

**Summary Consolidated Full Year Results for 2006**

16 February 2007

Listed Company Name: Showa Shell Sekiyu K.K. Listed Stock Exchange: Tokyo Stock Exchange 1st Section  
 Code number: 5002 Location of head office: Tokyo  
 (URL <http://www.showa-shell.co.jp/>)

Delegate: Title: Chairman, Representative Director Name: Haruyuki Niimi  
 Contact: Title: Controller, Director Name: Jun Arai Phone: (03) 5531-5601  
 Date of board meeting for 2006 accounts closing: 16 February 2007 Parent company, etc.: The Shell Petroleum Co. Ltd.  
 Application of U.S. accounting standards: N/A Shares with voting rights held by parent, etc.: 35.1%

**1. Consolidated Financial Results (From 1 January 2006 to 31 December 2006)****(1) Business Results (Consolidated)**

(Note: Fractions of one million yen are rounded off.)

	Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
Full Year, 2006	2,921,287	28.8	74,301	(24.5)	77,675	(22.7)
Full Year, 2005	2,268,488	23.3	98,381	63.5	100,497	62.3

	Net Income		Earnings per Share	Diluted Earnings per Share	ROE	Ordinary Income to Total Assets	Ordinary Income to Sales
	Million Yen	%	Yen	Yen	%	%	%
Full Year, 2006	46,249	(20.8)	122.95	122.88	15.8	6.6	2.7
Full Year, 2005	58,370	2,370.8	155.31	155.13	23.2	9.8	4.4

Note: 1. Income/loss from equity-method affiliates: December 2006 ¥1,803M December 2005 ¥1,668M  
 2. Average number of shares outstanding: December 2006 376,159,012 December 2005 375,366,060  
 3. Changes in accounting methods: N/A  
 4. Percentages shown in Sales, Operating Income, Ordinary Income, and Net Income columns represent changes from previous

**(2) Consolidated Financial Position**

	Total Assets	Net Assets	Net Assets (excl. minority interests) to Total Assets	Net Assets (excl. minority interests) per Share
	Million Yen	Million Yen	%	Yen
As of 31 Dec. 2006	1,195,015	330,956	25.9	822.20
As of 31 Dec. 2005	1,145,191	275,232	24.0	732.08

Note: Number of shares outstanding at the end of: December 2006 376,323,030 shares December 2005 375,863,780 shares

**(3) Consolidated Cash-Flow Position**

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at End of Year
	Million Yen	Million Yen	Million Yen	Million Yen
Full Year, 2006	29,312	(28,883)	(13,712)	16,541
Full Year, 2005	25,806	(28,548)	20,725	29,354

**(4) Scope of consolidation and application of equity method**

Number of consolidated subsidiaries: 26 Number of non-consolidated equity-method subsidiaries: Nil  
 Number of equity-method affiliates: 11

**(5) Change in scope of consolidation and application of equity method**

Newly consolidated subsidiaries: 3 (Excluded: -) New equity-method affiliates: - (Excluded: 2)

**2. Forecast of Consolidated Financial Performance (For the year from 1 January, 2007 to 31 December, 2007)**

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Half Year 2007	1,400,000	21,000	12,000
Full Year 2007	2,860,000	60,000	35,000

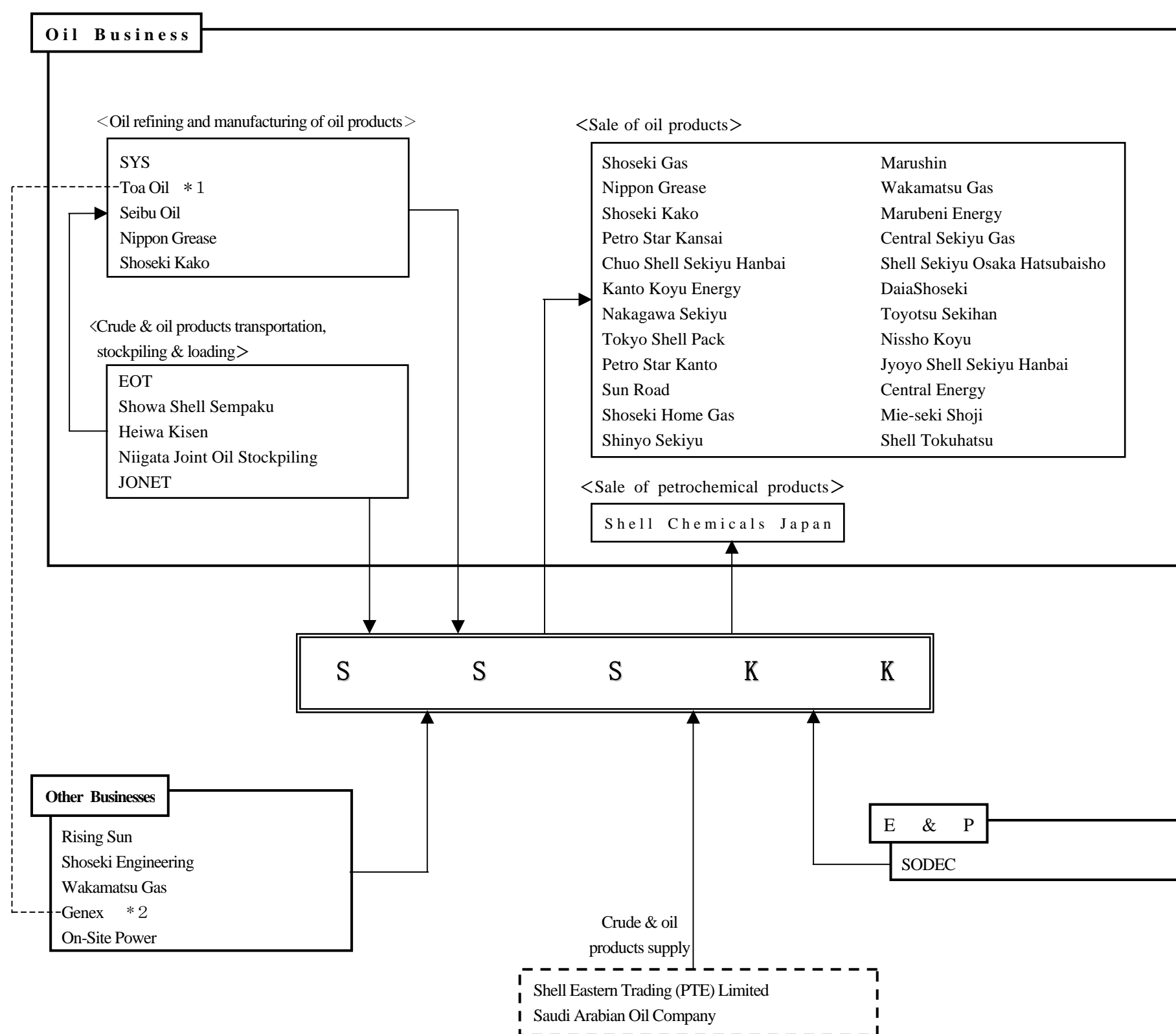
Reference: Forecast net income per share for the year: ¥93.01

Note: This forecast is based on information available as of the date of publication. For various reasons the actual results could differ from this forecast. Please refer to the attached material on page8 for details of this forecast of business performance.

# 1. Scope of Consolidation and Equity-Method Affiliates

Showa Shell Sekiyu (SSSKK) has 26 consolidated subsidiaries and 11 equity-method affiliates. Our core business is the oil business, i.e. oil importation, transportation, refining, stockpiling and sales. In addition we run property and other businesses such as construction, sale of car parts, and wholesale supply of city gas and electricity. The following shows the subsidiaries' segments and positioning.

Type of Business	Description of Business	Consolidated Subsidiaries	Equity-Method Affiliates
Oil business	Exploration & production (E&P)	Shoseki Overseas Oil Development (SODEC)	
	Oil refining and manufacturing of oil products	(SSSKK) Toa Oil Showa Yokkaichi Sekiyu (SYS)	Seibu Oil
	Crude & oil products transportation, stockpiling & loading	(SSSKK) East Ogishima Oil Terminal (EOT) Heiwa Kisen	Niigata Joint Oil Stockpiling Japan Oil Network (JONET)
	Sale of oil products (gasoline, LPG, kerosene, gas oil, fuel oil, asphalt, lubricants, chemical products, etc.)	(SSSKK) Shoseki Gas Nippon Grease Shoseki Kako Petro Star Kansai Chuo Shell Sekiyu Hanbai Kanto Koyu Energy Nakagawa Sekiyu Nissho Koyu	Marubeni Energy Central Sekiyu Gas Shell Sekiyu Osaka Hatsubaisho DaiaShoseki Toyotsu Sekihan Jyoyo Shell Sekiyu Hanbai Mie-seki Shoji Shell Tokuhatsu
Property business	Property letting	(SSSKK)	
Other businesses	Construction, sale of car parts, wholesale supply of city gas & electricity, etc.	(SSSKK) Shoseki Engineering Rising Sun	Wakamatsu Gas Genex On-Site Power



\*1 Listed on Tokyo Stock Exchange (Second Section)

\*2 Consolidated Subsidiary of Toa Oil

[ - - - - ] means other related companies, sister companies, and principal corporate shareholders among the related parties.

## **2. Management Policies**

### **1. Basic Management Policy**

The Basic Management Policy of the Showa Shell Sekiyu Group (Showa Shell Sekiyu K.K. and its consolidated subsidiaries) is to be a leading corporate group that, in the core fields of oil refining, supply, distribution, and sales within Japan, satisfies the four conditions set out below. All group companies are dedicated to implementing a variety of measures in accordance with this Policy.

#### **(1) To maintains the highest business quality**

A group that engages in transparent management based on a customer-driven business model designed to achieve strong profitability and sustained growth.

#### **(2) To encourage employees to have pride and satisfaction**

A group that enables all employees to make full use of their skills, and evaluates and rewards their performance accordingly, while setting forth new challenges to encourage personnel growth.

#### **(3) To improve corporate value continuously**

A group that is committed to generate high capital gain by continuous enhancement of business performance, pays steady and high dividends, and enhances shareholder's return.

#### **(4) To be a responsible member of society**

A group that, to contribute to the sustainable development of society, serves as a social benchmark with its approach towards health, safety, and environment, and that acts in accordance with the company's strong sense of corporate ethics, both as an organisation and as a group of individuals.

### **2. Basic policy on appropriation of profits**

The policy on profit appropriation is to provide a stable and attractive level of dividends to shareholders in consideration of factors such as the management and financial situation and trends in the financial markets.

### **3. Targeted management indicators**

We aim to bring its management indicators on a consolidated basis to the international standards in long-term. To accomplish this, we set the management indicators for 2007 as ordinary income of ¥60billion on a current cost of supply basis (excluding the effects of inventory valuation) and ROE of 11%.

### **4. Mid-term management strategy and issues to address**

We have run our business giving our priority to growth as a corporate strategy under the key word "New Foundation". We have also attempted further enhancement of the established cost competitiveness and the firm financial strength. Under a new structure since April 2006, we make efforts to achieve a new mid-term business plan in order to take faster and concrete action.

