

English Translation

Interim Results for 2006

The following is the summary of interim results 2006 (1st Jan. to 30th Jun. 2006) of Showa Shell Sekiyu K.K.

Showa Shell Sekiyu K.K.'s first half 2006 consolidated ordinary profit was 51.9 billion JPY, an increase of 2.6 billion JPY versus a year ago (CCS ordinary profit was 26.2 billion JPY, a decrease of 53 billion JPY from the year-ago profit). The company amended its estimate for full year 2006 consolidated ordinary profit to 70 billion JPY, an increase of 5 billion JPY from the last forecast (the amended CCS ordinary profit is 50 billion JPY, a decrease of 5 billion JPY versus a year ago).

1. Main indicators of the interim results 2006

<Consolidated financial results>

unit: million JPY

Sales proceeds	1,438,152	vs. interim 2005	+378,572 (35.7%)
Operating profit	50,013		-243 (-0.5%)
Ordinary profit	51,989		+2,642 (5.4%)
CCS earnings	26,287		-5,310 (-16.8%)
NIAT	29,260		+647 (2.3%)

<Unconsolidated financial results>

unit: million JPY

Sales proceeds	1,385,142	vs. Interim 2005	+363,867 (35.6%)
Operating profit	44,942		-2,663 (-5.6%)
Ordinary profit	47,644		-193 (-0.4%)
CCS earnings	21,942		-8,146 (-27.1%)
NIAT	27,599		-897 (-3.1%)

CCS ordinary profit (ordinary profit on Current Cost of Supply basis): ordinary profit based on the cost excluding inventory valuation effects.

2. Summary of the interim period

(1) Economy and oil business in Japan

Economy in Japan continued to show signs of recovery with improvements in industrial profitability, strong capital investment in private sectors, and increased consumer spending resulting from better employment.

The Dubai crude oil price started the year at the record high over 55 USD per barrel. The price continued to rise due to the increasing demand for oil especially in the North America and Asia, and to the increased geopolitical risks in oil producing countries. By the end of the interim period, the price reached around 67 USD per barrel.

As for the foreign exchange market, JPY started around 115 to the USD at the beginning of the year. It moved unsteadily between 113JPY/USD and 119JPY/USD,

reaching 109JPY/USD in the mid-May with a sudden appreciation of the JPY, but concerns for inflation in the United States made JPY weaken back to around 115JPY/USD at the end of the interim period.

The demand for gasoline in Japan was on the increase, but the demand growth started to slowdown its pace. The recovering economy did not prevent the demand for diesel from declining. The demand for kerosene at the end of last year was strong but it dropped below the year-ago level from the beginning of 2006.

Although crude oil price continued to break record highs and the retail price for oil products at service stations increased, the rise in retail price was not high enough to cover the increasing procurement cost. The selling price for industrial customers was also not high enough to make up for the increasing procurement cost.

(2) Business performances

<Oil business>

We optimised the operation of our group refineries by using our special relationship with oil producing countries to procure crude oil. We also managed to secure oil supply and enhance the domestic transportation of oil to the northern parts of Japan through increasing the portion of oil purchase from Sodegaura refinery of Fuji Oil. At Yamaguchi refinery of Seibu Sekiyu, we started production and shipment of a petrochemical product (mix-xylene) from February. We also applied our regular shut-down maintenance to the refining systems at Yokkaichi Sekiyu's Yokkaichi refinery and at Toa Sekiyu's Keihin refinery.

As for marketing, we expanded the sales area for our premium gasoline, "Shell Pura", to Hokkaido area. In order to strengthen our competitiveness in the market, we improved our network of service stations: not only did we continue to invest in self-serve service stations, but also established Showa Shell Network Kaihatsu K.K. specialising in the establishment and development of service stations.

We also started to implement the "Smart Plus" service, which enables customers to settle their payment just by placing their IC credit cards on a machine, at some of our self-serve service stations from June.

