

18<sup>th</sup> August 2005

English Translation

Showa Shell Sekiyu K.K.

## **Interim Results for FY 2005**

The Company has determined the interim results for FY2005(1<sup>st</sup> January 2005 to 30<sup>th</sup> June 2005) at the board meeting held today.

### Note

The consolidated ordinary profit of the 1<sup>st</sup> half of FY 2005 is 49.3 billion yen, increased by 28.2 billion yen compared to that of the same period last year. The Company amends the last projection of annual ordinary profit of this year to 80 billion yen, increased by 20 billion yen.

The Company resolved the interim dividends of 20 yen per share, with ordinary dividends of 15 yen and special dividends of 5 yen per share for celebrating the company's 20<sup>th</sup> anniversary.

### **1. Main Indicators of Interim Results**

#### **<Consolidated>**

Unit:Million Yen

Sales Proceeds	1,059,580	VS 1H 2004	+181,845 (20.7%)
Operating Profit	50,256	"	+28,641 (132.5%)
Ordinary Profit	49,347	"	+28,294 (134.4%)
Ordinary Profit (CCS basis)	31,598	"	+22,286 (239.3%)
NIAT	28,613	"	+16,532 (136.8%)

#### **<Unconsolidated>**

Unit:Million Yen

Sales Volume	19,647 KKL	VS 1H 2004	-338 KKL (1.7%)
Sales Proceeds	1,021,275	"	+174,378 (20.6%)
Operating Profit	47,606	"	+28,376 (147.6%)
Ordinary Profit	47,837	"	+27,475 (134.9%)
Ordinary Profit (CCS basis)	30,089	"	+21,466 (249.0%)
NIAT	28,496	"	+16,077(129.5%)

CCS basis : Current Cost of Supply basis, a calculation method based on the cost excluding stock evaluation effects

### **2. Business Outline**

#### **(1) Domestic Economy and Industrial Environment**

During this period in the Japanese economy, there was temporary concern about the future of the economy due to slowdown of growth in export and individual consumption. Individual consumption and employment situation, however, showed signs of improvement thereafter and the Japanese economy as a whole maintained a slow recovery trend.

Meanwhile, crude oil prices steadily and greatly rose. Dubai crude oil price at the end of this interim period has reached 52 dollars per barrel, an increase of more than 50% from the price at the beginning of the period, which was 34 dollars per barrel.

As for the foreign exchange market, the Yen that started around 102 yen to the US dollar at the beginning of this year gradually depreciated to 109 yen in early April. Although the yen strengthened temporarily, it weakened again because the U.S. economy was expected to grow steadily. The exchange rate at the end of the 1<sup>st</sup> half period was around 110.

With respect to the domestic oil demand, the demand for gasoline continued to increase steadily and the demand for kerosene drastically increased compared to that of the same period last year. This was because the temperature during the first quarter period, which was the demand season for heating oil, was lower than usual. The demand for gas oil and fuel oil remained at the same level as the previous interim period.

Domestic petroleum products price dramatically increased during the first quarter due to the demand boosted by the cold winter as well as the rising crude oil price.

The price of petroleum products temporarily weakened afterwards, partly because the demand for petroleum products was discouraged by high prices, and partly because supply surplus was expected to occur after the completion of regular inspection of domestic refineries. Prices, however, started to rise again toward the end of this period, reflecting the steadily increasing crude oil price.

## **(2)Business activities**

### **<Manufacturing and Supply>**

We increased the portion of Saudi Arabian crude oil in our crude oil purchase package taking advantage of its various oil types in order to promote the operational optimization of the Company's group refineries as a whole, and therefore strengthened our competitiveness.

In pursuit of environmental objectives, we began the supply of sulphur free gasoline and gas oil, which contain less than 10 p.p.m sulphur, and promoted energy saving measures at the refineries.

### **<Marketing>**

We expanded the sales area for our new high-octane gasoline, "Shell Pura", to Sendai district in April. We continued to invest in self-service facilities, and promoted strategies to actively increase the sales of non-oil products at self-service facilities based on the examination of the result of the past operation.

### **<Growth Strategy>**

As for investment in our core downstream oil business, and core related area, we purchased shares in Toyotsu Sekiyu Hanbai K.K. We also reached an agreement with Wakamatsu Gas K.K. and Wakamatsu Gas Nenryo Kiki K.K. to transfer their goodwill and business assets to the Company's 100% subsidiary in July. The two companies are engaged in city gas and other businesses in Aizu - Wakamatsu area in Fukushima Prefecture. In order to enhance manufacturing of higher value products, we have undertaken the construction of a mix xylene plant at one of the Company's group refineries, Yamaguchi Refinery of Seibu Sekiyu K.K.

### **<New Businesses>**

Aiming at practical use of GTL (Gas To Liquid), a new fuel synthesized from natural gas, we continued experimental sales of the product as a heating fuel and the verification tests on its suitability as an automobile fuel. We also assessed to

commercialize CIS based thin-film, a new type of solar cell.

### 3. Profit and Loss

#### <Consolidated>

Sales proceeds were 1,059 billion yen, increased by 20.7% compared to that of last year, as a result of increased gasoline and kerosene sales volumes and reflection of rising crude oil prices to the products prices.

Ordinary profit was 49.3 billion yen, increased by 28.2 billion yen compared to that of the same period last year, because the cost of sales was reduced by the stock evaluation effects. Ordinary profit based on the CCS (current cost of supply) calculation method, was 31.5 billion yen, increased by 22.2 billion yen compared to that of the same period last year.

#### <Unconsolidated>

Sales proceeds were 1,021 billion yen, operating profit was 47.6 billion yen (increased by 28.3 billion yen compared to that of the same period last year), ordinary profit was 47.8 billion yen (increased by 27.4 billion yen), and NIAT was 28.4 billion yen (increased by 16 billion yen).

### 4. Dividends

The Company resolved the interim dividends of 20 yen per share, with ordinary dividends of 15 yen per share and special dividends of 5 yen per share for celebrating the Company's 20<sup>th</sup> anniversary. The total dividends of the FY2005 will be 35 yen, since the dividends of the 2<sup>nd</sup> half period will be 15 yen.

### 5. Estimation of FY 2005

The Company assumes the crude oil price of \$50 per barrel and exchange rate of 113 yen to US dollar for the 2<sup>nd</sup> half period of FY 2005. Based on these premises, we estimate the annual business result as follows.

#### <Consolidated>

Unit: billion Yen

Sales Proceeds	2,246
Ordinary Profit	80
Ordinary Profit (CCS basis)	50
NIAT	47

#### <Unconsolidated>

Unit: billion Yen

Sales Proceeds	2,170
Ordinary Profit	76
Ordinary Profit (CCS basis)	46
NIAT	45

### \*Comparison with the Last Projection

#### <Consolidated>

Unit: billion Yen

Sales Proceeds	+56
Ordinary Profit	+20
Ordinary Profit (CCS basis)	+5
NIAT	+12

#### <Unconsolidated>

Unit: billion Yen

Sales Proceeds	+61
Ordinary Profit	+20
Ordinary Profit (CCS basis)	+5
NIAT	+12

END