We attempt faster progresses in new and peripheral businesses, as well as our core business (oil business) including Service Station (SS) network expansion correspond to the customer needs, introduction of new differentiated products

#### **(1) Pursuing customer satisfaction and corporate growth in oil business (core business)**

In our sales activities, to provide comprehensive solutions for customer satisfaction we aim to develop new products and services aided by the strength of the Showa Shell brand and our network of service stations, so as to raise the level of customer services. In order to ensure a competitive sales network of service stations, we established Showa Shell Network Development K.K. in May 2006 to specialise in the establishment of service stations. In addition, to meet diverse customer needs we develop a new type of service station called *Fantasia* in collaboration with shopping centres.

In June 2006 we began introducing the "Visa Touch" (Smart Plus) service for settling payments with contactless IC

credit cards into self-service service stations, and increase the number of service stations that handle it throughout Japan. Additionally, we proceed actively with the deployment of services that are supported by the public and society, such as supply of the premium gasoline *Shell Pura*, which has gained a reputation as a high-performance fuel, and also conduct research in order to enhance its performance.

In our refining activity we will take steps to ensure the collective optimisation of our three oil refineries: the Yokkaichi Refinery of Showa Yokkaichi Sekiyu, the Keihin Refinery of Toa Oil, and the Yamaguchi Refinery of Seibu Oil. This will enable us to enhance the competitiveness of our crude oil procurement and transportation, and the production of petroleum products.

At Yamaguchi Refinery, the operation of production facilities for mix-xylene was inaugurated in February 2006. The decision has been taken to follow that with the construction of a continuous regeneration-type catalytic reformer unit, scheduled to start operation at the end of 2009.

Agreement was reached in 2006 with Fuji Oil Co., Ltd. with respect to the stable, long-term handling of business in the field of oil products, and steps will be taken to realise synergies from that. This business will not impact the strategic collaboration with Japan Energy Corporation.

Structural cost reductions will continue to be made by means of ongoing business improvement measures, including the exhaustive review of business processes.

## **(2) Creation of new customer value in spheres peripheral to core business and in new business fields**

In our core oil refining and sales business, we will implement measures to expand the customer base and secure profitability and growth capacity that ranks among the highest in the industry. Other measures will be directed at achieving growth in business spheres peripheral to core business, in which we can take advantage of its strengths, and in new fields such as the home solutions business.

### (A) Solar battery business

Regarding the next generation solar battery business, construction of production plant was completed in October 2006 and test operation for commercial production has started early this year. Our CIS photovoltaic power generation system, *Solacis*, is capable of more stable power generation, compared with conventional liquid crystal silicon solar cells, and can be fitted to a wider variety of roofs. We would like to contribute to environmental problems by aiding the prevention of global warming through the supply of recyclable clean energy, and provide a source of constant energy.

### (B) City gas business

City gas business, a field we entered in 2005, is performing well and is scheduled to expand further in the future. Through this business, with its strongly public-service character, we are contributing to the local community.

### (C) Electric power business

We jointly manage K.K. Ogishima Power with Tokyo Gas Co., Ltd., which study the commercialisation of the construction of power stations that use natural gas as a fuel. Detailed plans are being studied for commercial operation to start in 2010.

### (D) GTL fuel

Test marketing of Eco-kerosene produced with GTL (gas to liquid) technology, which is currently a focus of attention as a form of clean energy, is being continued in limited geographical areas.

### (E) Home solutions

In 2005 we inaugurated home solutions business, including house security and house cleaning. Development of this field will be accelerated as a growth field for the future.

## **(3) Developing human resources and leadership**

In order to put strategies into practice effectively, the key is to create a corporate culture in which individual personnel are highly motivated towards the achievement of goals and have a high degree of professionalism, and take up challenges resolutely without fear of failure. To that end we seek to switch them to a new mindset conducive to the creation of new business, and to raise their level of motivation.

#### **(4) Commitment to social responsibility**

In all areas of its corporate activity we give priority to safe operations and the observance of laws and regulations.

The entire group companies engage in activity to conserve the environment, including the implementation of its Medium-Term Environmental Action Plan, with the aim of contributing to sustainable development.

We have reflected on the problems relating to product quality that arose last year, concluding that product quality forms the foundation of our customer orientation, and that a company cannot survive without the confidence of its customers. Accordingly, the year 2007 has been designated as the base year for product quality, and a company-wide "Quality First" campaign is to be conducted throughout the year.

#### **5. Matters concerning parent company and other related parties**

Royal Dutch Shell plc holds 35.04% of the shares (35.12% of total voting rights) of Showa Shell Sekiyu K.K. through its subsidiaries The Shell Petroleum Co., Ltd. and The Anglo-Saxon Petroleum Co., Ltd. As the Company's principal shareholder, the Shell Group assigns directors to the Company and has cooperative relationships with it in such areas as trademark use, the sharing of research and development and of management and technical know-how, and personnel exchanges.

In addition, the Saudi Aramco Group holds 14.96% of the shares (14.99% of total voting rights) of Showa Shell Sekiyu K.K. through its subsidiary Aramco Japan Holdings Company B.V. The Saudi Aramco Group assigns part-time directors to the Company and, as the Company's largest supplier of crude oil, engages in other activities with it such as the exchange of information on refinery technology. A fundamental Company policy is to maintain very close relationships with these two companies through these activities.

### **3. Business results and financial condition**

#### **1. Business result**

During 2006 the Japanese economy maintained its recovery trend. In spite of a slowing of growth in consumer spending in the second half, positive factors included improvements in corporate earnings and continued growth in capital investment.

Crude oil prices were at record-high levels at the outset of the year, when Dubai crude oil price reached high of around US\$55 per barrel. It subsequently rose still further, propelled by factors such as heavy demand for oil, particularly in the U.S. and Asia, and the growth in geopolitical risk in the Middle East, reaching a record high of more than US\$70 per barrel in the summer. Following that, the global supply of oil was in surplus, and this and other factors offset the impact of geopolitical risk in the Middle East. As a result, the price of Dubai crude at the end of the term had returned to around the US\$55 level.

The exchange rate of the yen against the U.S. dollar began the year in the upper part of the ¥115 level and fluctuated in a range between ¥113 and ¥119 until mid-April, as the future direction of Japanese and U.S. monetary policy remained uncertain. The yen then strengthened sharply, reaching the ¥109 level in mid-May, but then weakened gradually during the second half as a result of interest-rate differentials between Japan and U.S. to end the year at the ¥119 level.

#### **Oil business**

Amid the trend in domestic oil demand, the demand for gasoline trended downwards as a result of factors such as the growing trend towards lower fuel consumption. With respect to diesel oil, although the economic recovery was sustained from the previous year, the decline in demand could not be broken. Demand for kerosene at the start of the year was below its year-earlier level and was impacted by warm winter weather at the year-end. In consequence, demand fell well below the buoyant level experienced during the previous year. Demand for industrial fuel was also down, owing to factors such as the switch to alternative fuels driven by concern about environmental problems and the very high prices of crude oil.

Domestic prices of oil products rose considerably from the outset of the year to the summer in an environment characterised by factors such as the rise of crude oil prices to historical highs, but demand trended downwards. In consequence, the pace of increases in prices at service stations and delivery prices of industrial fuels lagged behind the sharp increases in crude oil prices.

With respect to crude oil procurement, the close relations with the Shell Group and Saudi Arabia and other oil-producing countries in the Middle East were maintained, and selective procurement of crude oil was practiced in order to optimise the operation of our refineries.

In the sphere of production and supply, during the year regular overhauls were conducted on refining plant and equipment at the Mizue Plant at the Keihin Refinery of Toa Oil and at the Yokkaichi Refinery. Continued steps were taken to ensure the stable and efficient operation of our refineries and to increase utilisation ratios and ratios of production of high-value-added products at the refineries. As part of this, in February the Yamaguchi Refinery began the production and shipment of the high-value-added petrochemical material mix-xylene. In addition, production and shipment of the premium gasoline *Shell Pura* was begun in April at the Sodegaura Refinery of Fuji Oil, with which the Company has a collaborative relationship.

For distribution within Japan we promoted the joint use with other oil companies of storage tanks and product interchanges, boosting the efficiency of our nationwide product-distribution network. In seaborne transportation the increase in product transactions from Sodegaura Refinery resulted in the strengthening of a steady supply structure to northern Japan, and the costs of seaborne transportation were lowered.

With regard to marketing we established a certification scheme for staff acting as "car life advisers" and "oil meisters" at dealerships, and also a structure for enhancing car-related sales at service stations shops. Additionally, in April 2006 we started sales of the premium gasoline *Shell Pura* in certain areas of Hokkaido for the first time, and we branched out in new formats by inaugurating the new *Fantasia* brand for service stations that form part of shopping centres, and established service stations combined with convenience stores. We also established Showa Shell Network Development K.K. to specialise in securing sites for the location of new service stations, and continued our active investment in the conversion of directly managed service stations to self-service formats.

Ongoing efforts were made to develop new fuels. Shell *Eco-kerosene*, produced with GTL (gas to liquid) technology that synthesises it from natural gas, was test marketed in parts of Kanagawa Prefecture and Gunma Prefecture.

In the oil business segment 2006 we generated sales totaling ¥2,883.4 billion, up by 28.1% from the previous year. Principal factors behind this were increases in selling prices owing to the large rises in crude-oil prices, and growth in the physical volume of domestic sales of gasoline and diesel oil. Nevertheless, operating income fell by ¥24.8 billion year-on-year, to ¥69.9 billion. This was attributable to the fact that steep drops in crude oil prices from the latter part of the third quarter caused inventory valuations to push up the cost of sales, and the fact that the pace of increases in prices at service stations and delivery prices of industrial fuels lagged behind the sharp increases in crude oil prices. Operating income excluding the effect of inventory valuations was ¥50.3 billion, up by ¥0.2 billion from the ¥50.1 billion recorded in the previous year.

### **Property business**

The leasing of office buildings benefited from an increase in demand as a result of the full-scale recovery in corporate earnings. However, revenues from this business during the year remained at their year-earlier level of ¥4.2 billion. Although we reduced the fees for the outsourcing of building management, operating income remained unchanged at ¥2.7 billion.

### **Other business**

In leasing business, in July 2005 we commenced the leasing of new POS and back-office processing systems for sales support at service stations, and sales have increased as a result of switchovers to the new POS systems. Sales growth was also achieved in construction and engineering business, buoyed in the sphere of oil-related facilities by an increase in engineering works for soil contamination countermeasures for service stations and other facilities and by the completion of engineering works in the Total Energy System field.

With regard to new business activity, in 2005 we obtained the goodwill and business assets of the Wakamatsu Gas Group and entered the city gas business, and in the following October Toa Oil and its subsidiary Genex, which engages in the independent power producer business, became our consolidated subsidiaries. In addition, in 2006 we acquired additional shares of On-Site Power, a distributed power generator supplying heat and electricity, and made it a consolidated subsidiary. The sales in this segment that were generated after the addition of this city gas business, independent power producer business, and distributed power generator business totaled ¥33.5 billion, up by 137.4% year-on-year, and operating income totaled ¥1.6 billion, up by ¥0.7 billion.

### **Consolidated results**

The consolidated sales for 2006 totaled ¥2,921.2 billion, up by 28.8% from the previous year. With regard to earnings, consolidated operating income totaled ¥74.3 billion, representing a decline of ¥24.0 billion from the previous year, attributable to the fact that falls in crude oil prices from the latter part of the third quarter meant that the downward impact of inventory valuations on cost of sales was much lower than in the previous year. Consolidated ordinary income totaled ¥77.6 billion, down by ¥22.8 billion, owing to factors such as a ¥4.1 billion improvement in the foreign exchange profit/loss. Excluding the effect of inventory valuations and other factors, consolidated ordinary income was ¥58.0 billion, up by ¥4.7 billion from the previous year.

