

**Summary of Financial and Business Results for 1Q/2007 (Consolidated)**

10 May 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, Managing Director Name: Jun Arai Phone: (03) 5531-5601

**1. Notes regarding compiling the quarterly financial results**

- ① Adoption of simplified accounting method : Applicable  
 Simplified method is adopted in tax calculations.  
 ② Changes in accounting method : None  
 ③ Changes in scope of consolidated subsidiaries & equity-method affiliates : Applicable  
 Consolidated subsidiaries: 1 added, none excluded Equity-method affiliates: none added, none excluded

**2. Summary of financial and business results (from 1 January 2007 to 31 March 2007)**

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

**(1) Business Results (Consolidated)**

	Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
1st QTR 2007	728,205	(3.6)	8,665	(72.5)	9,113	(71.2)	5,009	(72.0)
1st QTR 2006	755,451	44.3	31,566	62.4	31,653	67.9	17,866	63.5
Full year 2006	2,921,287		74,301		77,675		46,249	

	Earnings per Share	Diluted Earnings per Share
	Yen	Yen
1st QTR 2007	13.31	13.30
1st QTR 2006	47.52	47.51
Full year 2006	122.95	122.88

(Note) Percentages shown above in Sales, Operating Income, Ordinary Income, and Net Income columns represent changes from the same quarter of the previous year.

**[Qualitative information on the (consolidated) operating results]**

Dubai crude oil was slightly below \$60 per barrel at the beginning of this year and temporarily dropped to \$48 per barrel, which was attributed to pricing pressure generated by accumulated inventories of crude oil and products. The accumulation resulted from weak demand due to a warm winter in the Northern Hemisphere. Then, backed by strong concerns over serious conflicts between Iran and Western countries, which was based on a reemergence of risk from Iran's nuclear development program and the capture of British soldiers, as well as the prospect of an increase in U.S. gasoline demand in the summer, crude oil prices continued the steady increase and topped out at \$60 per barrel for Dubai crude oil at the end of the current first quarter. For the same period, the U.S. dollar initially traded at the upper JPY119 level, but temporarily appreciated to the upper JPY121 level as strong U.S. economic indicators mitigated concerns about a slowdown in the U.S. economy. At the worldwide decline in stock prices beginning at end of February, the dollar rapidly declined to the JPY115 level in early March as a result of the dissolution of the yen carry trade but returned to the JPY118 level in the middle of March. After that, the sales of yen, backed by the interest rate gap between Japan and the United States, as well as sales of dollars backed by the prospect for a cut in interest rates, were balanced, and the dollar traded within the range of JPY116 to JPY118.

The domestic demand for gasoline continued to decline due to consumption control and strong awareness of fuel consumption efficiency from a price increase, which was lower in the first quarter compared with the same period last

year. For the first quarter, sales volume failed to reach the results for the same period last year as it substantially declined in January from that of last year due to weak demand in line with industry trends. For sales volume of middle distillates (kerosene, gas oil and fuel oil A), kerosene substantially declined from the previous year due to a mild winter. Fuel oil A faced continued decline in demand reflecting the mild winter and the buyers' shift of fuels to LNG and nuclear energy due to an interest in environmental problems and higher crude oil prices. On the other hand, gas oil maintained strong sales over the past year and exceeded the results of last year. As a result, domestic sales volume totaled 8.34 million KL, a decrease of 1.8% from a year earlier.

The Company recorded JPY728.2 billion in sales (a decrease of 3.6% from a year earlier), JPY8.6 billion in operating income (a decrease of JPY22.9 billion from a year earlier), JPY9.1 billion in ordinary profit (a decrease of JPY22.5 billion from a year earlier), and JPY5 billion in net income (a decrease of JPY12.8 billion from a year earlier) on a consolidated basis. This was attributed to a decline in the cost of sales due to the effects of inventory valuation in relation to a decline in crude oil prices and the decrease in sales volume of kerosene and fuel oil A.

