>III. Minority Interests</u>	22,801
		Total Net Assets	263,006
Total Assets	1,193,149	Total Liabilities and Net Assets	1,193,149

Note: Fractions of one million yen are rounded off.

Consolidated Profit and Loss Statement

(From 1 January to 31 December 2010)

(Unit : Million Yen)

I Sales		2,346,081
II Cost of sales		2,183,535
Gross Profit		162,545
III Sales, administrative and general expenses		125,844
Operating income		36,701
IV Non-operating profit		
Interest income	230	
Dividends received	3,628	
D.I.E Profit	913	
Profit from anonymous association	1,374	
Amortization of goodwill	1,363	
Equity in net earnings of affiliates	711	
Others	1,692	9,913
V Non-operating expenses		
Interest expenses	3,634	
Others	832	4,467
Ordinary income		42,148
VI Extraordinary profit		
Gain on sales of fixed assets	2,488	
Gain on sales of investment securities	2,050	
Subsidy	1,017	
Reversal of provision for special repairs	785	
Others	282	6,624
VII Extraordinary loss		
Loss on disposal of fixed assets	3,203	
Loss on sales of investment securities	398	
Loss on revaluation of investment securities	156	
Impairment loss on fixed assets	5,280	
Legal settlement	1,920	
Others	1,555	12,515
Net income before taxes		36,256
Corporate taxes	2,736	
Corporate tax - deferred	16,305	19,042
Minority interests		1,257
Net income after taxes		15,956

Notes: Fractions less than one million yen are rounded off.

Consolidated Statement of Changes in Net Assets

(From 1 January to 31 December 2010)

(Unit: Million Yen)

	Shareholders' equity					Valuation & translation gains/losses	Minority interests	Total net assets
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Difference on valuation of investment securities		
Opening balance 31/12/'09	34,197	22,113	177,408	(181)	233,537	1,979	22,206	257,723
Changes in the period								
Dividends			(10,170)		(10,170)			(10,170)
Net profit after tax			15,956		15,956			15,956
Acquisition of treasury shares				(1)	(1)			(1)
Reissuance of treasury shares		(0)		0	0			0
Change of scope of equity method			(234)		(234)			(234)
Changes in items other than shareholders' equity (Net amount)						(861)	594	(267)
Total changes in the period	-	(0)	5,551	(1)	5,549	(861)	594	5,282
Closing balance 31/12/'10	34,197	22,113	182,959	(183)	239,087	1,117	22,801	263,006

Note: Fractions of one million yen are rounded off.

Note**1. Note to basic items for making the consolidated financial statements**

(1) Scope of consolidation

① Consolidated Subsidiaries (36 companies)

SYS		Nakagawa Sekiyu	
TOA Sekiyu		Tokyo Shell Pack	
Showa Shell Senpaku		Sun Road	
Enessance Holdings		Shinyo Sekiyu	
Nippon Grease		Marushin	
Shoseki Kako		Nagase Sekiyu	
Heiwa Kisen		Jonen	
SODEC		Nissho Koyu	
Rising Sun		Wakamatsu Gas	
Shoseki Engineering		Genex	
Petrostar Kansai	(*1)	On Site Power	
Chuo Shell Sekiyu Hanbai	(*2)	Solar Frontier	(*3)
Leef Energy	(*4)		Other 11 companies

(*1) Central Energy was merged with Petrostar Kansai.

(*2) Petro Star Kanto and Hayawa, non-consolidated subsidiary, were merged with Chuo Shell Sekiyu Hanbai.

(*3) Showa Shell Solar has changed its name to Solar Frontier.

(*4) Kanto Koyu Energy has changed its name to Leef Energy.

② Primary non-consolidated companies, KK Watani Energy etc. are excluded from consolidated accounts because their influence is immaterial to the consolidated financial statement such as total assets, sales proceeds, NIAT, profit surplus and so on.

(2) Scope of Equity associates

① Equity Associates (13 companies)

Seibu Sekiyu		Mieseki Shoji	
Daiya Shoseki		Jyoyo Shell Sekiyu	
Shell Sekiyu Osaka Hatsubaisho		Marubeni Energy	
Central Sekiyu Gas		Toyotsu Sekihan	
Niigata Joint Oil Stockpiling		TS Aromatics	
Shell Tokuhatsu		Ogishima Power	(*5)
JONET			

(*5) Ogishima Power has included in the scope of equity-method affiliates as of this financial year because of increased materiality.

② Other main affiliates such as Kyoudo Gas are excluded from the scope of equity associates because their influence on the consolidated financial statements is immaterial.

③ The original financial years of the equity associates are used for consolidation, even though their account closing date is not 31 December.

(3) Account closing dates of consolidated subsidiaries

The consolidated financial statements incorporated its accounts and the other subsidiaries accounts of their accounts closing dates, with adjustments for significant trades occurring after the accounts closed.

30 th September	8 companies
31 st October	1 company
31 st December	27 companies

(4) Important accounting standards

① Valuation method for main assets

(a) Securities

Other securities

Securities with market value	Stated at market value as account closing date (Any valuation differences are directly charged or credited to net assets and cost of securities sold is calculated mainly by the moving average method.)
Securities with no market value	Stated at historical cost based on the moving average method

(b) Derivatives

..... Stated at market value

(c) Inventories

..... Stated at historical cost, mainly based on the weighted average method

Products, Work In Progress,
Crude and Materials

(Values on the balance sheet are subject to the book value reduction method based on decreased profitability.)

② Depreciation

(a) Tangible fixed assets
(Without Lease
Asset)

..... Mainly straight-line method
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 an estimated useful economic life of 20 years.

(b) Intangible fixed assets
(Without Lease
Asset)

..... Straight-line method.
Software for own-use is amortized based on the straight-line method over an expected useful life of 5 years.

(c) Lease assets

..... Finance lease transaction for which ownership of the leased assets is not considered to transfer to leasees (hereinafter "ownership non-transfer finance lease")

With regard to the depreciation method of leased assets, the straight-line method is applied where the lease period is taken as useful economic life and the residual value is zero.