With regard to extraordinary profits and losses, there was a net extraordinary loss of ¥0.4 billion, representing an improvement of ¥0.8 billion from the previous year. This was the net result of the profit/loss from disposal of fixed assets arising from factors such as the disposal of idle assets and regular repairs to refining facilities, and a loss caused by a tank fire at the Keihin refinery of Toa Oil.

As a net result of the above, consolidated net income totaled ¥46.2 billion, down by ¥12.1 billion year-on-year.

In determining the year-end dividend we took into consideration such factors as our efforts, maintained from the previous year, to enhance cost competitiveness and ensure a strong financial condition. In consequence, it has been decided to pay ¥18 per share, which combined with the interim dividend of ¥18 totals ¥36 per share for the year.

## 2. Financial Situation

### (1) Balance sheet analysis

Consolidated total assets at the end of 2006 totaled ¥1,195.0 billion, which represented an increase of ¥49.8 billion from the previous year-end. The principal factors in this rise included a substantial increase in inventory values resulting from the sharp rises in crude oil prices since the previous year-end; an increase in assets resulting from the regular overhaul of refining plant and equipment that takes place every four years; investment in plant construction in the solar battery business, our principal new business field; additional investment in sales facilities of oil products; and an increase in the number of new subsidiaries.

Consolidated total liabilities at the end of 2006 totaled ¥864.0 billion, which represented an increase of ¥12.9 billion from the previous year-end. This is mainly because the increase in accounts payable by higher oil prices far exceeds the decrease of tax payable due to tax payments and reversal of provision for special maintenance resulting from having regular overhaul.

Consolidated shareholders' equity at the year-end totaled ¥303.9 billion, up by ¥34.1 billion from the previous year-end. This increase was attributable primarily to the posting of net income. As a result of the above, the equity ratio (net assets excluding minority interests to total assets) at year-end stood at 25.9%.

### (2) Cash flow analysis

With regard to cash flows during 2006, cash derived from operating activities totaled ¥29.3 billion, cash used in investing activities totaled ¥28.8 billion, and cash used in financing activities totaled ¥13.7 billion, with the result that the balance of cash and cash equivalents at the end of year, including those derived from newly consolidated subsidiaries, declined by ¥12.8 billion from the previous year.

Cash derived from operating activities totaled ¥29.3 billion. This resulted from the fact that the amounts of increases in net income before taxes and depreciation as a non-cash item exceeded the amount of tax payments.

Cash used in investing activities totaled ¥28.8 billion. Principal factors in this included outgoings for the acquisition of fixed assets resulting from the overhaul of refinery equipment.

Cash used in financing activities totaled ¥13.7 billion. Principal components of this outflow included funds raised (¥15.0 billion) from the issuance of corporate bonds, payouts of ¥5.6 billion for the year-end dividend of the previous year and ¥6.7 billion for the 2006 interim dividend, and ¥16.3 billion for the repayment of long and short-term borrowings.

The Showa Shell Sekiyu Group's cash flow indicators are summarised as follows.

		2004	2005	2006
Equity ratio	(%)	25.1	24.0	25.9
Fair value equity ratio	(%)	38.6	46.2	41.9
Debts redemption terms	(Years)	3.9	7.4	6.5
Interest coverage ratio	(Times)	12.3	8.6	7.5

(Note) Equity ratio: (Net assets – Minority interest) / Total assets

Fair value equity ratio: Gross market capitalisation (\*1) / Total assets

Debts redemption terms: Interest-bearing debt / cash flow from operating activities (\*2)

Interest coverage ratio: cash flow from operating activities / Interest payment

(\*1) Gross market capitalisation is calculated by multiplying the closing price of the Company's shares at the year-end by the number of shares issued and outstanding (excluding treasury stock) at the year-end.

(\*2) Cash flow from operating activities is the "cash flow from operating activities" in the consolidated statement of cash flows, and interest payments equate with the amount of interest paid.

### 3. Outlook for 2007

The company is targeting consolidated sales proceeds of 2,860 billion yen (non-consolidated 2,750 billion yen), consolidated ordinary income of 60 billion yen (non-consolidated 53 billion yen), and net income after tax of 35 billion yen (non-consolidated 31 billion yen).

The company projects ordinary income on a CCS basis (excluding the effects of inventory valuation) of 60 billion yen for 2007. It is on the assumption that crude oil price is US\$55 per barrel (US\$53.5 per barrel in the 1st half and US\$56.5 per barrel in the 2nd half) and exchange rate is 120 yen to the dollar.

## 4. Consolidated Financial Statements

### 1. Consolidated Balance Sheet

Item	Current Period As of 31 Dec. 2006		Previous Period As of 31 Dec. 2005		Increase/ Decrease
	Amount (¥M)	Ratio (%)	Amount (¥M)	Ratio (%)	Amount (¥M)
<b><u>Assets</u></b>					
<b><u>I. Current Assets</u></b>					
1. Cash & deposits	16,645		29,651		(13,005)
2. Notes & accounts receivable	326,121		309,633		16,488
3. Inventories	276,298		236,686		39,611
4. Others	31,959		28,588		3,370
(Total current assets)	651,025	54.5	604,560	52.8	46,465
<b><u>II. Fixed Assets</u></b>					
1. Tangible fixed assets	426,862		425,085		1,777
2. Intangible fixed assets	11,458		13,207		(1,749)
3. Investments	105,669		102,338		3,331
(Total fixed assets)	543,990	45.5	540,630	47.2	3,359
<b>(Total Assets)</b>	<b>1,195,015</b>	<b>100.0</b>	<b>1,145,191</b>	<b>100.0</b>	<b>49,824</b>
<b><u>Liabilities</u></b>					
<b><u>I. Current Liabilities</u></b>					
1. Notes & accounts payable	291,289		247,565		43,724
2. Short-term debts	51,254		41,901		9,353
3. Commercial paper	68,000		86,000		(18,000)
4. Others	268,461		288,912		(20,451)
(Total current liabilities)	679,006	56.8	664,379	58.0	14,626
<b><u>II. Long-Term Liabilities</u></b>					
1. Bonds	30,000		15,000		15,000
2. Long-term debts	41,272		48,929		(7,656)
3. Provisions for retirement benefits	78,554		79,677		(1,122)
4. Provisions for special maintenance	11,353		17,227		(5,874)
5. Others	23,872		25,885		(2,013)
(Total long-term liabilities)	185,052	15.5	186,719	16.3	(1,666)
<b>Total Liabilities</b>	<b>864,058</b>	<b>72.3</b>	<b>851,099</b>	<b>74.3</b>	<b>12,959</b>
<b><u>Net Assets</u></b>					
<b><u>I. Shareholders' Equity</u></b>					
1. Paid-in capital	34,197		-	-	34,197
2. Capital surplus	22,111		-	-	22,111
3. Retained earnings	248,108		-	-	248,108
4. Treasury stock	(422)		-	-	(422)
(Total shareholders' equity)	303,995	25.4	-	-	303,995
<b><u>II. Valuation and translation gains/losses</u></b>					
1. Difference on valuation of other securities	5,416		-	-	5,416
(Total valuation and translation gains/losses)	5,416	0.5	-	-	5,416
<b><u>III. Minority Interests</u></b>					
(Total Net Assets)	330,956	27.7	-	-	330,956
<b>Total Liabilities &amp; Net Assets</b>	<b>1,195,015</b>	<b>100.0</b>	<b>-</b>	<b>-</b>	<b>1,195,015</b>

Item	Current Period As of 31 Dec. 2006		Previous Period As of 31 Dec. 2005		Increase/Decrease
	Amount (¥M)	Ratio (%)	Amount (¥M)	Ratio (%)	Amount (¥M)
<b><u>Minority Interests</u></b>					
Minority interests	-	-	18,859	1.7	(18,859)
<b><u>Shareholders' Equity</u></b>					
<u>I. Paid-in Capital</u>	-	-	34,197	3.0	(34,197)
<u>II. Capital surplus</u>	-	-	22,106	1.9	(22,106)
<u>III. Retained earnings</u>	-	-	214,346	18.7	(214,346)
<u>IV. Unrealised gains/losses on investment securities</u>	-	-	5,362	0.5	(5,362)
<u>V. Treasury stock</u>	-	-	(781)	(0.1)	781
<b><u>Total Shareholders' Equity</u></b>	-	-	275,232	24.0	(275,232)
<b><u>Total Liabilities, Minority Interests &amp; Shareholders' Equity</u></b>	-	-	1,145,191	100.0	(1,145,191)

Note: Fractions of one million yen are rounded off.

## 2. Consolidated Profit and Loss Statement

Item	Current Period From 1 Jan. 2006 To 31 Dec. 2006		Previous Period From 1 Jan. 2005 To 31 Dec. 2005		Increase/ Decrease		
	Amount (¥M)	Ratio (%)	Amount (¥M)	Ratio (%)	Amount (¥M)		
<u>I. Sales</u>		2,921,287	100.0		2,268,488	100.0	652,798
<u>II. Cost of sales</u>		2,728,137	93.4		2,056,023	90.6	672,114
Gross Profit		193,149	6.6		212,465	9.4	(19,316)
<u>III. Sales, administrative and general expenses</u>		118,847	4.1		114,084	5.0	4,762
<b>Operating Income</b>		74,301	2.5		98,381	4.4	(24,079)
<u>IV. Non-operating profit</u>							
1. Interest & dividend income	665			520			
2. Foreign exchange gains	1,324			-			
3. Income from equity-method affiliates	1,803			1,668			
4. Income from investment in anonymous association	1,465			785			
5. Others	2,660	7,919	0.3	5,303	8,276	0.3	(356)
<u>V. Non-operating expenses</u>							
1. Interest paid	3,729			2,620			
2. Foreign exchange losses	-			2,831			
3. Others	816	4,546	0.2	708	6,160	0.3	(1,613)
<b>Ordinary Income</b>		77,675	2.6		100,497	4.4	(22,822)
<u>VI. Extraordinary profit</u>		7,450	0.3		2,704	0.1	4,745
<u>VII. Extraordinary loss</u>		7,934	0.3		4,083	0.1	3,851
Net income before taxes		77,190	2.6		99,119	4.4	(21,928)
Taxes	28,861			40,439			
Tax adjustments	1,003	29,864	1.0	(53)	40,385	1.8	(10,521)
Minority interests		1,077	0.0		363	0.0	713
<b>Net Income After Taxes</b>		46,249	1.6		58,370	2.6	(12,121)

Note: Fractions of one million yen are rounded off.

## 3. Consolidated Statement of Changes in Shareholders' Equity

Current Period (From 1 Jan. 2006, to 31 Dec. 2006)

(Unit: Million Yen)

	Shareholders' equity					Valuation & translation gains/losses	Minority interests	Total net assets
	Paid-in Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Difference on valuation of other securities		
Opening balance	34,197	22,106	214,346	(781)	269,869	5,362	18,859	294,091
Changes in the period								
Dividend from surplus			(12,412)		(12,412)			(12,412)
Directors' bonuses			(74)		(74)			(74)
Net income after tax			46,249		46,249			46,249
Acquisition of treasury stock				(9)	(9)			(9)
Disposal of treasury stock		4		368	373			373
Net changes in items except shareholders' equity						(53)	2,685	2,739
Total changes in the period		4	33,762	359	34,125	(53)	2,685	36,885
Closing balance	34,197	22,111	248,108	(422)	303,995	5,416	21,544	330,956

Note: Fractions of one million yen are rounded off.