On a current cost of supply basis (excluding effects of inventory valuation), ordinary profit totaled JPY16.3 billion (a decrease of JPY1.5 billion from a year earlier).

## (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
1st QTR 2007	1,199,191	329,299	25.7	818.67
1st QTR 2006	1,141,918	288,082	25.2	765.99
As of 31 Dec. 2006	1,195,015	330,956	25.9	822.20

## (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 Period
	Million Yen	Million Yen	Million Yen	Million Yen
1st QTR 2007	7,609	(3,271)	(5,457)	16,487
1st QTR 2006	(13,870)	(6,028)	7,734	17,437
Full year 2006	29,312	(28,883)	(13,712)	16,541

## 【Reference】 Non-consolidated Financial Results (from 1 January 2007 to 31 March 2007)

	Sales		Operating Income		Ordinary Income		Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
1st QTR 2007	701,473	(3.6)	7,262	(74.3)	8,846	(69.1)	5,755	(64.7)
1st QTR 2006	727,954	44.3	28,248	57.2	28,662	60.1	16,325	53.5
Full year 2006	2,818,949		68,626		71,865		41,827	

	Earnings per Share	Diluted Earnings per Share
	Yen	Yen
1st QTR 2007	15.29	15.28
1st QTR 2006	43.41	43.41
Full year 2006	111.18	111.12

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Million Yen	Million Yen	%	Yen
1st QTR 2007	1,089,503	286,660	26.3	760.96
1st QTR 2006	1,019,261	268,450	26.3	713.66
As of 31 Dec. 2006	1,081,697	286,938	26.5	762.34

### 3. Forecast of Consolidated Financial Results (from 1 January 2007 to 31 December 2007)

(1) Interim forecast (From 1 Jan. 2007 to 30 Jun. 2007)

	Sales Proceeds	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Last announcement (A)	1,400,000	21,000	12,000
Revised forecast (B)	1,450,000	30,000	17,000
Difference (B) –(A)	50,000	9,000	5,000
Difference (%)	3.6	42.9	41.7

(2) Annual forecast (From 1 Jan. 2007 to 31 Dec. 2007)

	Sales Proceeds	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Last announcement (A)	2,860,000	60,000	35,000
Revised forecast (B)	2,930,000	60,000	35,000
Difference (B) –(A)	70,000	-	-
Difference (%)	2.4	-	-

(Reference) Forecast net income per share for the year: 92.93 yen

#### [Qualitative information on earnings forecasts]

We have revised the previous forecast for the 2007 financial results released at the announcement of FY 2006 results, taking into consideration high crude oil price compared with the previous forecast and the market trend of oil products' prices.

Consolidated ordinary income and net income for the interim period are estimated to be JPY30 billion (an increase of JPY9 billion from the previous forecast) and JPY17 billion (an increase of JPY5 billion from the previous forecast) respectively. As for the full year results, the previous forecast is not changed.

The forecast is based on \$60/bbl crude oil price and JPY120/USD for the second quarter and \$57/bbl crude oil price and JPY120/USD for the second half of the year (\$55/bbl crude oil price and JPY120/USD at the previous announcement).

We have no intention of revising the annual dividend, JPY36 per share (interim dividend: JPY18 per share and year-end dividend: JPY18 per share) from the previous forecast.

#### 【Reference】 Forecast of Non-consolidated Financial Results (from 1 January 2007 to 31 December 2007)

(1) Interim forecast (From 1 Jan. 2007 to 30 Jun. 2007)

	Sales Proceeds	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Last announcement (A)	1,340,000	19,000	11,000
Revised forecast (B)	1,390,000	28,000	17,000
Difference (B) –(A)	50,000	9,000	6,000
Difference (%)	3.7	47.4	54.5

(2) Annual forecast (From 1 Jan. 2007 to 31 Dec. 2007)

	Sales Proceeds	Ordinary Income	Net Income
	Million Yen	Million Yen	Million Yen
Last announcement (A)	2,750,000	53,000	31,000
Revised forecast (B)	2,820,000	53,000	31,000
Difference (B) –(A)	70,000	-	-
Difference (%)	2.5	-	-

\* This forecast is based on information available as of the date of publication. For various reasons the actual results could differ from this forecast.