Ownership non-transfer finance lease transactions, where the start-up dates are prior to the beginning of the current financial year (prior to 31 December 2008), continue to be accounted by the accounting method in conformity with the method of operating lease transactions.

③ Basis of Provisions

(a) Doubtful debts

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

(b) Employees' bonus

..... Accrued employees' bonus for the current financial year is provided based on the estimated bonuses to be paid in the following year.

(c) Directors' bonus

..... Accrued directors' bonus for the current financial year is provided based on the estimated bonuses to be paid in the following year.

- (d) Retirement benefits ····· Accrued retirement benefits for the current financial year are provided based on the estimated PBO and pension assets as at end of the current financial year. Actuarial differences are amortized evenly within the following 10-14 years, which is the average remaining service years of employees.
The past service liabilities are amortized evenly within 10-14 years, which was the average remaining service years of employees at occurrences.
Differences at the accounting standards change are amortized evenly over the following 15years, which used to be the average remaining service years of employees at that time.
- (e) Directors' retirement benefits ····· Estimated retirement benefits for directors for the current interim financial year are provided based on the internal rules of some consolidated subsidiaries.
- (f) Special maintenance ····· The company is 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.

④ Hedge accounting

Hedge accounting is not adopted.

⑤ Accounting for consumption tax

The net of tax method is adopted for the Consumption Tax treatment.

⑥ Amortization of goodwill and negative goodwill

Goodwill is amortized for not more than 20 years, which is determined in consideration of its causes.
When amount of goodwill and negative goodwill is immaterial, it is amortized at once.

(5) Valuation method for assets and liabilities of subsidiaries

Mark to market valuation methods is applied to all the assets and liabilities of consolidated subsidiaries.

【Change in basis of presenting consolidated financial statements】

① Change in the depreciation method of depreciable assets

Some consolidated subsidiaries, which had adopted the declining balance method for tangible fixed assets, changed the depreciation method to the straight-line method in the current consolidated financial year. The change was implemented because the straight-line method is a more rational depreciation method to further improve the appropriateness of periodical accounting of profit and loss. It was a result of re-examination regarding the investment purposes and the use of refineries held by the consolidated subsidiaries, given the change in economic environment for the oil industry. The change caused an increase of 1,995 million yen in operating income and ordinary income, and an increase of 1,990 million yen in net income before taxes, compared with the previous method.

② Change in the standards for recording net sales of completed construction contracts and cost of sales of completed construction contracts

Regarding the standard for recording income from contract work, the percentage of the completion method had been applied to construction projects worth 5 billion yen or more with a construction period of more than one year and the completed contract method had been applied to other construction projects. The Group applied the Accounting Standards for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Statement No. 15, December 27, 2007) and the Implementation Guidance on Accounting Standards for Construction Contracts (Implementation Guidance of ASBJ Statement No. 18, December 27, 2007) in the current consolidated financial year. From construction contracts started during the current consolidated financial year, the percentage of the completion method (cost related method for estimation of complete percentage) is applied to construction projects recognized to hold certainty of outcomes for the portion completed by the end of the period and the completed contract method is applied to other construction projects. The change caused an increase of 441 million yen in net sales, and an increase of 44 million yen in operating income, ordinary income, and net income before taxes, compared with the previous method.

③ Change presentation on consolidated profit & loss statement

“Loss on sales of investment securities”, which were included in “Others” of extraordinary loss in the last year is separately disclosed, because it has increased materiality.

【Additional Information】

A consolidated subsidiary has been proceeding preparation for its business disposal. Negative goodwill regarding the business, which has been amortized evenly, was amortized at once in this financial year because the disposal was deemed to complete substantially.

2. Note to the consolidated Balance Sheet

(1) Mortgaged assets

①Mortgaged assets

Cash and bank deposits	3,608 Million Yen
Notes receivable & Trade debtors	1,320 Million Yen
Inventories	78 Million Yen
Buildings & Structures	19,724 Million Yen
Tanks	5,562 Million Yen
Machineries & Vehicles	81,540 Million Yen
Lands	42,766 Million Yen
Others	1 Million Yen
Total	154,604 Million Yen

In addition, the following assets are provided as mortgages to security for debts of Genex, a consolidated subsidiary.

Shares of Genex	1,680 Million Yen
Long-term loan to Genex	2,520 Million Yen

②Secured Debts

Long-term debts	7,360 Million Yen
Short-term debts	3,798 Million Yen
Accounts payable	59,102 Million Yen
Total	70,261 Million Yen

(2) Accumulated Depreciation of Tangible Fixed Assets

737,509 Million Yen

(Accumulated impairment loss due to the introduction of impairment accounting is included in this figure.)

(3) Guarantees

Guarantee for bank loan, etc.	3,090 Million Yen
Guarantee for employees (property loans)	821 Million Yen
Total	3,911 Million Yen

3. Note to the consolidated statement of changes in shareholders' equity

(1) Issued shares

Common shares	376,850,400 shares
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(2) Dividends

① Dividends paid

The following are determined at the annual shareholders' meeting on 30th March 2010

Total amount of dividends	6,780 Million Yen
Resource of dividend	Profit Surplus
Dividend per share	18 Yen
Record date	31 Dec. 2009
Payment date	31 Mar. 2010

The following are determined at the directors' meeting on 5th August 2010.

Total amount of dividends	3,390 Million Yen
Resource of dividend	Profit Surplus
Dividend per share	9 Yen
Record date	30 Jun. 2010
Payment date	8 Sep. 2010

② Dividends planned to be paid after this financial year.

The following will be determined at the annual shareholders' meeting on 30th March 2011.

Total amount of dividends	3,390 Million Yen
Resource of dividend	Profit Surplus
Dividend per share	9 Yen
Record date	31 Dec. 2010
Payment date	31 Mar. 2011

4. Note to the financial instruments

(1) Qualitative information on financial instruments

The Group procures funds mainly necessary bank borrowings, and issuance of bond, etc, based on the capital spending plans, while short-term working funds are raised through bank borrowings and commercial paper from financial institutions, etc.

