

Press Release
(English Translation)

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Executive Officer
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Year-end results for FY 2004

We present the following summary of the business of the Company for its 93rd term, namely, the period from 1st January to 31st December, 2004.

Note

The consolidated ordinary profit of FY 2004 was record 61.9 billion yen (increased by 23.7billion yen compared to the last year). The consolidated NIAT was 2.3 billion yen due to the early introduction of impairment accounting.

1. Main Indicators

< Consolidated >

Unit : Million Yen

Sales Proceeds	1,839,445	VS	+112,527 (6.5%)
Operating Profit	60,185	"	+24,211 (67.3%)
Ordinary Profit	61,927	"	+23,739 (62.2%)
Ordinary Profit (CCS basis)	40,426	"	+4,090 (11.2%)
NIAT	2,362	"	-18,637 (88.8%)

< Unconsolidated >

Sales Volume	38,244KKL	VS	-1,596KKL (4.0%)
Sales Proceeds	1,778,369	"	+108,814 (6.5%)
Operating Profit	55,280	"	+24,267 (78.2 %)
Ordinary Profit	58,940	"	+24,227 (69.8%)
Ordinary Profit (CCS basis)	37,439	"	+4,577 (13.9%)
NIAT	3,202	"	-16,748 (83.9%)

CCS basis : Current Cost of Supply basis

Calculation based on the cost excluding stock evaluation effects

2. Business Outline

(1) Domestic Economy and Industrial Environment

Despite continued improvement of corporate profits and increase of private sector industrial investment, economic recovery in Japan slowed down in the second half of the period as the growth rate of export and individual consumption declined. Meanwhile, the Dubai crude oil price, which was around 28 dollars per barrel at the beginning of the year, soared above 41 dollars per barrel in August due to worries about instability in major oil-producing countries as well as worldwide increased oil demand. As OPEC increased its production ceiling several times, however, crude oil prices gradually weakened, and the Dubai crude oil price was 34 dollars per barrel at the end of the period.

As for the foreign exchange market, the Yen/\$ exchange rate started the year around 107, and fluctuated between 103 and 114. From the middle of the year, the rate was stable around 110 for a while, but in October the Yen started to appreciate, due mainly to the concern about the U.S. economy downturn. The exchange rate at the end of the period was around 104.

With respect to the domestic oil demand, the demand for gasoline continued to increase steadily and the demand for gas oil exceeded that of the previous year, reflecting increased industrial demand along with the economic recovery. The demand for kerosene, however, fell from the previous year because of the mild winter. Demand for C fuel oil used for power generation dramatically declined, compared with the previous year.

With regard to petroleum products price, while the crude oil price continued to rise, due to a tight stock situation caused by regular shutdowns of refineries, the selling prices for gasoline and gas oil at service stations rose to large extent in the second half of the year. The price of petroleum products for industrial use scarcely rose despite the increase of crude oil price, as fierce competition continued, but finally in the fourth quarter the price of some petroleum products rose, reflecting the crude oil price.

(2) Business Activities

<Marketing Policy>

We expanded the sales area for our new high-octane gasoline, "Shell Pura", to San-in district, and the coverage ratio of the product reached 74% of the Company's total high-octane gasoline sales volume through its service station network. We further enhanced our product line with renewed product specification for "Shell Helix", an engine oil for automobiles, and the launch of a new product, "Shell Helix Premium OW-20", which has fuel-consumption-saving and environmental-friendly features. Moreover, in order to expand our revenue base in the petroleum products marketing business, the core business of the Company, we purchased shares in Marubeni Energy K.K., and acquired D.M. Gas Station K.K. which we placed under one of the Company's associated companies

< Manufacturing >

In manufacturing, we continued the safe and effective operation of the Company's group refineries. We also enhanced our competitiveness by improving our plant utilisation and product mix (ratio of higher value products). In pursuit of environmental objectives, we introduced new energy saving measures at the refineries, and started the production of so-called "sulphur free" gasoline and gas oil, which contain less than 10 p.p.m sulphur, in preparation for the distribution of those products.

< New Business >

In the area of new business, aiming at practical use of GTL (Gas To Liquid), a new fuel made from natural gas, we started the experimental sales of the product as a heating fuel, in addition to continuing verification tests on its suitability as an automobile fuel. With respect to our activities for the electric power generation project, we continued to conduct an environment assessment at K.K. Ohgishima Power, a joint venture with Tokyo Gas K.K. and Shell Gas B.V. for the purpose of construction of a 1.2 million KW-size power plant using natural gas as a fuel. In July, upon the receipt of the advice from the Minister of Economy, Trade and Industry on our document for environmental impact assessment method, we have started a survey of the current

circumstances in preparation for the preliminary document for environmental impact assessment.

< Corporate Social Responsibility / Corporate Governance >

We established CSR working team aiming at organizing our company-wide CSR (Corporate Social Responsibility) activities and disclosing lucid information for better understanding. We reassessed our "Environmental Report" from a wider point of view, and renewed it as "CSR Report 2004", a report focusing on CSR, which included a description of our activities to enhance corporate governance, compliance and contribution to society.

In order to enhance our corporate governance structure, we decided to establish a "corporate governance committee", which consists of members including external knowledgeable professionals. The purposes of the committee are to evaluate, or make recommendations to, important issues regarding the management of the Company from the external viewpoints.

3. Profit and Loss

< Consolidated >

Sales proceeds were 1,839.4 billion yen (6.5% increase compared with the last year), operating profit was 60.1 billion yen (increased by 24.2 billion yen compared with the last year) and ordinary profit was 61.9 billion yen (increased by 23.7 billion yen compared to the last year. Ordinary profit excluding stock evaluation effects was 40.4 billion yen (increased by 4 billion yen compared with the last year).

Special loss 37.1 billion yen contained 33.7 billion yen of impairment loss counted upon the early introduced impairment accounting.

Consolidated NIAT is 2.3 billion yen (decreased 18.6 billion yen compared with the last year).

<Unconsolidated>

Sales proceeds were 1,778.3 billion yen, operating profit was 55.2 billion yen (78.2% increase compared with the last year), ordinary profit was 58.9 billion yen (69.8% increase compared with the last year), and NIAT was 3.2 billion yen (83.9% decrease compared with the last year)

4. Dividend

We will pay a final dividend of 15 yen per share, giving a total dividend for the year of 30 yen per share, increased 5 yen compared with the last year.

5. Estimation of YR2005

We assume a crude oil price of \$38/ barrel and exchange rate of 105.0 yen /US\$ for year 2005. Based on these premises, we estimate the following business result. For ordinary profit based on current cost of supply calculation excluding the stock evaluation effects, we expect to attain 45 billion yen, an increase of 4.6 billion yen compared with 40.4 billion yen in 2004. With regard to dividend, we are planning to pay total dividend of 30 yen per share (interim dividend / final dividend: 15yen each)

<Consolidated Basis> Unit Billion Yen

Sales Proceeds	1,980
Ordinary Profit	50
Ordinary Profit _(ccs basis)	45
NIAT	29

<Un-consolidated Basis> Unit Billion Yen

Sales Proceeds	1,890
Ordinary Profit	46
Ordinary Profit _(ccs basis)	41
NIAT	27

END