[Appendix]

**1. [Summary] Consolidated Balance Sheet**

Item	Current 1st quarter end (As of 31 Mar. 2007)		Previous year end (As of 31 Dec. 2006)		Increase/ (Decrease)	Previous 1st quarter end (As of 31 Mar. 2006)	
	Million Yen	Ratio (%)	Million Yen	Ratio (%)	Million Yen	Million Yen	Ratio (%)
<b><u>Assets</u></b>							
<b><u>I. Current Assets</u></b>							
1. Cash & Deposits	16,592		16,645		( 53)	17,722	
2. Notes & Accounts receivable	362,198		326,121		36,076	309,685	
3. Inventories	252,440		276,298		( 23,857)	242,766	
4. Others	27,388		31,959		( 4,571)	27,711	
(Total Current Assets)	658,619	54.9	651,025	54.5	7,594	597,885	52.4
<b><u>II. Fixed Assets</u></b>							
1. Tangible fixed assets	424,820		426,862		( 2,042)	425,907	
2. Intangible fixed Assets	11,387		11,458		( 70)	12,554	
3. Investments	104,364		105,669		( 1,304)	105,570	
(Total Fixed Assets)	540,572	45.1	543,990	45.5	( 3,418)	544,032	47.6
(Total Assets)	1,199,191	100.0	1,195,015	100.0	4,176	1,141,918	100.0
<b><u>Liabilities</u></b>							
<b><u>I. Current Liabilities</u></b>							
1. Notes & Accounts payable	306,258		291,289		14,968	291,944	
2. Short-term debts	50,085		51,254		( 1,169)	40,269	
3. Commercial Paper	72,000		68,000		4,000	89,000	
4. Others	256,134		268,461		( 12,327)	210,006	
(Total Current Liabilities)	684,477	57.1	679,006	56.8	5,471	631,220	55.3
<b><u>II. Long-term Liabilities</u></b>							
1. Bonds	30,000		30,000		-	30,000	
2. Long-term debts	39,831		41,272		( 1,441)	46,978	
3. Provisions for retirement benefits	78,468		78,554		( 85)	79,727	
4. Provisions for special maintenance	12,253		11,353		900	18,439	
5. Others	24,860		23,872		988	25,955	
(Total Long-term Liabilities)	185,414	15.4	185,052	15.5	362	201,101	17.6
(Total Liabilities)	869,892	72.5	864,058	72.3	5,833	832,321	72.9
<b><u>Net Assets</u></b>							
<b><u>I. Shareholders' Equity</u></b>							
1. Share capital	34,197		34,197		-	-	
2. Capital surplus	22,112		22,111		0	-	
3. Retained earnings	246,311		248,108		( 1,797)	-	
4. Treasury shares	(165)		(422)		257	-	
(Total shareholders' equity)	302,456	25.2	303,995	25.4	( 1,538)	-	
<b><u>II. Valuation and translation gains/losses</u></b>							
1. Difference on valuation of investment securities	5,887		5,416		471	-	
(Total valuation and translation gains/losses)	5,887	0.5	5,416	0.5	471	-	
<b><u>III. Minority Interests</u></b>							
(Total Net Assets)	329,299	27.5	330,956	27.7	( 1,657)	-	
(Total Liabilities & Net Assets)	1,199,191	100.0	1,195,015	100.0	4,176	-	

Item	Current 1st quarter end (As of 31 Mar. 2007)		Previous year end (As of 31 Dec. 2006)		Increase/ (Decrease)	Previous 1st quarter end (As of 31 Mar. 2006)	
	Million Yen	Ratio (%)	Million Yen	Ratio (%)	Million Yen	Million Yen	Ratio (%)
<b><u>Minority Interests</u></b>							
Minority Interests	-		-		-	21,514	1.9
<b><u>Shareholders' Equity</u></b>							
<u>I. Share capital</u>	-		-		-	34,197	3.0
<u>II. Capital surplus</u>	-		-		-	22,109	1.9
<u>III. Retained earnings</u>	-		-		-	226,504	19.8
<u>IV. Unrealized gains/losses on investment securities</u>	-		-		-	5,876	0.5
<u>V. Treasury shares</u>	-		-		-	(605)	(0.0)
(Total Shareholders' Equity)	-		-		-	288,082	25.2
(Total Liabilities, Minority Interests and Shareholders' Equity)	-		-		-	1,141,918	100.0

Note: Fractions of one million yen are rounded off.