Notes and accounts receivable are exposed to credit risks of the customers, while marketable securities and investment securities are mainly equity securities the Group holds in relation to operations, capital partnerships and other deals with its business partners and are exposed to market value volatility risks.

Loans are executed mainly to raise funds for capital expenditures and working capital and have their repayment or redemption dates set after the date of settlement of the current fiscal year. A part of the loans and bonds offer floating interest rates and is exposed to interest rate fluctuation risks, which derivative transactions (interest rate swaps) are used to hedge.

Derivative transactions used by the Group are forward exchange contract and currency option transactions to hedge foreign exchange fluctuation risks involving crude oil and oil product imports denominated in the US dollar, etc.; interest swap transactions to fix interest rate fluctuation risks involving the payment of loans; and crude oil and petroleum products forward contract and swap and crude oil collar option transactions to hedge price volatility risks involving crude oil and oil products importing and exporting.

(2) Market values of financial instruments

Book values and market values of the financial instruments on the consolidated balance sheet at December 31, 2010 are following.

	(Yen Million)		
	Book value(*)	Fair value(*)	Difference
(1) Cash and deposits	20,943	20,943	-
(2) Notes and accounts receivable-trade	291,104	291,104	-
(3) Investment securities	5,451	5,451	-
(4) Notes and accounts payable-trade	(273,531)	(273,531)	-
(5) Accounts payable-other	(185,000)	(185,000)	-
(6) Short-term loans payable	(37,203)	(37,203)	-
(7) Commercial paper	(115,000)	(115,000)	-
(8) Bonds payable	(35,200)	(35,593)	393
(9) Long-term loans payable	(113,648)	(114,898)	1,250
(10) Derivative transactions	(1,358)	(1,358)	-

(*) () Represents credit balance.

Notes: Calculation method of fair values of financial instruments and securities and derivatives transactions

①Cash and deposits ②Notes and accounts receivable-trade

They are settled on a short-term basis and their fair values are roughly equal to their book value, so that they are stated at book value.

③Investment securities

As for their fair value, equity securities are stated at fair value on the trade exchanges they are listed. Non-marketable equity securities (¥33,461million of "Other securities") are not listed item above, because it was extremely difficult to figure out the fair value.

④Notes and accounts payable-trade,⑤Accounts payable-other,⑥Short-term loans payable⑦Commercial paper

They are settled on a short-term basis and their fair values are roughly equal to their book value, so that they are stated at book value.

⑧Bonds payable

The fair value of a corporate bond is calculated by discounting the sum of its principal and interest at an interest rate at which a similar corporate bond is assumed to be issued in the market. Bonds payable included in current portion of non-current liabilities are included.

⑨Long-term loans payable

The fair value of Long-term loans payable is calculated by discounting the sum of its principal and interest at an interest rate at which a similar, new borrowing is assumed to be made. Long-term loans payable included in current portion of non-current liabilities are included.

⑩ Derivative Transactions

A specially treated interest rate swap is accounted for as an integral part of Long-term loans payable, or the subject of hedging, so that the fair value of the swap is stated by being included in the fair value of Long-term loans payable (Please refer to Items ⑨ above). Net debts and credits arising from derivative transactions are presented in each net value, and a value of a net debt after totaling of credit and debt is shown in parentheses.

【Additional Information】

Effective from the year ended December 31, 2010, the Company and its consolidated subsidiaries adopted the revised Accounting Standard, “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No.10 revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 revised on March 10, 2008).

5. Note to the investment and rental property

(1) Qualitative information on investment and rental property

The Company and some subsidiaries own service stations, office buildings and commercial facilities(contain of lands)for rent, in Tokyo and other areas.

(2) Market values of f investment and rental property

(Yen Million)

Book value	Fair value
31,505	75,800

(*1) The book value of each property on the balance sheet is its acquisition cost less cumulative depreciated expenses and cumulative impairment losses.

(*2) The fair value of major properties as of the end of the current fiscal year is the amount based on the statement of the property appraisal standard provided by the external licensed appraiser, while the fair value of other properties is determined by referring to the amount assessed based the property appraisal standard. As for properties of less importance, certain assessed amounts or the amounts based on the measurement indices which are considered as reflecting appropriate market prices are regarded as the fair value of such properties, while the appropriate book value of some buildings and other depreciated assets is regarded as their fair value.

【Additional Information】

Effective from the year ended December 31, 2010 the domestic companies apply the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (Accounting Standards Board of Japan (“ASBJ”) Statement No.20 issued on November 28, 2008) and the “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Guidance No.23 issued on November 28, 2008).

6. Note to the per share information

Net assets per share	637.78 Yen
Net loss per share	42.37 Yen

Independent Auditors' Report
(English Translation*)

February 14, 2011

To the Board of Directors of Showa shell Sekiyu K.K.

PricewaterhouseCoopers Aarata

PricewaterhouseCoopers Aarata, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 444(4) of the "Corporate Law" of Japan, the consolidated financial statements, which consist of the consolidated balance sheet, consolidated profit and loss statement, consolidated statement of change in net assets and consolidated notes to the financial statements of Showa Shell Sekiyu K.K. (hereinafter referred to as the "Company") for the 99th fiscal year from January 1, 2010 to December 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit is performed on a test basis and includes assessing the accounting principles used by management including how they are applied and estimates made by management, as well as examining the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the corporate group which consists of Showa Shell Sekiyu K.K. and its consolidated subsidiaries, and for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Supplementary Information

The Company changed depreciation method of tangible fixed assets of some consolidated subsidiaries from this Business period, as is stated in "Changes in basis of presenting consolidated financial statements".