## 4. Statement of Consolidated Surpluses

Item	Previous Period From 1 Jan. 2005 To 31 Dec. 2005	
	Amount (¥M)	
<b><u>Capital Surplus</u></b>		
<b><u>I. Opening balance</u></b>		
Opening balance		22,095
<b><u>II. Increase in capital surplus</u></b>		
1. Gain from sale of treasury stock	11	11
<b><u>III. Capital surplus at end of period</u></b>		22,106
<b><u>Retained Earnings</u></b>		
<b><u>I. Opening balance</u></b>		
Opening balance		169,113
<b><u>II. Increase in retained earnings</u></b>		
1. Net income after taxes	58,370	
2. Increase due to increase in number of consolidated subsidiaries	50	58,420
<b><u>III. Decrease in retained earnings</u></b>		
1. Dividends	13,125	
2. Directors' bonuses	62	13,187
<b><u>IV. Retained earnings at end of period</u></b>		214,346

Note: Fractions of one million yen are rounded off.

## 5. Consolidated Cash Flow Statement

Item	Current Period	Previous Period
	From 1 Jan. 2006 To 31 Dec. 2006	From 1 Jan. 2005 To 31 Dec. 2005
	Amount (¥M)	Amount (¥M)
<b>I. Cash flow from operating activities</b>		
Net income before taxes	77,190	99,119
Depreciation	27,329	23,979
Impairment losses	2,462	1,894
Loss on disposal of fixed assets	3,869	1,663
Gains from sale of fixed assets	(5,119)	(1,824)
Valuation loss on investment securities	118	43
Changes in provisions for doubtful debts	330	(473)
Changes in provisions for directors' bonuses	62	-
Changes in provisions for retirement benefits	(1,131)	(1,041)
Interest & dividend income	(665)	(520)
Interest paid	3,729	2,620
Changes in accounts receivable	(14,923)	(69,675)
Changes in inventories	(39,271)	(58,678)
Changes in accounts payable	44,809	50,812
Others	(18,893)	16,781
<b>Subtotal</b>	<b>79,896</b>	<b>64,700</b>
Interest & dividends income	701	896
Interests paid	(3,912)	(2,986)
Corporate taxes paid	(47,373)	(36,803)
<b>Cash flow from operating activities</b>	<b>29,312</b>	<b>25,806</b>
<b>II. Cash flow from investing activities</b>		
Payments for purchase of fixed assets	(32,540)	(17,442)
Proceeds from sale of fixed assets	6,485	3,347
Payments for purchase of investment securities	(1,559)	(10,420)
Proceeds from sale of investment securities	1,064	471
Change in short-term loans	(919)	415
Payments for long-term loans	(97)	(117)
Proceeds from collection of long-term loans	67	12
Payments for additional acquisition of consolidated subsidiary shares	-	(949)
Others	(1,385)	(3,866)
<b>Cash flow from investing activities</b>	<b>(28,883)</b>	<b>(28,548)</b>
<b>III. Cash flow from financing activities</b>		
Change in short-term debts	13,053	(14,292)
Changes in commercial paper	(18,000)	63,000
Proceeds from long-term debts	-	9,500
Repayment of long-term debts	(11,367)	(10,012)
Proceeds from bond issues	15,000	-
Payments for redemptions of bonds	-	(15,000)
Payment for purchase of treasury stock	(9)	(9)
Dividends paid	(12,412)	(13,133)
Dividend payments for minority shareholders	(349)	(101)
Others	373	775
<b>Cash flow from financing activities</b>	<b>(13,712)</b>	<b>20,725</b>
IV. Changes in cash & cash equivalents	(13,282)	17,982
V. Opening balance in cash & cash equivalents	29,354	8,313
VI. Increase in cash & cash equivalents from newly consolidated subsidiaries	469	3,057
VII. Increase in cash & cash equivalents due to merger of consolidated subsidiaries	-	1
VIII. Closing balance in cash & cash equivalents	<b>16,541</b>	<b>29,354</b>

Note: Fractions of one million yen are rounded off.

## 6. Basis of Consolidated Financial Statements

### (1) Scope of consolidation

#### Consolidated subsidiaries

(26 companies)

Showa Yokkaichi Sekiyu	Kanto Koyu Energy	
Toa Oil	Shinyo Sekiyu	
Showa Shell Sempaku	Tokyo Shell Pack	
Heiwa Kisen	Nakagawa Sekiyu	
East Ogishima Oil Terminal	Petro Star Kansai	
Shoseki Overseas Oil Development	Petro Star Kanto	
Shoseki Engineering	Shoseki Home Gas	
Nippon Grease	Wakamatsu Gas	
Shoseki Kako	Genex	
Shoseki Gas	Marushin	
Rising Sun	On-Site Power	*1
Sun Road	Central Energy	*2
Chuo Shell Sekiyu Hanbai	Nissho Koyu	*3

\*1 On-site Power has become a consolidated subsidiary from this fiscal year because of additional acquisition of shares.

\*2 Central Energy, which used to be an equity-method affiliate, has become a consolidated subsidiary from this financial year due to additional acquisition of shares.

\*3 Nissho Koyu, which used to be an equity-method affiliate, has become a consolidated subsidiary from this financial year due to additional acquisition of shares.

#### Primary non-consolidated subsidiaries

K.K. Hayawa

(These companies are excluded from consolidated financial statements because their influence is immaterial to the consolidated financial statements in terms of total assets, sales, net income attributable to SSSKK under equity method, and earned surplus attributable to SSSKK under equity method.)

### (2) Scope of equity-method affiliates

#### Equity-method affiliates

(11 companies)

Seibu Oil	Niigata Joint Oil Stockpiling
DaiaShoseki	Shell Tokuhatsu
Central Sekiyu Gas	Shell Sekiyu Osaka Hatsubaisho
Mie-seki Shoji	JONET
Marubeni Energy	Jyoyo Shell Sekiyu
Toyotsu Sekihan	

Central Energy and Nissho Koyu are excluded from the scope of equity-method affiliates as of this financial year for the reason mentioned above.

#### Other main affiliates

Kyokuyou

(Those companies are excluded from the consolidated financial statements because their influence is immaterial in terms of consolidated net income and consolidated earned surplus.)

### (3) Account closing date of consolidated subsidiaries

Provisional balance sheets and profit and loss statements of Toa Oil and Genex are used, because their account closing date is 31 March. Central Energy changed its account closing date to 30 September from this financial year. Sun-Road, Sinyo Sekiyu, Nakagawa Sekiyu, Petro Sstar Kansai, Petro Sstar Kanto, Shoseki Home Gas, and Marushin close their accounts on 30 September, and Tokyo Shell Pack on 31 October. The consolidated financial statements incorporated their accounts as of those dates, with adjustments for significant trades occurring after the accounts closed.



**(G) Accounting changes****a) Accounting standard for directors' bonuses**

"Accounting Standard for Directors' Bonuses" (ASBJ Statement No. 4, issued on 29 November, 2005) has been adopted as of the current financial year. Following a change in the consolidated financial statement rules, the directors' bonuses are expensed when they occur, although it had been an appropriation of retained earnings after resolution of shareholders' meeting. As a result, operating income, ordinary income and net income before taxes are decreased by 92 million yen compared with those under the previous rules.

**b) Accounting standard for presentation of net assets on the balance sheet**

"Accounting Standard for Presentation of Net Assets on the Balance Sheet" (ASBJ Statement No. 5, issued on December 9, 2005) and its Implementation Guidance (ASBJ Guidance No. 8, issued on December 9, 2005) have been adopted as of the current financial year.

Following a change in the consolidated financial statement rules, the revised rules are applied to the consolidated shareholders' equity section for the current financial year. The corresponding figure under the previous rules would have been ¥309,411 million.

**(5) Valuation method for assets and liabilities of subsidiaries**

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

**(6) Amortisation of consolidation goodwill and negative consolidation goodwill**

Consolidation goodwill and negative consolidation goodwill is amortised over a period not exceeding 20 years, determined in consideration of the source of goodwill. Minor consolidation goodwill is expensed in the year it arises.

**(7) Scope of funds in the consolidated cash flow statement**

The funds (cash or cash equivalents) in the consolidated cash flow statement consists of cash-in-hand, deposits readily convertible into cash, and short-term investments with low risk of price fluctuations and with a maturity of 3 months or less at the time of acquisition.

## Notes

## (1) Note to the consolidated balance sheet

	<u>Current Period</u> (As of 31 Dec. 2006)	<u>Previous Period</u> (As of 31 Dec. 2005)
(A) Accumulated depreciation of tangible fixed assets	652,709 ¥M	645,235 ¥M
(This includes accumulated impairment losses as a result of the introduction of impairment accounting.)		
(B) Provision for doubtful debts	1,590 ¥M	1,252 ¥M
(C) Collateral assets		
Cash & deposits	3,495 ¥M	3,708 ¥M
Notes & accounts receivable	1,166 ¥M	1,064 ¥M
Inventories	94 ¥M	108 ¥M
Buildings & structures	23,649 ¥M	25,164 ¥M
Tanks	4,059 ¥M	4,200 ¥M
Machinery, equipment and transportation equipment	103,708 ¥M	102,606 ¥M
Land	36,170 ¥M	34,539 ¥M
Others	13 ¥M	10 ¥M
Total	172,358 ¥M	171,404 ¥M
Note: In addition, assets below listed are pledged as collateral for the borrowing of Genex, which is a consolidated subsidiary.		
Shares of Genex	1,680 ¥M	1,680 ¥M
Long-term loan to Genex	2,520 ¥M	2,520 ¥M
(D) Guarantees		
Guarantees for bank loans, etc.	6,227 ¥M	6,507 ¥M
Guarantees for employees (housing loans)	1,355 ¥M	1,514 ¥M
Total	7,583 ¥M	8,022 ¥M
(E) Notes receivable discounted	121 ¥M	19 ¥M

## (2) Note to the consolidated profit and loss statement

	<u>Current Period</u> From 1 Jan. 2006 to 31 Dec. 2006	<u>Previous Period</u> From 1 Jan. 2005 to 31 Dec. 2005
(A) Extraordinary profit		
Gains from sale of fixed assets	5,119 ¥M	1,824 ¥M
Gains from sale of investment securities, etc.	729 ¥M	91 ¥M
Others	1,600 ¥M	788 ¥M
Total	7,450 ¥M	2,704 ¥M
(B) Extraordinary loss		
Loss on disposal of fixed assets	3,869 ¥M	1,663 ¥M
Valuation loss on investment securities	118 ¥M	43 ¥M
Early retirement premium	28 ¥M	82 ¥M
Impairment losses	2,462 ¥M	1,894 ¥M
Others	1,455 ¥M	398 ¥M
Total	7,934 ¥M	4,083 ¥M

## (3) Note to the consolidated statement of changes in shareholders' equity

Current Period (From 1 Jan. 2006, to 31 Dec. 2006)

## (A) Issued shares

	End of Dec. 2005	Increase	Decrease	End of Dec. 2006
Common shares	376,850,400	—	—	376,850,400

Note:

Number of shares issued has not changed.