**2. [Summary] Consolidated Profit & Loss Statement**

Item	Current Period From 1 Jan. 2007 To 31 Mar. 2007		Previous Period From 1 Jan. 2006 To 31 Mar. 2006		Increase/ (Decrease) Million Yen	Previous Year From 1 Jan. 2006 To 31 Dec. 2006	
	Million Yen	(%)	Million Yen	(%)		Million Yen	(%)
<u>I. Sales</u>	728,205	100.0	755,451	100.0	( 27,245)	2,921,287	100.0
<u>II. Cost of Sales</u>	689,211	94.6	694,902	92.0	( 5,691)	2,728,137	93.4
<b>Gross Profit</b>	38,994	5.4	60,548	8.0	( 21,554)	193,149	6.6
<u>III. Sales, Administrative and general expenses</u>	30,328	4.2	28,982	3.8	1,346	118,847	4.1
<b>Operating Income</b>	8,665	1.2	31,566	4.2	( 22,900)	74,301	2.5
<u>IV. Non-operating profit</u>							
1. Interest & dividend income	209		178			665	
2. Foreign exchange gains	842		25			1,324	
3. Income from equity- method affiliates	137		448			1,803	
4. Others	420	1,609	547	1,200	409	4,126	7,919
<u>V. Non-operating expenses</u>							
1. Interest Paid	911		988			3,729	
2. Others	251	1,162	124	1,113	48	816	4,546
<b>Ordinary Income</b>	9,113	1.3	31,653	4.2	( 22,540)	77,675	2.6
<u>VI. Extraordinary profit</u>	366	0.0	438	0.1	( 72)	7,450	0.3
<u>VII. Extraordinary loss</u>	313	0.0	1,333	0.2	( 1,020)	7,934	0.3
<b>Net income before taxes</b>	9,166	1.3	30,758	4.1	( 21,592)	77,190	2.6
Taxes	3,955	0.6	12,257	1.6	( 8,301)	29,864	1.0
Minority interests	201	0.0	635	0.1	( 434)	1,077	0.0
<b>Net Income after taxes</b>	5,009	0.7	17,866	2.4	( 12,857)	46,249	1.6

Note: Fractions of one million yen are rounded off.

**3. [Summary] Consolidated Statement of Changes in Shareholders' Equity**

Current Period (From 1 Jan. 2007 to 31 Mar. 2007)

(Unit: Million Yen)

	Shareholders' equity					Valuation & translation gains/losses	Minority interests	Total net assets
	Share Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Difference on valuation of investment securities		
Opening balance	34,197	22,111	248,108	(422)	303,995	5,416	21,544	330,956
Changes in the period								
Dividend from surplus			(6,775)		(6,775)			(6,775)
Net income after tax			5,009		5,009			5,009
Acquisition of treasury shares				(1)	(1)			(1)
Disposal of treasury shares		0		258	259			259
Increase by change of voting right in equity-method affiliates			296		296	7	(478)	(174)
Decrease by newly consolidated subsidiaries			(327)		(327)			(327)
Net changes in items except shareholders' equity						463	(111)	351
Total changes in the period		0	(1,797)	257	(1,538)	471	(589)	(1,657)
Closing balance	34,197	22,112	246,311	(165)	302,456	5,887	20,955	329,299

Note: Fractions of one million yen are rounded off.