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Nonconsolidated Balance Sheet

(As of 31 December 2010)

(Unit : Million Yen)

Assets		Liabilities	
<u>I . Current Assets</u>	679,184	<u>I . Current Liabilities</u>	645,260
Cash & Deposits	7,837	Trade creditors	260,464
Notes receivable	106	Short-term debts	33,101
Trade debtors	281,612	Commercial paper	115,000
Inventory - products	99,480	Lease liability	186
Inventory - crude, materials & stores	116,792	Accounts payable	171,879
Prepaid expenses	996	Income taxes payable	338
Short-term loans	143,840	Accrues expenses	13,073
Deferred tax assets	15,844	Advances received	16,804
Other current assets	13,703	Deposit from customers & others	31,216
Provisions for doubtful debts	(1,030)	Accrued bonus	759
II . Fixed Assets	407,645	Accrued bonus to directors and statutory auditors	32
Tangible fixed assets	201,387	Other current liabilities	2,403
Buildings	48,141	<u>II . Long-term Liabilities</u>	218,346
Structures	20,973	Bonds	35,000
Oil tanks	4,734	Long-term debts	99,000
Machinery and equipment	15,314	Long-term lease liability	823
Vehicles and conveyances	27	Provision for retirement benefits	60,704
Tools, implements, fixtures	2,093	Provision for special maintenance	2,148
Lands	108,958	Derivatives liabilities	209
Lease assets	185	Other fixed liabilities	20,460
Construction in progress	958	Total Liabilities	863,606
Intangible fixed assets	8,661	Net Assets	
Leasehold rights	3,786	<u>I . Shareholders' Equity</u>	222,331
Software	4,793	Share capital	34,197
Others	80	Capital surplus	22,074
Investments etc.	197,596	Capital reserve	22,045
Securities	8,299	Other capital surplus	28
Subsidiaries' securities	118,706	Retained earnings	166,193
Capital contribution	1,932	Profit reserve	6,749
Long-term loans	20,472	Other retained earnings	159,443
Long-term prepaid expenses	1,155	Reserve for deferred gains on fixed assets transaction	13,596
Deferred tax assets	36,280	Special reserve	5,550
Derivatives assets	209	Profit surplus carried forward	140,297
Others	10,882	Treasury shares	(134)
Provisions for doubtful debts	(342)	<u>II . Valuation and translation gains/losses</u>	891
Total Assets	1,086,829	Difference on valuation of investment securities	891
		Total Net Assets	223,222
		Total Liabilities and Net Assets	1,086,829

Note: Fractions of one million yen are rounded off.

Nonconsolidated Profit and Loss Statement

(From 1 January to 31 December 2010)

(Unit : Million Yen)

I Sales		2,203,807
II Cost of sales		2,085,317
Gross profit		118,490
III Sales, administrative and general expenses		81,839
Operating income		36,650
IV Non-operating profit		
Interest income	1,066	
Dividends received	3,609	
Foreign exchange gains	857	
Profit from anonymous association	1,374	
Others	484	7,392
V Non-operating expenses		
Interest expenses	3,406	
Others	659	4,065
Ordinary income		39,977
VI Extraordinary profit		
Gain on sales of fixed assets	2,409	
Gain on sales of investment securities	1,649	
Write back of provision for special maintenance	785	
Subsiday	502	
Others	362	5,710
VII Extraordinary loss		
Loss on disposal of fixed assets	2,244	
Impairment loss on fixed assets	2,906	
Legal settlement	1,920	
Loss on valuation of securities of subsidiaries and affiliates	258	
Others	300	7,630
Net income before taxes		38,056
Corporate taxes	26	
Corporate taxes - deferred	15,629	15,656
Net income after taxes		22,399

Nonconsolidated Statement of Changes in Net Assets

(From 1 January to 31 December 2010)

(Unit: Million Yen)

	Shareholders' equity											Valuation & Translation gains/losses	Total net assets
	Share Capital	Capital surplus			Retained earnings					Treasury shares	Total share-holders equity	Difference on valuation of investment securities	
		Capital reserve	Other capital surplus	Total capital surplus	Profit reserve	Other retained earnings			Total retained earnings				
						Reserve for deferred gains on fixed assets transaction	Special reserve	Profit surplus carried forward					
Opening balance 31/12/09	34,197	22,045	28	22,074	6,749	13,206	5,550	128,458	153,964	(132)	210,103	1,708	211,812
Changes in the period													
Dividends								(10,170)	(10,170)		(10,170)		(10,170)
Net income after tax								22,399	22,399		22,399		22,399
Acquisition of treasury shares										(1)	(1)		(1)
Reissuance of treasury shares			(0)	(0)						0	0		0
Additions to other profit surplus						390		(390)	-		-		-
Changes in items other than shareholders' equity (Net amount)												(816)	(816)
Total changes in the period	-	-	(0)	(0)	-	390	-	11,838	12,228	(1)	12,227	(816)	11,410
Closing balance 31/12/10	34,197	22,045	28	22,074	6,749	13,596	5,550	140,297	166,193	(134)	222,331	891	223,222

Note: Fractions of one million yen are rounded off.

Note**1. Note to the basic items for making the non-consolidated financial statements**

- (1) Significant accounting policies
- ① Valuation method of assets
- (a) Securities of subsidiaries and affiliate Stated at historical cost based on the moving average method
- (b) Other securities
- Securities with market value Stated at market value as of account closing date. (Any valuation differences are directly charged or credited to net assets and cost of securities sold is calculated by the moving average method.)
- Securities with no market value Stated at historical cost based on the moving average method
- ② Derivatives Stated at mark to market
- ③ Inventories
- Merchandise & finished goods, work in progress, raw materials & supplies Stated at historical cost, mainly based on the weighted average method (Values on the balance sheet are subject to the book value reduction method based on decreased profitability.)
- (2) Depreciation methods for fixed assets
- ① Tangible fixed assets Straight-line method
(excluding lease assets) 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 at Ogimachi Factory of the Keihin Refinery are depreciated with an estimated useful economic life of 20 years.
- ② Intangible fixed assets Straight-line method
(excluding lease assets) Software for own-use is amortized based on the straight-line method over an expected useful life of 5 years.
- ③ Lease assets Finance lease transaction for which ownership of the leased assets is not considered to transfer to leasees (hereinafter “ownership non-transfer finance lease”)
With regard to the depreciation method of leased assets, the straight-line method is applied where the lease period is taken as useful economic life and the residual value is zero.
Ownership non-transfer finance lease transactions, where the start-up dates are prior to the beginning of the current financial year (prior to 31 December 2008), continue to be accounted by the accounting method in conformity with the method of operating lease transactions.
- (3) Basis of provisions
- ① Doubtful debts For doubtful debts, provisions are calculated individually based on the estimated uncollectible amounts. For other debts, provisions are calculated based on the actual ratio of past doubtful debt losses.
- ② Employees’ bonus Accrued bonuses for the current financial year are provided based on the estimated bonuses to be paid in the following year.
- ③ Directors’ bonus For directors’ bonuses, provisions are calculated based on the estimated bonuses to be paid in the following year.
- ④ Retirement benefits Accrued retirement benefits for the current financial year are 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 years, which is the average number of remaining service years of employees.
- ⑤ Special repairs The company is 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.