## (B) Treasury stock

	End of Dec. 2005	Increase	Decrease	End of Dec. 2006
Common shares	986,620	7,149	466,399	527,370

Note:

Increase resulting from purchase, etc., of odd shares	7,149 shares
Decrease resulting from sale of odd shares	599 shares
Decrease due to exercises of share acquisition rights	465,800 shares

## (C) Dividends

## a) Dividends paid

Resolution	Class of shares	Total amount of dividends (Million Yen)	Dividend per share (Yen)	Record date	Payment date
Ordinary general meeting of shareholders on 30 March 2006	Common shares	5,638	15.00	31 December 2005	31 March 2006
Board of directors meeting on 11 August 2006	Common shares	6,773	18.00	30 June 2006	11 September 2006

## b) Dividends planned to be paid after this financial year end

Resolution	Class of shares	Resource of dividend	Total amount of dividends (Million Yen)	Dividend per share (Yen)	Record date	Payment date
Ordinary general meeting of shareholders on 29 March 2007	Common shares	Retained earnings	6,775	18.00	31 December 2006	30 March 2007

## (4) Note to the consolidated cash flow statement

	<u>Current Period</u>	<u>Previous Period</u>
	From 1 Jan. 2006 To 31 Dec. 2006	From Jan. 1. 2005 To 31 Dec. 2005
(A) Cash and deposits	16,645 ¥M	29,651 ¥M
(B) Time deposit exceeding 3 months	(104) ¥M	(296) ¥M
Cash & cash equivalents	16,541 ¥M	29,354 ¥M

## (5) Note to lease transactions

Disclosure is omitted here because it will be available on EDINET.

## 5. Segment Information (Consolidated)

### 1. Information by Business Segment

Current Period (From 1 Jan. 2006 to 31 Dec. 2006)

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade	Consolidated
I. Sales & Operating Profits						
Sales						
(1) Sales to customers	2,883,480	4,283	33,523	2,921,287	—	2,921,287
(2) Inter-segment sales and transfers	5,799	126	15,293	21,220	( 21,220)	—
Total	2,889,279	4,410	48,817	2,942,507	( 21,220)	2,921,287
Operating expenses	2,819,298	1,648	47,184	2,868,131	( 21,146)	2,846,985
Operating income	69,980	2,761	1,633	74,375	( 73)	74,301
II. Assets/Depreciation/Impairment/ Capital Expenditures						
Assets	1,165,149	31,361	28,818	1,225,329	( 30,314)	1,195,015
Depreciation	24,021	907	2,400	27,329	—	27,329
Impairment losses	2,462	—	—	2,462	—	2,462
Capital expenditures	30,057	125	3,812	33,995	—	33,995

- Notes:
- Fractions of one million yen are rounded off.
  - Business segments are primarily in accordance with the Company's in-house definitions for control purpose
  - Major products and businesses in each business segment.
    - Petroleum: Gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricant, LPG, asphalt, chemicals, etc.
    - Property: Leasing and administration of properties.
    - Others: Construction works, sale and lease of auto accessories, wholesale supply of city gas, electricity and distributed power supply, etc.
  - No operating expenses are included in unattributable items in the "Internal Trade" column.
  - No assets are included in company-wide assets in the "Internal Trade" column.
  - Depreciation charges and capital expenditures include long-term advance payments and amortisation thereof.

Previous Period (From 1 Jan. 2005 to 31 Dec. 2005)

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade Company-wide	Consolidate
I. Total Sales / Operating Profits						
Sales Amount						
(1) Sales : Outside customers	2,250,088	4,281	14,119	2,268,488	-	2,268,488
(2) Inter-segment sales and transfers	728	128	8,540	9,398	(9,398)	-
Total	2,250,817	4,410	22,659	2,277,887	(9,398)	2,268,488
Operating expenses	2,156,018	1,719	21,774	2,179,511	(9,404)	2,170,107
Operating profits	94,798	2,691	885	98,375	5	98,381
II. Assets/Depreciation/Impairment/ Capital Expenditures						
Assets	1,091,570	32,729	38,573	1,162,873	(17,682)	1,145,191
Depreciation	22,197	926	854	23,979	-	23,979
Impairment losses	1,873	20	-	1,894	-	1,894
Capital expenditures	17,697	42	3,552	21,292	-	21,292

- Notes:
1. Fractions of one million yen are rounded off.
  2. Business segments are primarily in accordance with the Company's in-house definitions for control purpose
  3. Major products and businesses in each business segment.
    - (1) Petroleum: Gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricant, LPG, asphalt, chemicals, etc.
    - (2) Property: Leasing and administration of properties.
    - (3) Others: Construction works, sale and lease of auto accessories, wholesale supply of city gas, et
  4. No operating expenses are included in unattributable items in the "Internal Trade" column.
  5. No assets are included in company-wide assets in the "Internal Trade" column.
  6. Depreciation charges and capital expenditures include long-term advance payments and amortisation thereof.

## 2. Segment Information by Location

Current Period (From 1 Jan. 2006 to 31 Dec. 2006)

Since there are no overseas branches or consolidated subsidiaries, this section is not applicable.

Previous Period (From 1 Jan. 2005 to 31 Dec. 2005)

Since there are no overseas branches or consolidated subsidiaries, this section is not applicable.

## 3. Total Overseas Sales

Current Period (From 1 Jan. 2006 to 31 Dec. 2006)

	Asia	Others	Total
I. Sales – Overseas (¥M)	212,113	127,463	339,576
II. Sales – Consolidated (¥M)	/	/	2,921,287
III. Ratio (%): Overseas sales to total consolidated sales	7.3%	4.4%	11.6%

(Note) 1. Segmentation of countries and regions is based on geographical proximity.

2. Major countries in each segment

- (1) Asia: Singapore, South Korea, Hong Kong
- (2) Others: UAE, USA, UK, Belize

3. "Sales – Overseas" indicates total sales of SSSKK and its consolidated subsidiaries in countries or regions outside Japan.

Previous Period (From 1 Jan. 2005 to 31 Dec. 2005)

	Asia	Others	Total
I. Sales – Overseas (¥M)	125,583	92,901	218,484
II. Sales – Consolidated (¥M)	/	/	2,268,488
III. Ratio (%) : Overseas sales to total consolidated sales	5.5%	4.1%	9.6%

(Note) 1. Segmentation of countries and regions is based on geographical proximity.

2. Major countries in each segment

- (1) Asia: Singapore, China, South Korea
- (2) Others: UAE, USA, UK, Switzerland

3. "Sales – Overseas" indicates total sales of SSSKK and its consolidated subsidiaries in countries or regions outside Japan.

## 6. Trades with Related Parties

Current Period (From 1 Jan. 2006 to 31 Dec. 2006)

### 1. Parent companies and corporate shareholders

Categories	Name	Address	Capital (¥M)	Businesses	Voting rights (%)	Relationship		Trade	Amount (¥M)	Account	Closing Balance (¥M)
						Interlocking directors	Business relationship				
Corp. Shareholder	Saudi Arabian Oil Company	Saudi Arabia	-	Development, production, refining, sale and transport of petroleum and natural gas	15.0% indirectly owned	NA	Purchase of crude oil and oil products	Purchase of crude oil	761,084	Accounts payable	61,195

(Transaction terms and policy for determination thereof)

With regard to purchase of crude oil and oil products, prices are determined by negotiation in consideration of market prices.

Notes: 1 Saudi Arabian Oil Company (Saudi Aramco) is a parent company of Aramco Japan Holdings B.V. that is a corporate shareholder of SSSKK.

2 Stated transactions are not subject to consumption taxes, and the closing balance does not include them.

### 2. Directors and major individual shareholders, etc.

Categories	Name	Address	Capital (¥M)	Businesses	Voting Rights (%)	Relationship		Trade	Amount (¥M)	Account	Closing Balance (¥M)
						Interlocking directors	Business relationship				
Director	Haruyuki Niimi	-	-	Chairman of SSSKK, Head Director of Showa Shell Sekiyu Foundation for promotion of Environmental Research	(Direct 0.0)	-	-	Payment of donation	38	-	-

The above transaction was a transaction for third parties.

Note: Stated transactions are not subject to consumption taxes.

### 3. Subsidiaries, etc.

Categories	Name	Address	Capital (¥M)	Businesses	Voting Rights (%)	Relationship		Trade	Amount (¥M)	Account	Balance (¥M)
						Directors	Business Relationship				
Affiliate	Seibu Oil	Chiyoda-ku, Tokyo	8,000	Production and sale of oil products	Direct 38.0	1 interlocking 2 transferred	Purchase of oil products	Purchase of oil products	326,090	Accounts payable	38,565
Affiliate	Marubeni Energy	Chiyoda-ku, Tokyo	2,350	Sale of oil products	Direct 33.4	2 interlocking 1 seconded	Sales of oil products	Sale of oil products	154,402	Accounts receivable	17,846

(Transaction terms and policy for determination thereof)

With regard to sale and purchase of oil products, prices are determined by negotiation in consideration of market prices.

Note: Consumption taxes are included in the balance of liabilities, but not in the trade amount.

### 4. Sister companies

Categories	Name	Address	Capital (¥M)	Businesses	Voting Rights (%)	Relationship		Trade	Amount (¥M)	Account	Balance (¥M)
						Directors	Business Relationship				
Other related company	Shell Chemicals Japan	Minato-ku, Tokyo	250	Sale of petrochemical products	NA	2 interlocking 2 transferred 1 seconded	Purchase of petrochemicals	Purchase of petrochemicals	96,926	Accounts receivable	12,259

(Transaction terms and policy for determination thereof)

With regard to sale and purchase of petrochemicals, prices are determined by negotiation in consideration of market prices.

Note: 1 The Shell Petroleum Company Limited, which is a parent company of Shell Chemicals Japan, and its subsidiary, The Anglo-Saxon Petroleum Company Limited possess 35.1% of SSSKK voting right.

2 Consumption taxes are included in the balance of liabilities, but not in the trade amount.

Categories	Name	Address	Capital (\$M)	Businesses	Voting Rights (%)	Relationship		Trade	Amount (¥M)	Account	Balance (¥M)
						Directors	Business Relationship				
Other related company	Shell Eastern Trading (P.T.E) Limited	Singapore	714	Sale and purchase of crude and oil products	NA	NA	Sale and purchase of crude and oil products	Sale and purchase of crude and oil products	294,586	Accounts payable	23,290

(Transaction terms and policy for determination thereof)

With regard to sale and purchase of oil products, prices are determined by negotiation in consideration of market prices.

- Note:
- 1 Shell Petroleum N.V., which is a parent company of Shell Eastern Trading (P.T.E) Limited, is a subsidiary of Royal Dutch Shell plc. The Shell Petroleum Company Limited, which is a subsidiary of Royal Dutch Shell plc possesses 35.1% voting right of SSSKK, together with its subsidiary, The Anglo-Saxon Petroleum Company Limited.
  - 2 Consumption taxes are included in the balance of liabilities, but not in the trade amount.