**4. [Summary] Consolidated Cash Flow Statement**

Current Period (From 1 Jan. 2007 to 31 Mar. 2007)

	Current Period From 1 Jan. 2007 To 31 Mar. 2007	Previous Period From 1 Jan. 2006 To 31 Mar. 2006	Previous Year From 1 Jan. 2006 To 31 Dec. 2006
Item	Million Yen	Million Yen	Million Yen
<b>I. Cash flow from operating activities</b>			
Net income before taxes	9,166	30,758	77,190
Depreciation	6,677	6,771	27,329
Impairment losses	-	-	2,462
Change in accounts receivables	( 35,896)	845	( 14,923)
Change in inventories	24,414	( 5,879)	( 39,271)
Change in accounts payable	5,938	( 7,156)	44,809
Others	( 2,689)	( 39,210)	( 68,285)
<b>Cash flow from operating activities</b>	<b>7,609</b>	<b>( 13,870)</b>	<b>29,312</b>
<b>II. Cash flow from investing activities</b>			
Payments for purchase of fixed assets	( 2,921)	( 6,078)	( 32,540)
Proceeds from sales of fixed assets	244	597	6,485
Payments for purchase of investment securities	( 135)	( 14)	( 1,559)
Proceeds from sales of investment securities	76	90	1,064
Others	( 535)	( 623)	( 2,334)
<b>Cash flow from investing activities</b>	<b>( 3,271)</b>	<b>( 6,028)</b>	<b>( 28,883)</b>
<b>III. Cash flow from financing activities</b>			
Change in short-term debts	3,345	313	( 4,946)
Change in long-term debts & bonds	( 1,956)	12,983	3,632
Dividend paid	( 6,775)	( 5,638)	( 12,412)
Others	( 72)	77	13
<b>Cash flow from financing activities</b>	<b>( 5,457)</b>	<b>7,734</b>	<b>( 13,712)</b>
IV. Changes in cash & cash equivalents	( 1,119)	( 12,164)	( 13,282)
V. Opening balance in cash & cash equivalents	16,541	29,354	29,354
VI. Increase in cash & cash equivalents from newly consolidated subsidiaries	1,066	247	469
VII. Closing balance in cash & cash equivalents	<u>16,487</u>	<u>17,437</u>	<u>16,541</u>

Note: Fractions of one million yen are rounded off.

## 5. Segment Information (Consolidated)

[Information by business segment]

(1) Current period (From 1 Jan. 2007 to 31 Mar. 2007)

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade	Consolidated
I . Sales & Operating Profits						
Sales						
(1) Sales to customers	719,959	1,076	7,169	728,205	-	728,205
(2) Inter-segment sales and transfer	1,144	31	1,362	2,538	( 2,538)	-
Total	721,103	1,108	8,532	730,744	( 2,538)	728,205
Operating expenses	713,617	403	8,015	722,036	( 2,496)	719,540
Operating income	7,485	704	517	8,707	( 42)	8,665

- Notes:
- Fractions of one million yen are rounded off.
  - Business segments are primarily in accordance with the Company's in-house definitions for control purposes.
  - Major products and businesses in each business segment.
    - Oil: 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, and solar battery, etc.

(2) Previous Period (From 1 Jan. 2006 to 31 Mar. 2006)

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade	Consolidated
I . Sales & Operating Profits						
Sales						
(1) Sales to customers	745,975	1,076	8,399	755,451	-	755,451
(2) Inter-segment sales and transfers	884	15	2,020	2,919	( 2,919)	-
Total	746,860	1,091	10,419	758,371	( 2,919)	755,451
Operating expenses	718,138	404	8,215	726,758	( 2,873)	723,884
Operating income	28,721	686	2,204	31,612	( 45)	31,566

- Notes:
- Fractions of one million yen are rounded off.
  - Business segments are primarily in accordance with the Company's in-house definitions for control purposes.
  - Major products and businesses in each business segment.
    - Oil: 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 supply, etc.

(3) Previous Year (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 transfer	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

- 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 purposes.
  3. Major products and businesses in each business segment.
    - (1) Oil: 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, electricity and distributed power supply, etc.