- (4) Hedge accounting
Hedge accounting is not adopted.
- (5) Accounting for consumption tax
The net of the tax method is adopted with regard to consumption tax.

2. Note to balance sheet

- (1) Collateral assets
- | | |
|----------------------------|-------------------|
| <u>① Collateral assets</u> | |
| Land | 7,017 Million Yen |
| <u>② Secured debts</u> | |
| Accounts payable | 9,748 Million Yen |
- ※ A part of the land are mortgages for accounts payable of Toa.
(7,999 million yen at the end of this financial year)
- (2) Accumulated depreciation of tangible fixed assets
- | | |
|--|---------------------|
| | 265,967 Million Yen |
|--|---------------------|
- (Accumulated depreciation includes accumulated impairment losses due to the application of impairment accounting.)
- (3) Guarantees
- | | |
|--------------------------------|-------------------|
| Guarantee for bank loan, etc. | 4,723 Million Yen |
| Guarantee for employees' loans | 758 Million Yen |
| Total | 5,482 Million Yen |
- (4) Credits and debts against affiliated companies
- | | |
|--------------------|---------------------|
| Short term credits | 233,617 Million Yen |
| Long term credits | 20,531 Million Yen |
| Short term debts | 167,665 Million Yen |
| Long term debts | 920 Million Yen |

3. Note to profit and loss statement

- (1) Transactions with affiliated companies
- | | |
|----------------------------------|---------------------|
| Operating transactions | |
| Sales | 667,510 Million Yen |
| Purchases | 221,054 Million Yen |
| Other non-operating Transactions | 6,791 Million Yen |

4. Note to statement of changes in shareholders' equity

The number of treasury shares at the end of the year	157,554 Shares
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5. Note to the deferred tax accounting

Main items of deferred tax assets and liabilities

(Differed tax assets)	
Provision for retirement benefits exceeding the limit of tax deductible amount	26,307 Million Yen
Impairment loss of fixed assets	20,364 Million Yen
Tax non-deductible valuation loss on securities	1,433 Million Yen
Provision for doubtful debts exceeding the limit of tax deductible amount	409 Million Yen
Loss carried forward	29,967 Million Yen
Others	11,455 Million Yen
<u>Sub-Total (Deferred tax assets)</u>	<u>89,938 Million Yen</u>
Valuation allowance	(28,122) Million Yen
<u>Total (Deferred tax assets)</u>	<u>61,816 Million Yen</u>
(Deferred tax liabilities)	
Reserves for advanced depreciation of fixed assets	(9,331) Million Yen
Differences on valuation of investment securities	(358) Million Yen
<u>Total (Deferred tax liabilities)</u>	<u>(9,690) Million Yen</u>
Net deferred tax assets	52,125 Million Yen

6. Note to the lease transactions

Parts of machinery and equipment are utilized under the contracts of “ownership non-transfer finance lease”, in addition to the fixed assets on the balance sheet.

Acquisition cost	566 Million Yen
Accumulated depreciation	447 Million Yen
Remaining lease rental at the end of the year	118 Million Yen
Lease rental paid (equivalent to depreciation charges)	71 Million Yen
※ The above amount does not include sublease.	

7. Note to the information per one share

Net assets per share	592.59 Yen
Net profit per share	59.46 Yen

Independent Auditors' Report
(English Translation*)

February 14, 2011

To the Board of Directors of Showa Shell Sekiyu K.K.

PricewaterhouseCoopers Aarata

PricewaterhouseCoopers Aarata , CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436 (2) i of the "Corporate Law" of Japan, the financial statements, which consist of the balance sheet, profit and loss statement, statement of change in net assets and notes to the financial statements, and the supplementary schedules of Showa Shell Sekiyu K.K. (hereinafter referred to as the "Company") for the 99th fiscal year from January 1, 2010 to December 31, 2010. These financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we obtain reasonable assurance about whether the financial statements and supplementary schedules are free of material misstatement. An audit is performed on a test basis and includes assessing the accounting principles used by management including how they are applied and estimates made by management, as well as examining the overall presentation of the financial statements and supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations for the period covered by the financial statements and supplementary schedules in conformity with accounting principles generally accepted in Japan.

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Law of Japan.

* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Audit Report

(Translation)

Based on the Audit Report received from each Auditor regarding business activities by the directors during the 99th Business Period (from 1st January to 31st December, 2010), the Auditors' Meeting, upon deliberation, hereby has prepared this Audit Report and presents it as follows:

1. The Audit Procedures and Contents of Auditor's Audit and Auditors' Meeting

We decided the Auditing policy and plan of this year at the Auditor's Meeting. In addition to receiving the reports on conduct and results of audit from each auditor, we received the reports on business activities of directors and accounting auditors. If desired, we asked for explanation of the details from them.