## **7. Production, Orders Received and Sales (Consolidated)**

### 1. Production

Production in current period by segment is as follows:

(Unit: Million Yen)

Segment	<u>Current Period</u>	
	From 1 Jan. 2006 to 31 Dec. 2006	Increase/decrease (%) compared with the previous period
Oil business	1,155,811	25.2
Total	1,155,811	25.2

Note: 1. Above figures indicate total production of all manufacturing companies in the segment.

2. Above figures do not include consumption taxes.

### 2. Orders Received

The SSSKK Group does not produce major products on receiving orders.

### 3. Sales

Sales in current period by segment is as follows:

(Unit: Million Yen)

Segment	<u>Current Period</u>	
	From 1 Jan. 2006 to 31 Dec. 2006	Increase/decrease (%) compared with the previous period
Oil business	2,883,480	28.1
Property	4,283	0.0
Others	33,523	137.4
Total	2,921,287	28.8

(Note) 1. Since there are no significant business customers required to be disclosed under "Sales by Major Customer," the section is omitted.

2. Above figures do not include consumption taxes.

3. Sales indicate the sales to customers.

## **8. Market Value of Securities (Consolidated)**

### I. Current Period (As of 31 Dec. 2006)

#### 1. Other securities with market value

(Unit: Million Yen)

	Category	Historical Cost	Book Value on Closing Date	Difference
Book value exceeding historical cost	(1) Shares	12,172	20,465	8,292
	Subtotal	12,172	20,465	8,292
Book value not exceeding historical cost	(1) Shares	4	4	(0)
	Subtotal	4	4	(0)
Total		12,177	20,469	8,292

#### 2. Sale of securities classified as other securities

(Unit: Million Yen)

Amounts Sold	Profit on Sale	Loss on Sale
1,064	725	0

#### 3. Securities with no market value and valuation thereof on consolidated balance sheet

(Unit: Million Yen)

Category	Book Value
Other securities	
(1) Unlisted shares	5,614
(2) Other unlisted bonds	15
Total	5,629

II. Previous Period (As of 31 Dec. 2005)1. Other securities with market value

(Unit: Million Yen)

	Category	Historical Cost	Book Value on Closing Date	Difference
Book value exceeding historical cost	(1) Shares	12,426	21,616	9,189
	Subtotal	12,426	21,616	9,189
Book value not exceeding historical cost	(1) Shares	0	0	(0)
	Subtotal	0	0	(0)
Total		12,427	21,616	9,189

2. Sale of securities classified as other securities

(Unit: Million Yen)

Amounts Sold	Profit on Sale	Loss on Sale
471	91	0

3. Securities with no market value and valuation thereof on consolidated balance sheet

(Unit: Million Yen)

Category	Book Value
Other securities	
(1) Unlisted shares	5,858
(2) Other unlisted bonds	15
Total	5,873

## 9. Derivatives – Contract Amounts, Valuation Gains and Losses

Disclosure is omitted here because it is available on EDINET.

## 10. Retirement Benefits

### 1. Summary of retirement benefit scheme

SSSKK and its consolidated subsidiaries have established defined benefit company pension plans that include lump-sum retirement schemes, in-house pension schemes, and tax qualified pension plans, and also defined contribution-type smaller enterprise retirement allowance mutual aid schemes and special retirement allowance mutual aid schemes; among these the lump-sum retirement schemes and in-house pension schemes have been classified as a lump-sum retirement scheme. Upon their retirement, employees may also be paid additional retirement allowances not included in retirement benefit obligations, which are based on actuarial calculations in accordance with the retirement benefit accounting.

In the financial year under review there were seven companies among SSSKK and its consolidated subsidiaries that had defined benefit company pension plans that included lump-sum retirement schemes and in-house pension schemes, six that had only lump-sum retirement schemes, and three with only tax qualified pension plans. Five companies operated lump-sum retirement schemes and smaller enterprise retirement allowance mutual aid schemes, one company had a retirement allowance mutual aid scheme only, and one company had a smaller enterprise retirement allowance mutual aid scheme only.

### 2. Retirement benefit obligations

(Unit: Million Yen)

	Current Period (As of 31 Dec. 2006)	Previous Period (As of 31 Dec. 2005)
A. Retirement benefit obligations	(105,977)	(106,240)
B. Pension assets	17,326	15,212
C. Unfunded retirement benefit obligations (A + B)	(88,650)	(91,027)
D. Unrecognised actuarial differences	9,695	10,889
E. Unrecognised past service difference (reduction in obligations)	(567) (*1)	(624) (*1)
F. Unrecognised transition asset due to accounting changes	967	1,085 (*6)
G. Consolidated book value (C + D + E + F)	(78,554)	(79,677)
H. Prepaid pension expenses	–	–
I. Provisions for retirement benefits (G - H)	(78,554)	(79,677)

Current Period  
(As of 31 Dec. 2006)

- \* 1. A past service obligation (decrease in obligations) arose because a consolidated subsidiary using the general accounting method changed its plan by reducing the benefit level in its lump-sum retirement scheme.
2. SSSKK's retirement benefit scheme includes three consolidated subsidiaries.
3. The simple method is used for calculating retirement benefit obligations, except at SSSKK and two of the consolidated subsidiaries.
4. In-house pension schemes are mainly those in which employees retiring at retirement age or voluntarily at above the age of 55 contribute 50% of their retirement benefits to their company, which then pays it out over 180 months or until the death of the pensioners.
5. SSSKK has introduced a new retirement benefit system in which employees choose from a scheme for advance cash payment of retirement allowance and pension (full payment of retirement allowance and pension equivalent amount included in salary), and a lump-sum retirement benefit scheme; the benefit obligations of employees choosing the lump-sum scheme are also included.

Previous Period  
(As of 31 Dec. 2005)

- \* 1. A past service obligation (decrease in obligations) arose because a consolidated subsidiary using the general accounting method changed its plan by reducing the benefit level in its lump-sum retirement scheme.
2. SSSKK's retirement benefit scheme includes two consolidated subsidiaries.
3. The simple method is used for calculating retirement benefit obligations, except at SSSKK and two of the consolidated subsidiaries.
4. In-house pension schemes are mainly those in which employees retiring at retirement age or voluntarily at above the age of 55 contribute 50% of their retirement benefits to their company, which then pays it out over 180 months or until the death of the pensioners.
5. SSSKK has introduced a new retirement benefit system in which employees choose from a scheme for advance cash payment of retirement allowance and pension (full payment of retirement allowance and pension equivalent amount included in salary), and a lump-sum retirement benefit scheme; the benefit obligations of employees choosing the lump-sum scheme are also included.

6. An unrecognized transition asset arose at one newly consolidated subsidiary due to changes in accounting standards.

### 3. Retirement benefit expenses

(Unit: Million Yen)

	Current Period From 1 Jan. 2006 to 31 Dec. 2006	Previous Period From 1 Jan. 2005 to 31 Dec. 2005
A. Service cost	2,315 (*1)	2,132 (*1)
B. Interest cost	2,535	2,496
C. Expected return on assets	(924)	(56)
D. Amortisation of actuarial loss	1,171	1,268
E. Amortisation of past service cost	(57)	(57)
F. Amortisation of transition assets due to accounting	117	29
G. Retirement benefit expenses (A + B + C + D + E + F)	5,158	5,812

Current Period  
(As of 31 Dec. 2006)

- \* 1. The retirement benefit costs of consolidated subsidiaries that use a simple method are included in "A. Service cost".

Previous Period  
(As of 31 Dec. 2005)

- \* 1. The retirement benefit costs of consolidated subsidiaries that use a simple method are included in "A. Service cost".

### 4. The assumptions used in calculations for the above plans

	Current Period (As of 31 Dec. 2006)	Previous Period (As of 31 Dec. 2005)
A. Allocation method for forecast retirement benefit costs	Allocated equally over the period	Allocated equally over the period
B. Discount rates	Mainly 2.5%	Mainly 2.5%
C. Expected return on assets	Mainly 6.5%	Mainly 0.5%
D. Period for amortization of prior service cost	14 years (One consolidated subsidiary using the general accounting method revised its retirement allowance rules, and prior service cost thus arising is amortized by the straight-line method over a certain number of years not exceeding the average remaining service years of employees.)	14 years (One consolidated subsidiary using the general accounting method revised its retirement allowance rules, and prior service cost thus arising is amortized by the straight-line method over a certain number of years not exceeding the average remaining service years of employees.)
E. Period for amortization of actuarial loss	13–14 years (SSSKK and the two consolidated subsidiaries using the general accounting method amortize these losses by the straight-line method over a certain number of years not exceeding the average remaining service years of employees from the fiscal year following the year in which they arose.)	13–15 years (SSSKK and the two consolidated subsidiaries using the general accounting method amortize these losses by the straight-line method over a certain number of years not exceeding the average remaining service years of employees from the fiscal year following the year in which they arose.)
F. Period for amortization of transition assets due to accounting changes	15 years	15 years

## 11. Deferred Taxation

<u>Current Period</u> (As of 31 Dec. 2006)	<u>Previous Period</u> (As of 31 Dec. 2005)
1. Main sources of deferred tax assets and liabilities	1. Main sources deferred tax assets and liabilities
Deferred Tax Assets	Deferred Tax Assets
Excess provisions for accrued retirement benefits 31,887 ¥ M	Excess provisions for accrued retirement benefits 31,508 ¥ M
Impairment losses of fixed assets 14,287	Impairment losses of fixed assets 14,496
Unrecognized loss on revaluation of securities 900	Unrecognized loss on revaluation of securities 1,014
Excess provisions for doubtful debts 219	Excess provisions for doubtful debts 310
Others 16,139	Others 16,475
Subtotal (deferred tax assets) 63,435 ¥ M	Subtotal (deferred tax assets) 63,805 ¥ M
Valuation reserves (14,742)	Valuation reserves (15,090)
Total deferred tax assets 48,693 ¥ M	Total deferred tax assets 48,715 ¥ M
Deferred Tax Liabilities	Deferred Tax Liabilities
Reserves for advanced depreciation of fixed assets (9,688) ¥ M	Reserves for advanced depreciation of fixed assets (9,038) ¥ M
Difference on valuation of other securities (3,377)	Difference on valuation of other securities (3,740)
Others (10,134)	Others (5,873)
Total deferred tax liabilities (23,200) ¥ M	Total deferred tax liabilities (18,652) ¥ M
<b>Net deferred tax assets 25,492 ¥ M</b>	<b>Net deferred tax assets 30,063 ¥ M</b>
2. Difference between statutory effective tax rate and actual tax-bearing ratio after deferred taxation	2. Difference between statutory effective tax rate and actual tax-bearing ratio after deferred taxation
Note is omitted because the difference between the statutory effective tax rate and the actual tax-bearing ratio after deferred taxation is less than 5%.	Note is omitted because the difference between the statutory effective tax rate and the actual tax-bearing ratio after deferred taxation is less than 5%.

**12. Summary Non-Consolidated Full Year Results for 2006**

2007

**Listed Company Name: Showa Shell Sekiyu K.K.**

Listed Stock Exchange: Tokyo Stock Exchange 1st Section

Code number: 5002

Location of head office: Tokyo

(URL: <http://www.showa-shell.co.jp/>)

Delegate: Title: Chairman, Representative Director

Name: Haruyuki Niimi

Contact: Title: Controller, Director

Name: Jun Arai

Tel: (03) 5531-5601

Date of board meeting for 2006 accounts closing:

16 February 2007

Start date for dividend payment: 30 March 2007

Date of ordinary general meeting of shareholders:

29 March 2007

Unit share system: Yes (1 unit = 100 shares)

**1. Non-Consolidated Financial Performance (From 1 Jan. 2006 to 31 Dec. 2006)****(1) Business Results**

(Note: Fractions of one million yen are rounded off.)