<New businesses>

We continued to do the experimental sales of our "Shell Eco Toyu", a new type of kerosene synthesised from natural gas using GTL (Gas To Liquids) technology, in limited areas, and received a high reputation as having no odor that is distinctive of fossil fuels. Construction of the CIS solar module production factory was completed as planned in June. The factory, with annual production capability of 20mw, is expected to start its commercial production at the beginning of 2007. LNG power plant project of Ogishima Power started to conduct environmental assessment in preparation for the project to commence its operation at the beginning of 2010.

<HSSE: Health, Safety, Security and Environment>

We continued to highlight the importance of our risk management as one of the most crucial management issues of the company. As a part of our security management, we practiced implementing the Crisis Management Plan (CMP) and Business Continuity Plan (BCP) to prepare for natural disasters, such as the Great Tokyo Earthquake. We

also did an investigation on the usage of asbestos in buildings and facilities of the group companies: we removed asbestos from buildings with asbestos and carried out health checks for staff and former staff who requested it.

We regret the troubles caused in the fire accident occurred in May at the Mizue Plant of Toa Sekiyu K.K.'s Keihin Refinery. Although the fire did not affect the operation of the refinery, an investigation committee, which included independent specialists, was organised immediately after the accident to carry out an investigation on the possible causes of the fire. We will continue to make the best of our efforts to ensure safety so that no such accident will be repeated.

3. Profit and loss

<Consolidated>

Sales proceeds were 1,438.1 billion JPY (an increase of 35.7% versus a year ago), operating profit was 50 billion JPY (a decrease of 0.2 billion JPY versus a year ago), and ordinary profit was 51.9 billion JPY (an increase of 2.6 billion JPY versus a year ago). Ordinary profit, excluding the inventory valuation effects, was 26.2 billion JPY (a decrease of 5.3 billion JPY versus a year ago).

<Unconsolidated>

Sales proceeds were 1,385.1 billion JPY (an increase of 35.6% versus a year ago), operating profit was 44.9 billion JPY (an increase of 2.6 billion JPY versus a year ago), ordinary profit was 47.6 billion JPY (a decrease of 0.1 billion JPY versus a year ago), and NIAT was 27.5 billion JPY (an increase of 0.8 billion JPY versus a year ago).

4. Dividends

The board of Showa Shell Sekiyu K.K. announced an interim dividend in respect of the first half of 2006 of 18 JPY per share. The year-end dividend forecast is also 18 JPY per share, making the total dividend for the year 36 JPY per share.

5. Forecast of full year results for 2006

Assuming that crude oil price is 63 USD per barrel and the exchange rate is 116 JPY to USD for the second half of 2006, Showa Shell Sekiyu K.K. amended its forecast for the full year 2006 as below:

<Consolidated>

unit: million JPY

Estimates for 2006	Sales proceeds	Ordinary profit	NIAT
New forecasts	2,900,000	70,000	41,000
Last forecasts	2,770,000	65,000	39,000
Difference	130,000	5,000	2,000
Difference (%)	4.7%	7.7%	5.1%

<Unconsolidated>		unit: million JPY	
Estimates for 2006	Sales proceeds	Ordinary profit	NIAT
New forecasts	2,850,000	67,000	39,000
Last forecasts	2,690,000	60,000	35,000
Difference	160,000	7,000	4,000
Difference (%)	5.9%	11.7	11.4%

Estimated consolidated CCS ordinary profit, excluding the inventory valuation effects, is 50 billion JPY, a decrease of 5 billion JPY versus a year ago.

<Background for making amendments to the results>

The crude oil price in the latter half of the year is expected to change within a range higher than that of the last year. This made the inventory valuation effects deduced from the weighted average method to pull down the cost of sales, which in aggregate pushed the profit up. As a result, the company amended its estimated sales proceeds from 65 billion JPY to 70 billion JPY (the company also amended its estimated CCS ordinary profit from 5.5 billion JPY to 5 billion JPY for two reasons: the recent rise in retail price of oil products is not enough to make up for the procurement cost of crude oil; Yokkaichi Sekiyu K.K. stopped the operation of its secondary unit in the Yokkaichi Refinery for re-cleaning at the end of July following its regular shut-down maintenance).

NB. This document contains forward-looking statements concerning the financial condition, results of operations and businesses of Showa Shell Sekiyu K.K. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.

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