In accordance with the auditing standards stipulated by the Auditors' Meeting, and the auditing policies and plans of this period, we communicate with directors, executive officers, internal auditing division and other employees, and endeavored to collect information and to promote systems for effective audit. We also attended the Meetings of the Board of Directors, Executive Committee, Solar Strategy Meeting and other important meetings of the Company and received reports on the business activities of directors, executive officers and employees, calling for explanation as required. We inspected the approved documents, and examined business activities and financial conditions of the headquarters and other major offices of the Company. In addition, we monitored and verified the content of the resolution of the Board of directors and system actually placed as "internal control system" in accordance to this resolution, which is stipulated in Item 6 in Paragraph 4 of Article 362 of the Corporate Law and Paragraphs 1 and 3 of Article 100 of the Enforcement Regulation of Corporate Act as a system required to ensure the compliance of laws and the Articles of Associations in the execution of businesses by directors. Regarding internal control over financial reporting, we received the reports from directors and Arata Audit Corporation on the evaluation of internal control and their audit activities, calling for explanation when required. As for our subsidiaries, through communication and information exchange with directors and auditors of the subsidiaries, we received reports on their business activities as is necessary. Based on these methods, we examined the Business report and the Supplementary Schedule of this year.

In addition to monitoring whether accounting auditors maintain their independency and execution of correct auditing, we received reports on their business activities, asking for their explanation as needed. Accounting auditors notified us "the arrangement of systems to ensure the appropriate business execution" (requirements stipulated in each clause of Article 131, Corporate Computation Rule), in compliance with standards as the "Quality control standard for auditing" (set by Corporate Accounting Council on October 28, 2005). We called for explanations as required. Pursuant to the above procedures, we examined the financial reports of this term (including the balance sheet, profit-and-loss statement, statements of changes in net asset, Notes to financial statements), and supplementary schedule, and consolidated financial reports of this term (namely,

consolidated balance sheet, consolidated profit-and-loss statement, consolidated statements of changes in net asset, and Notes to consolidated financial statements).

2. The Results of the Audits

As a result of our audit, we are of the opinion that:

- (1) Audit results of Business Report:
 - a. Business Report and its Supplementary Schedule properly represents the business situation of the Company in accordance with the applicable laws and regulations as well as the Company's Articles of Incorporation;
 - b. There is no misconduct or significant violation of laws or the Company's Articles of Incorporation by the Directors in the course of the execution of their duties;
 - c. Resolution of the board of directors as to internal control system is reasonable. No suggestion is required with respect to the director's activities and implementation of internal control system.
- (2) Audit results of Financial Statements and its Supplementary Schedule:

The procedures and results of the audit by Arata Audit Corporation, the Accounting Auditors of the Company, are appropriate.
- (3) Audit results of Consolidated Financial Statements:

The procedures and results of the audit by Arata Audit Corporation, the Accounting Auditors of the Company, are appropriate.

February 17, 2011

Showa Shell Sekiyu K.K. Auditor's Meeting

Full-time Auditor Hisao Nozaki

Full-time Auditor Tadamitsu Fukuchi

Auditor Midori Miyazaki

Auditor Kenji Yamagishi

Note: Auditor, Ms. Midori Miyazaki, and Auditor, Mr. Kenji Yamagishi, are the outside auditor stipulated in Item 16 of Article 2 and Clause 3 of Article 335 of Corporate Law.

Reference Material for the General Meeting of Shareholders

Proposals and References

Item 1: To approve the Proposed Appropriation of Profit for the 99th Period.

The Company's dividend policy aims for dividend stable and attractive to shareholders, whereas the business performance and financial position of the Company as well as financial market conditions are considered, and simultaneously aims for attaining sufficient retained earnings in order to accomplish our mid-and-long-term growth strategy for the purpose of maximizing our corporate value.

As for the appropriation of Profit for the 99th period, it is our intention to maintain sufficient retained earnings to carry out our growth strategy and thereby maximize our corporate value, and the dividend for the end of the Period is proposed as follows:

For your information, the total dividend for the period, when this proposal is approved, is 18 yen per share (36 yen per share in the previous period) with a 9 yen per share interim dividend paid in September 2010.

(1) Asset distributed as Dividend:

Cash

(2) Distribution of Dividend and Total amount distributed:

9 yen per share Total amount: ¥3,390,235,614

(3) Effective Date for the Dividend:

31st March, 2011

Item 2: To appoint 8 Directors of the Company.

As the term of office for all the Directors will expire at the closing time of the 99th Annual General Meeting of shareholders, the appointment of 8 Directors is hereby proposed.

Particulars of the Director candidates are as follows (New director candidates are marked with ※ in front of the name):

No.	Name (Date of Birth)	Personal History, Important Concurrent Positions held in other organizations, Status and Responsibility in the Company	Shares of the Company held
1	Shigeya Kato (2 August 1947)	Apr 1970 joined Shell Sekiyu K.K. Apr 1998 Change Promotion Center Manager Mar 1999 Executive Officer / Change Promotion Center Manager Mar 2001 Director Mar 2003 Managing Director Mar 2005 Senior Managing Director Mar 2006 Representative Director / Vice Chairman Mar 2009 Representative Director / Chairman (to present) (concurrent positions) Representative Director, Shell Chemicals Japan K.K. Director, Seibu Sekiyu K.K. Director, Solar Frontier K.K. Outside Director, AOC Holdings K.K. (responsibility) in charge of Code of Conduct and Audit	54,800 shares

2	Jun Arai (28 February 1959)	<p>Apr 1983 joined Shell Sekiyu K.K.</p> <p>Sep 2002 Management Information Manager</p> <p>Apr 2004 Accounting Manager</p> <p>Mar 2005 Executive Officer / Accounting Manager</p> <p>Mar 2006 Director</p> <p>Mar 2007 Managing Director</p> <p>Aug 2008 Representative Director / Acting President</p> <p>Nov 2008 Representative Director / President (to present)</p> <p>(concurrent positions)</p> <p>Director, Showa Yokkaichi Sekiyu K.K.</p> <p>Director, Solar Frontier K.K.</p> <p>(responsibility)</p> <p>Chief General Manager of Oil Business Center and Solar Business Center</p>	18,500 shares
3	Richard A. Carruth (16 March 1952)	<p>Jun 1976 joined Shell Oil Company (USA)</p> <p>Sep 2001 Director of Merger, Acquisition & Divestment, Shell International Oil Products Company (UK)</p> <p>Jun 2005 General Manager Finance, Shell Eastern Petroleum Company (Singapore)</p> <p>Jun 2006 Executive Officer, Chief Finance Officer (CFO)</p> <p>Mar 2007 Director / Vice President (CFO) (to present)</p> <p>(concurrent positions)</p> <p>Representative Director / President, Shell Japan Trading K.K.</p> <p>Director, Solar Frontier K.K.</p> <p>(responsibility)</p> <p>CFO, in charge of Group Functions (Finance, Credit Control, Procurement)</p>	3,700 shares