	Sales		Operating Income		Ordinary Income	
	Million Yen	%	Million Yen	%	Million Yen	%
Full Year, 2006	2,818,949	28.5	68,626	(26.4)	71,865	(22.9)
Full Year, 2005	2,192,906	23.3	93,299	68.8	93,222	58.2

	Net Income		Earnings per Share	Diluted Earnings per Share	ROE	Ordinary Income to Total Assets	Ordinary Income to Sales
	Million Yen	%	Yen	Yen	%	%	%
Full Year, 2006	41,827	(21.9)	111.18	111.12	15.4	6.8	2.5
Full Year, 2005	53,584	1,573.2	142.61	142.44	22.7	10.0	4.3

Note: 1. Average number of shares outstanding: December 2006 376,227,435 December 2005 375,434,474

2. Changes in accounting methods: N/A

3. Percentages shown in Sales, Operating Income, Ordinary Income, and Net Income columns represent changes from previous year.

**(2) Financial Position**

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Million Yen	Million Yen	%	Yen
As of 31 Dec. 2006	1,081,697	286,938	26.5	762.34
As of 31 Dec. 2005	1,024,598	257,354	25.1	684.46

Note: i) Number of shares outstanding at the end of: December 2006 376,391,467 December 2005 375,932,187

ii) Treasury stock at end of period: December 2006 458,933 December 2005 918,213

**2. Forecast of Non-Consolidated Financial Performance (For the year from 1 Jan. 2007 to 31 Dec. 2007)**

	Sales	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Half Year, 2007	1,340,000	19,000	11,000
Full Year, 2007	2,750,000	53,000	31,000

Reference: Forecast net income per share for the year: ¥82.36

**3. Dividends**

	Dividend per Share			Total Annual Cash Dividend	Dividend Payout Ratio	Cash Dividends to Net Assets
	Interim	Year-End	Annual			
	Yen	Yen	Yen	Million Yen	%	%
Full Year, 2005	20.00	15.00	35.00	13,148	24.5	5.1
Full Year, 2006	18.00	18.00	36.00	13,548	32.4	5.0
Full Year, 2007 (Forecast)	18.00	18.00	36.00			

Note: This forecast is based on information available as of the date of publication. For various reasons the actual results could differ from this forecast. Please refer to the attached material on Page 8 for details of this forecast of business performance.

## 13. Non-Consolidated Financial Statements

### 1. Balance Sheet

Item	Current Period As of 31 Dec. 2006		Previous Period As of 31 Dec. 2005		Increase/Decrease
	Amount (¥M)	Ratio (%)	Amount (¥M)	Ratio (%)	Amount (¥M)
<b>Assets</b>					
<b>I. Current Assets</b>					
1. Cash & deposits	4,309		15,367		(11,057)
2. Notes receivable	146		199		(52)
3. Accounts receivable	311,851		298,636		13,215
4. Inventories	263,847		226,661		37,185
5. Others	111,237		86,896		24,340
(Total current assets)	691,392	63.9	627,761	61.3	63,631
<b>II. Fixed Assets</b>					
1. Tangible fixed assets	228,824		231,024		(2,200)
2. Intangible fixed assets	7,722		8,882		(1,160)
3. Investments	153,758		156,930		(3,171)
(Total fixed assets)	390,305	36.1	396,837	38.7	(6,531)
<b>Total Assets</b>	<b>1,081,697</b>	<b>100.0</b>	<b>1,024,598</b>	<b>100.0</b>	<b>57,099</b>
<b>Liabilities</b>					
<b>I. Current Liabilities</b>					
1. Notes & accounts payable	277,313		237,334		39,978
2. Short-term debts	44,724		33,148		11,575
3. Commercial paper	68,000		86,000		(18,000)
4. Others	269,272		286,088		(16,815)
(Total current liabilities)	659,311	61.0	642,571	62.7	16,739
<b>II. Long-Term Liabilities</b>					
1. Bonds	30,000		15,000		15,000
2. Long-term debts	14,500		16,500		(2,000)
3. Provisions for retirement benefits	69,002		70,325		(1,322)
4. Provisions for special maintenance	2,984		3,893		(908)
5. Others	18,960		18,953		7
(Total long-term liabilities)	135,447	12.5	124,671	12.2	10,776
<b>Total Liabilities</b>	<b>794,759</b>	<b>73.5</b>	<b>767,243</b>	<b>74.9</b>	<b>27,515</b>
<b>Net Assets</b>					
<b>I. Shareholders' Equity</b>					
1. Paid-in capital	34,197	3.1	-		34,197
2. Capital surplus	22,072	2.0	-		22,072
Capital reserve	22,045		-		22,045
Other capital surplus	27		-		27
3. Retained earnings	227,029	21.0	-		227,029
Profit reserve	6,749		-		6,749
Other retained earnings	220,279		-		220,279
Reserve for advanced depreciation of fixed assets	13,209		-		13,209
Provisional reserve for advanced depreciation of fixed assets	13		-		13
Special reserve	5,550		-		5,550
Profit surplus carried forward	201,507		-		201,507
4. Treasury stock	(372)	(0.0)	-		(372)
(Total shareholders' equity)	282,927	26.1	-		282,927
<b>II. Valuation and translation gains/losses</b>					
1. Difference on valuation of other securities	4,010		-		4,010
(Total valuation and translation gains and losses)	4,010	0.4	-		4,010
<b>Total Net Assets</b>	<b>286,938</b>	<b>26.5</b>	<b>-</b>		<b>286,938</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>1,081,697</b>	<b>100.0</b>	<b>-</b>		<b>1,081,697</b>

Item	Current Period As of Dec. 31, 2006		Previous Period As of Dec. 31, 2005		Increase/Decrease
	Amount (¥M)	Ratio (%)	Amount (¥M)	Ratio (%)	Amount (¥M)
<b><u>Shareholders' Equity</u></b>					
<u>I. Paid-in Capital</u>	-		34,197	3.3	(34,197)
<u>II. Capital Surplus</u>					
1. Capital reserves	-		22,045		(22,045)
2. Other capital surplus	-		23		(23)
<u>(Total capital surplus)</u>	-		22,068	2.2	(22,068)
<u>III. Retained Earnings</u>					
1. Profit reserve	-		6,749		(6,749)
2. Reserve for advance depreciation of fixed assets	-		13,097		(13,097)
3. Special reserve	-		5,550		(5,550)
4. Unappropriated net income	-		172,260		(172,260)
<u>(Total retained earnings)</u>	-		197,657	19.3	(197,657)
<u>IV. Difference on valuation of other securities</u>	-		4,161	0.4	(4,161)
<u>V. Treasury stock</u>	-		(731)	(0.1)	731
<b><u>Total Shareholders' Equity</u></b>	-		257,354	25.1	(257,354)
<b><u>Total Liabilities &amp; Shareholders' equity</u></b>	-		1,024,598	100.0	(1,024,598)

Note: Fractions of one million yen are rounded off.

## 2. Profit and Loss Statement

Item	Current Period From 1 Jan. 2006 to 31 Dec. 2006		Previous Period From 1 Jan. 2005 to 31 Dec. 2005		Increase/ Decrease		
	Amount (¥M)	Ratio (%)	Amount (¥M)	Ratio (%)	Amount (¥M)		
<u>I. Sales</u>		2,818,949	100.0		2,192,906	100.0	626,042
<u>II. Cost of sales</u>		2,656,547	94.2		2,006,446	91.5	650,101
Gross profit		162,401	5.8		186,460	8.5	(24,058)
<u>III. Sales, administrative and general expenses</u>		93,775	3.3		93,160	4.2	615
<b>Operating Income</b>		68,626	2.5		93,299	4.3	(24,673)
<u>IV. Non-operating profit</u>							
1. Interest & dividend income	3,099			2,904			
2. Foreign exchange gains	1,314			-			
3. Others	2,313	6,727	0.2	2,601	5,505	0.3	1,221
<u>V. Non-operating expenses</u>							
1. Interest paid	3,175			2,292			
2. Foreign exchange losses	-			2,767			
3. Others	312	3,488	0.1	522	5,582	0.3	(2,094)
<b>Ordinary Income</b>		71,865	2.6		93,222	4.3	(21,357)
<u>VI. Extraordinary profit</u>		3,803	0.1		2,223	0.1	1,579
<u>VII. Extraordinary loss</u>		6,350	0.2		3,509	0.2	2,841
Net income before taxes		69,318	2.5		91,937	4.2	(22,618)
Taxes	26,801			37,214			
Tax adjustments	688	27,490	1.0	1,138	38,352	1.7	(10,862)
<b>Net Income After Taxes</b>		41,827	1.5		53,584	2.5	(11,756)
Unappropriated earnings brought forward		-			126,186		(126,186)
Interim dividends paid		-			7,509		(7,509)
<b>Unappropriated earnings at end of year</b>		-			172,260		(172,260)

Note: Fractions of one million yen are rounded off.

## 3. Statement of Changes in Shareholders' Equity

Current Period (From 1 Jan. 2006, to 31 Dec. 2006)

(Unit: Million Yen)

	Shareholders' equity											Valuation & Translation gains/losses		Total Net Assets
	Paid-in Capital	Capital surplus			Profit reserve	Retained earnings				Treasury stock	Total shareholders' equity	Difference on valuation of other securities		
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings					
					Reserve for advanced depreciation of fixed assets	Provisional reserve for advanced depreciation on fixed assets	Special reserve	Profit surplus carried forward						
Opening balance	34,197	22,045	23	22,068	6,749	13,097		5,550	172,260	197,657	(731)	253,192	4,161	257,354
Changes in the period														
Dividend from surplus									(12,412)	(12,412)		(12,412)		(12,412)
Directors' bonuses (Note 2)									(44)	(44)		(44)		(44)
Net income after tax									41,827	41,827		41,827		41,827
Acquisition of treasury stock											(9)	(9)		(9)
Disposal of treasury stock			4	4							368	373		373
Reserve for other earned reserves (Note 3)						250 (134)	40 (27)		291 (162)					
Reversal of other earned reserves (Note 3)						(138) (90)	(27)		166 (90)					
Net changes in items except shareholders' equity													(151)	(151)
Total changes in the period			4	4		111	13		29,246	29,371	359	29,734	(151)	29,583
Closing balance	34,197	22,045	27	22,072	6,749	13,209	13	5,550	201,507	227,029	(372)	282,927	4,010	286,938

Notes: 1. Fractions of one million yen are rounded off.

2. Paid pursuant to resolution at general shareholders' meeting on 30 March 2006.

3. Numbers in () of the column of Reserve for other earned reserve and Reversal of other earned reserve are due to appropriation of earnings.