4	Yoshihiko Miyauchi (13 September 1935)	<p>Aug 1960 joined Nichimen Jitsugyo K.K. (current Sojitsu K.K.)</p> <p>Apr 1964 Joined Orient Lease K.K. (current Orix K.K.)</p> <p>Mar 1970 Director, Orix K.K.</p> <p>Nov 1977 Representative Director / Senior Managing Director, Orix K.K.</p> <p>Dec 1979 Representative Director / Vice President, Orix K.K.</p> <p>Dec 1980 Representative Director / President, Orix K.K.</p> <p>Apr 2000 Representative Director / Chairman, Orix K.K.</p> <p>Mar 2003 Outside Director, Showa Shell Sekiyu K.K. (to present)</p> <p>Jun 2003 Director / Representative Officer / Chairman / Group CEO, Orix K.K. (to present)</p> <p>(concurrent positions)</p> <p>Director / Representative Officer / Chairman /Group CEO, Orix K.K.</p> <p>Representative Director / Owner, Orix Baseball Club K.K.</p> <p>Outside Director, K.K. Access</p>	10,000 shares
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5	Tan, Chong-Meng (4 October 1960)	May 1984	joined Ministry of National Development (Singapore)	0 share	
		Feb 1989	joined Shell Eastern Petroleum (Pte) Ltd (Singapore)		
		Aug 1998	General Manager, Retail Marketing, Shell Eastern Petroleum (Pte) Ltd (Singapore)		
		May 2000	Vice President, Shell China Limited (China)		
		Jul 2004	Vice President, Shell Eastern Petroleum (Pte) Ltd (Singapore)		
		Nov 2005	Executive Vice President, Shell Eastern Petroleum (Pte) Ltd (Singapore) (to present)		
		Mar 2006	Outside Director, Showa Shell Sekiyu K.K. (to present)		
		Jun 2008	External Director, Fraser and Neave, Limited (Singapore) (to present)		
		(concurrent positions)			
		Executive Vice President, Shell Eastern Petroleum Co. (Singapore)			
External Director, Fraser & Neave Ltd. (Singapore)					

6	Yukio Masuda (22 March 1941)	<p>Apr 1964 joined Mitsubishi Corporation K.K.</p> <p>Jun 1996 Director, Mitsubishi Corporation K.K.</p> <p>Apr 1999 Managing Director, Mitsubishi Corporation K.K.</p> <p>Jun 2001 Representative Director / Senior Executive Officer, Mitsubishi Corporation K.K.</p> <p>Apr 2002 Representative Director / Vice President Executive Officer, Mitsubishi Corporation K.K.</p> <p>Jun 2006 Fulltime Advisor, Mitsubishi Corporation K.K.</p> <p>Jun 2008 Advisor, Mitsubishi Corporation K.K. (to present)</p> <p>Jun 2008 Outside Auditor, Tokyo Gas K.K. (to present)</p> <p>Mar 2009 Outside Director, Showa Shell Sekiyu K.K. (to present)</p> <p>(concurrent positions) Advisor, Mitsubishi Corporation K.K. Outside Auditor, Tokyo Gas K.K.</p>	7,100 share
7	※ Shigeaki Kameda (3 November 1947)	<p>Apr 1971 joined Shell Sekiyu K.K.</p> <p>Apr 1999 Product Trading Manager</p> <p>Apr 2003 LPG Divisions Manager</p> <p>Mar 2005 Executive Officer</p> <p>Mar 2006 Corporate Executive Officer</p> <p>Aug 2006 Representative Director / President, Showa Shell Solar K.K. (current Solar Frontier K.K.) (to present)</p> <p>Mar 2007 Senior Corporate Executive Officer (to present)</p> <p>(concurrent positions) Representative Director / President, Solar Frontier K.K.</p>	9,000 share

8	※ Ahmad O. Al-Khowaiter (1 September 1966)	Jul 1984 joined Saudi Aramco (Saudi Arabia) Jul 2005 Manager, Facility Planning Department, Saudi Aramco (Saudi Arabia) Jul 2005 Director, Petron Corporation (Philippines) Jan 2007 Interim Vice President for Economic Development, King Abdullah University of Science and Technology (Saudi Arabia) Oct 2009 Director, New Business Origination & Evaluation Department, Saudi Aramaco (Saudi Arabia) (to present) (concurrent positions) Director, New Business Origination & Evaluation Department, Saudi Aramaco (Saudi Arabia)	0 share
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Note 1. Mr. Yoshihiko Miyauchi, Mr. Tan Chong-Meng and Mr. Yukio Masuda are present outside directors of the Company, and they have been for 8 years, 5 years and 2 years, respectively.

2. Mr. Yoshihiko Miyauchi, Mr. Tan Chong-Meng, Mr. Yukio Masuda and Mr. Ahmad O.

Al-Khowaiter are candidates for appointment as outside directors. They are nominated with the expectation that their experience and knowledge, which are briefly summarized below, will contribute to the enhancement of the corporate governance and sustainable growth strategy of the Company.

(1) Mr. Yoshihiko Miyauchi is Director / Representative Officer / Chairman / Group CEO of Orix K.K. and has served a number of companies as outside director. He has broad experience and knowledge in management.

(2) Mr. Tan Chong-Meng is Executive Vice President, Shell Eastern Petroleum (Pte) Ltd, and he has management know-how, which has been accumulated in the Shell Group through its worldwide operations for many years. He also serves as External Director in Fraser and Neave, Limited, a listed company in the Singapore Stock Exchange. The Company has important business relationship with the Shell Group companies.

(3) Mr. Yukio Masuda has a lengthy career, which includes the position of chief officer, in the energy business sector of Mitsubishi Corporation K.K., and he is highly knowledgeable about both international and domestic energy business. The Company has important business relationship with Mitsubishi Corporation K.K.

(4) Ahmad O. Al-Khowaiter is Manager, Director, New Business Origination & Evaluation Department in Saudi Aramco, and he has managerial know-how of the worldwide operation of the petroleum business. He also served as Director in Petron Corporation, a listed company

in the Philippines Stock Exchange. The Company has important business relationship with Saudi Aramco.

3. Mr. Yoshihiko Miyauchi, Mr. Tan Chong-Meng and Mr. Yukio Masuda as outside directors entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of Corporate Code. Amounts of liability under this agreement shall be higher amounts of 10,000,000 yen and amounts designated by the Corporate Code. Mr. Ahmad O. Al-Khowaiter will enter into a similar agreement upon his appointment.
4. The Company registered Mr. Yoshihiko Miyauchi and Mr. Yukio Masuda as independent directors in the Tokyo Stock Exchange. Although the Company has important business relationship with Mitsubishi Corporation K.K., in which Mr. Masuda serves as Advisor, the ratio of its business (including its subsidiaries) in the Company's sales proceeds or cost of sales are not more than several per cents, nor dominant when compared with others. Mitsubishi Corporation K.K. has 19.68% share in our refining subsidiary, Showa Yokkaichi Sekiyu K.K. and shareholding in two sales joint-ventures, but its business through these joint-ventures is not dominant when compared with others. These relations will not have an effect on the independency of Mr. Yukio Masuda as outside director, because he has not been engaged in business execution in Mitsubishi Corporation K.K. since June 2006.
5. Mr. Shigeya Kato is Representative Director, Shell Chemical Japan K.K. The Company has transactions with Shell Chemical Japan K.K. in relation to petroleum products sales, the lease of petroleum product trading business, services and lease of offices.
6. Mr. Richard A. Carruth is Representative Director, Shell Japan Trading K.K. The Company has transactions in relation to service provisions with Shell Japan Trading K.K.
7. Mr. Yoshihiko Miyauchi is Representative Officer, Orix K.K. The Company and its affiliates has transactions with Orix K.K. and its subsidiaries regarding sales transaction of petroleum products, automobile and office supplies lease, transactions accompanied with usage of ETC cards, lease contract of office for retail outlets, and additional services. Furthermore, the Company has a joint venture company named as K.K. Onsite Power, which conducts electricity and heat supply business, with Orix K.K.
8. Mr. Yukio Masuda is Outside Auditor, Tokyo Gas K.K. The Company has a joint venture, which is operating a natural gas fired large-scale electric power generation plant, with Tokyo Gas K.K.

Item 3: To appoint an Auditor of the Company.

As Mr. Hisao Nozaki, Auditor, will resign at the closing time of the 99th Annual General Meeting of shareholders, the appointment of an Auditor is hereby proposed. His term of office will be the same as that of his predecessor.

The Auditors' Meeting supports this proposal.

The particulars of the candidate for Auditor are as follows (New auditor candidate is marked with ※ in front of the name):

Name (Date of Birth)	Personal History, Important Concurrent Positions held in other organizations and Status in the Company	The number of shares of the Company held
※ Yukimichi Ikemura (18 October 1946)	April 1969 joined Shell Sekiyu K.K. June 1996 General Manager, Bitumen & Lubricant Division April 2001 Executive Officer March 2005 Corporate Executive Officer March 2007 Senior Corporate Executive Officer (to Present)	28,550 shares

Item 4: To appoint a Substitute Auditor of the Company.

As a safeguard against the case in which the number of auditors lacks the number required by laws and regulations, the appointment of a Substitute Auditor is proposed.

The Auditors' Meeting supports this proposal.

The particulars of the candidate for Substitute Auditor are as follows:

Name (Date of Birth)	Personal History, Concurrent Positions held in other organizations and Status in the Company	The number of shares of the Company held
Kazuo Mura (12 June 1950)	April 1978 Registered as Attorney at Law March 1984 Established Kazuo Mura Law Office November 1994 Representative, Mura Momijishima Law Office (current Mura Miyadate Law Office) (to Present) April 1997 Managing Director, Japan Federation of Bar Association April 2000 Managing Director, K.K. Seiri Kaishu Kikou (The Resolution and Collection Corporation) April 2005 Professor, Kokugakuin University Law School (to Present) (concurrent positions) Representative, Mura Miyadate Law Office Professor, Kokugakuin University Law School	0 share

Note 1. Mr. Kazuo Mura is an experienced attorney at law and also familiar to business and management.

He is appointed as a substitute to an outside auditor.

2. The Company paid retainer and other fees to Mr. Kazuo Mura as a legal counsel to the Auditors' Meeting. As we consider this will not affect his independence as an outside auditor, we will register him as an independent officer with the Tokyo Stock Exchange when he is appointed as an outside auditor.
3. When Mr. Kazuo Mura is appointed as auditor, an agreement to limit his liability of Paragraph 1 of Article 423 of the Corporate Law will be executed. His minimum liability under the agreement will be whichever higher of 10 million yen or the minimum liability amount set out by the law.

Item 5: To approve the Provision of a Bonus for Directors and Auditors.

A bonus will be provided to 5 directors (including 2 outside directors) out of 8 directors (including 4 outside directors) and to 4 auditors as of the end of the 99th Period. The amount of the bonus will be 32,600 thousand yen (of which 3 million yen to outside directors, 26,340 thousand yen to other directors and 3,260 thousand yen to auditors), and the allocation of the bonus to each Director and Auditor will be determined by the resolution of the Board of Directors and the discussion of Auditors, respectively.

The amount of the bonus is based on the degree of the goal achievement of ordinary profit without the effect of inventory evaluation, which is adjusted by external factors such as economic circumstances during the Period.