## 4. Statement of Appropriation of Retained Earnings

<u>Appropriation of un-appropriated net income</u>		(Unit : Million Yen)	
		Previous Period (2005) 30 Mar. 2006	
<u>I .Un-appropriated Net Income</u>			
1. Un-appropriated net income for the period		172,260	
2. Write back of reserve for advanced depreciation of fixed assets		90	172,351
<u>II .Appropriated</u>			
1. Dividend (Ordinary Dividend)		5,638 (¥15 per hare)	
2. Directors' bonus (of which auditors' bonus)		44 ( 4)	
3. Reserve for advanced depreciation of fixed assets		134	
4. Provisional reserve for advanced depreciation of fixed assets		27	5,845
<u>III . Net income carried forward to next period</u>			166,505

Other Capital Surplus

		Previous Period (2005) 30 Mar. 2006	
<u>I .Other capital surplus</u>			23
<u>II .Appropriation of other capital reserve</u>			-
<u>III .Other capital surplus carried forward</u>			23

Notes: 1. Fractions of one million yen are rounded off.  
2. The date is the day of general shareholders' meeting when appropriation was resolved.

#### **4. Basis of Financial Statements**

##### **(1) Valuation method for assets**

###### **(A) Securities**

- |                                    |   |
|------------------------------------|---|
| a) Subsidiary and affiliate shares | Stated at historical cost based on the moving average method  |
| b) Other securities                |   |
| Securities with market value       | Stated at market value as of the account closing date<br>( Any valuation differences are directly charged or credited to shareholders' equity and cost of securities sold is calculated by the moving average method. ) |
| Securities without market value    | Stated at historical cost based on the moving average method  |

###### **(B) Derivatives**

Stated at market value

###### **(C) Inventories**

- |   |  |
|---|--|
| a) Inventories of products, work in progress, crude and materials | Stated at historical cost based on the weighted average method       |
| b) Stock afloat   | Stated at historical cost based on the identified cost method        |
| c) Others   | Stated at historical cost, mainly based on the moving average method |

##### **(2) Depreciation**

###### **(A) Tangible fixed assets**

Straight-line method

The same standard as stipulated in the Corporate Tax Law is applied to the useful economic lives and the residual values of these assets. The main oil processing facilities at Ogimachi Factory of Keihin Refinery is depreciated with an estimated useful economic life of 20 years.

###### **(B) Intangible fixed assets**

Straight-line method

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

##### **(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' bonuses**

Accrued bonuses for the current financial year are provided based on the estimated bonuses to be paid in the following year.

###### **(C) Retirement benefits**

Accrued retirement benefits are provided based on the estimated PBO and pension assets as at the current financial year-end. Actuarial differences are amortized evenly over the following 13 years, which is the average remaining service years of employees.

###### **(D) Special maintenance**

The company is required to have periodical inspections and repairs for oil tanks under the Fire Defense Law. Estimated accrued expenses for those inspections and repairs are provided.

###### **(E) Directors' bonuses**

For directors' bonuses, provisions are calculated based on the estimated bonuses to be paid in the following year.

##### **(4) Accounting for leases**

Finance leases, in which ownership of the leased assets do not transfer to the leases, are treated as the same way as operating leases.

##### **(5) Accounting for consumption tax**

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

**(6) Accounting changes****(A) Accounting standard for directors' bonuses**

“Accounting Standard for Directors’ Bonuses” (ASBJ Statement No. 4, issued on 29 November, 2005) has been adopted as of the current financial year. Following a change in the consolidated financial statement rules, the directors’ bonuses are expensed when they occur, although it had been an appropriation of retained earnings after resolution of shareholders’ meeting. As a result, operating income, ordinary income and net income before taxes are decreased by 55 million yen compared with those under the previous rules.

**(B) Accounting standard for presentation of net assets on the balance sheet**

“Accounting Standard for Presentation of Net Assets on the Balance Sheet” (ASBJ Statement No. 5, issued on December 9, 2005) and its Implementation Guidance (ASBJ Guidance No. 8, issued on December 9, 2005) have been adopted as of the current financial year.

Following a change in the consolidated financial statement rules, the revised rules are applied to the consolidated shareholders' equity section for the current financial year. The corresponding figure under the previous rules would have been equivalent to the net assets under the new rule.

## Notes

## (1) Note to the balance sheet

	<u>Current Period</u> (As of 31 December 2006)	<u>Previous Period</u> (As of 31 December 2005)
(A) Accumulated depreciation of tangible fixed assets (This includes accumulated impairment losses as a result of the introduction of impairment accounting.)	251,915 ¥M	252,617 ¥M
(B) Provisions for doubtful debts	916 ¥M	666 ¥M
(C) Collateralised assets		
Land	1,856 ¥M	1,856 ¥M
(D) Guarantee		
Guarantee for bank loan, etc.	8,920 ¥M	7,220 ¥M
Guarantee for employees (housing loans)	1,176 ¥M	1,292 ¥M
Total	10,096 ¥M	8,513 ¥M

## (2) Note to the profit and loss statement

	<u>Current Period</u> From 1 January 2006 To 31 December 2006	<u>Previous Period</u> From 1 January 2005 To 31 December 2005
(A) Extraordinary profit		
Gains from sales of fixed assets	2,485 ¥M	1,793 ¥M
Gains from sales of investment securities etc.	7 ¥M	34 ¥M
Provisions for special maintenance	956 ¥M	- ¥M
Others	354 ¥M	395 ¥M
Total	3,803 ¥M	2,223 ¥M
(B) Extraordinary loss		
Loss on disposal of fixed assets	2,574 ¥M	1,425 ¥M
Valuation loss on investment securities	909 ¥M	34 ¥M
Impairment losses	2,250 ¥M	1,718 ¥M
Others	616 ¥M	330 ¥M
Total	6,350 ¥M	3,509 ¥M

## (3) Note to the unconsolidated statement of changes in shareholders' equity

Current Period (From 1 Jan. 2006 to 31 Dec. 2006)

## Treasury stock

	End of Dec. 2005	Increase	Decrease	End of Dec. 2006
Common shares	918,213	7,119	466,399	458,933

(Note)

Increase in purchase of odd shares	7,119 shares
Decrease in sales of odd shares	599 shares
Decrease in exercises of share acquisition rights	465,800 shares

## (4) Note to lease transaction

Disclosure is omitted because it will be on EDINET.

## (5) Note to investment securities

Shares of affiliated companies and subsidiaries with current price

Current Period (As of 31 December 2006)

Category	Book value in B/S	Current market Value	Difference
	¥M	¥M	¥M
Shares of subsidiaries	10,892	11,471	578

Previous Period (As of 31 December 2005)

Category	Book value in B/S	Current market value	Difference
	¥M	¥M	¥M
Shares of subsidiaries	10,892	17,144	6,251

## (6) Note to deferred taxation

<u>Current Period</u> (As of 31 Dec. 2006)	<u>Previous Period</u> (As of 31 Dec. 2005)
1. Main sources of deferred tax assets and liabilities	1. Main sources deferred tax assets and liabilities
Deferred Tax Assets	Deferred Tax Assets
Excess provisions for accrued retirement benefits	Excess provisions for accrued retirement benefits
28,083 ¥ M	27,891 ¥ M
Impairment losses of fixed assets	Impairment losses of fixed assets
13,643	14,004
Unrecognized loss on revaluation of securities	Unrecognized loss on revaluation of securities
2,451	2,205
Excess provisions for doubtful debts	Excess provisions for doubtful debts
152	326
Others	Others
9,145	9,854
Subtotal (deferred tax assets) 53,477 ¥ M	Subtotal (deferred tax assets) 54,193 ¥ M
Valuation reserves	Valuation reserves
(14,491)	(14,555)
Total deferred tax assets 38,985 ¥ M	Total deferred tax assets 39,638 ¥ M
Deferred Tax Liabilities	Deferred Tax Liabilities
Reserves for advanced depreciation of fixed assets	Reserves for advanced depreciation of fixed assets
(9,075) ¥ M	(9,038) ¥ M
Difference on valuation of other securities	Difference on valuation of other securities
(2,752)	(2,856)
Total deferred tax liabilities (11,827) ¥ M	Total deferred tax liabilities (11,895) ¥ M
<b>Net deferred tax assets 27,157 ¥ M</b>	<b>Net deferred tax assets 27,742 ¥ M</b>
2. Difference between statutory effective tax rate and actual tax-bearing ratio after deferred taxation	2. Difference between statutory effective tax rate and actual tax-bearing ratio after deferred taxation
Note is omitted because the difference between the statutory effective tax rate and actual tax-bearing ratio after deferred taxation is less than 5%.	Note is omitted because the difference between the statutory effective tax rate and actual tax-bearing ratio after deferred taxation is less than 5%.

**14. Sales proceeds by products**

	<u>Current Period</u> From 1 Jan. 2006 To 31 Dec. 2006		<u>Previous Period</u> From 1 Jan. 2005 To 31 Dec. 2005		Increase / (Decrease) [% change vs previous period]	
	Volume	Value	Volume	Value	Volume	Value
	000KL	¥M	000KL	¥M	000KL	¥M
Gasoline	10,294	1,143,056	9,786	964,515	508 [ 5.2]	178,541 [ 18.5]
Kerosene, Gas Oil	12,755	754,225	11,371	529,404	1,384 [ 12.2]	224,821 [ 42.5]
Fuel Oil	5,399	271,264	6,030	234,727	( 631) [ (10.5)]	36,537 [ 15.6]
Others	11,422	650,404	10,580	464,260	842 [ 8.0]	186,144 [ 40.1]
Total	39,870	2,818,949 @70,704	37,767	2,192,906 @58,065	2,103 [ 5.6]	626,043 [ 28.5] @12,639

(Note) 1. [ ] shows ratio of Increase / Decrease (%)

2. Kerosene, Gas Oil includes Jet fuel.

**15. Changes in Officers:****1. Changes in Representative Directors:**

None

**2. Changes in other Officers(effective from 29th March, 2006):**

Candidates for new Directors:

New position	Name	Current position
Director (Outside Director)	Khalid H. Al-Dabbagh	Director, Joint Venture Development and Support Department, Saudi Arabian Oil Company (Saudi Arabia)
Director	Richard A. Carruth	Executive Officer / Chief Finance Officer

Retiring Directors:

Current position	Name	Position
Director (Non-executive Director)	Roy D. Waight	Executive Vice President, Shell International Limited (UK)
Director (Outside Director)	Mohammad S. Alshammari	Director / President and Chief Executive Officer, Saudi Refining (USA)

Candidate for an Auditor Substitute:

New position	Name	Current position
Auditor Substitute (Outside Auditor)	Kazuo Mura	Attorney at law

Note: An Auditor Substitute will be appointed to prepare for the lack of required number of Auditors by any chance.

Profile of the new Director candidates are as follows:

Name (Date of Birth)	Career history	
Khalid H. Al-Dabbagh (8 December 1961)	June 1985  Sep 1990 Aug 2001  Mar 2003  July 2006	graduated from University of Toledo (USA), B.S. Industrial Engineering joined Saudi Arabian Oil Company (Saudi Arabia) General Manager, Saudi Petroleum Limited (Tokyo Branch) President & CEO, Saudi Petroleum International Inc. (USA) Director, Joint Venture Development and Support Department, Saudi Arabian Oil Company (Saudi Arabia)
Richard A. Carruth (16 March 1952)	June 1976 Dec 1980  Sep 2001  June 2005  June 2006	joined Shell Oil Company (USA) graduated from University of Houston (USA), Master of Business Administration Director of Merger, Acquisition & Divestment, Shell International Oil Products Company (UK) General Manager Finance, Shell Eastern Petroleum Company (Singapore) Executive Officer, Chief Finance Officer (CFO), Showa Shell Sekiyu K.K. (present)