

English Translation

**Third Quarter Results for 2007**

The following is the summary of third quarter results for 2007 (1 January 2007 to 30 September 2007) of Showa Shell Sekiyu K.K..

Consolidated ordinary income for third quarter 2007 was 60.5 billion yen, a decrease of 8.8 billion yen versus the previous year. CCS ordinary income was 37.5 billion yen, a increase of 2.9 billion yen versus a year ago. The company amended its estimate for full year 2007 consolidated ordinary income to 80 billion yen, an increase of 10 billion yen from the last forecast (estimate for full year 2007 CCS ordinary income is amended to 40 billion yen).

**1. Main indicators of third quarter 2007 (consolidated)**

Unit: million yen

Sales proceeds	2,297,949	vs. 3Q 2006	+119,585 (+5.5%)
Operating income	59,131		-9,186 (-13.4%)
Ordinary income	60,531		-8,824 (-12.7%)
CCS ordinary income	37,587		+2,925 (+8.4%)
Net income	33,339		-8,680 (-20.7%)

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

**2. Forecasts of full year 2007**

The last forecasts for full year results for 2007 are amended as indicated in the tables below under following assumptions: crude oil price is 77 dollars per barrel and the exchange rate is 115 yen per dollar for fourth quarter 2007 (assumptions for last forecasts of second half 2007: crude oil price 64.5 yen per barrel, exchange rate 120 yen per dollar).

Unit: million yen

Full year	Estimated sales proceeds	Estimated operating income	Estimated ordinary income	Estimated net income
New estimations (A)	3,060,000	77,000	80,000	45,000
Last estimations (B)	2,960,000	67,000	70,000	39,000
Differences (A)-(B)	100,000	10,000	10,000	6,000
Differences (%)	+3.4%	+14.9%	+14.3%	+15.4%

Estimate for full year 2007 CCS ordinary income is amended to 40 billion yen.

**<Background for making amendments to the results>**

Above amendments are made mainly due to the continuous crude oil price surge.

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

### **3. Summary of third quarter 2007**

During the third quarter (1 January 2007 to 30 September 2007), the price of Dubai crude oil, which started at a level slightly lower than 60 dollars per barrel at the beginning of the year, plunged to 48 dollars per barrel at one point due to a slump in demand caused by a warm winter in the northern hemisphere. However, since late January, Dubai crude oil prices have kept rising due to increasing concerns about geopolitical risks in the oil-producing countries of the Middle East and a shift of speculative funds to the crude oil market triggered by the financial unrest in the United States, reaching 76 dollars per barrel by the end of the third quarter.

Regarding the dollar-yen exchange rate for the same period, the U.S. dollar initially traded higher at the 119 yen level, continuing its upward trend against the yen for a period of time, but then depreciated to around the 115 yen per dollar level by the beginning of March as a result of investors' repurchases of yen following a global downturn in stock prices that started at the end of February. The yen then became weak against the dollar, but started to be repurchased again in August due to turbulence in global financial markets and tightening credit conditions stemming from the problem of the US subprime loans, i.e., loans offered to low-income borrowers, finishing the third quarter in the 115 yen per dollar range.

Regarding oil demand in the domestic market, the decreasing trend in gasoline demand since last year has become predominant because of the continuation of the brakes put on spending and the increased emphasis on fuel saving due to the increase in the price of gasoline. However, our sales volume for gasoline exceeded that of the same period last year. Sales volume for diesel oil also surpassed that of the corresponding period last year, due to the maintenance of the same sales strategy used last year with the slowdown in the falling sales trend backed by the ongoing economic recovery. In addition, with regard to kerosene and A fuel oil, demand fell from that of the same period last year due to the effects of the warm winter as well as the megatrend of fuel conversion.

Prices for domestic oil products rose because of hikes in crude oil prices, but there was an unavoidable delay in reflecting increased crude oil costs both in the sales prices of products sold at service stations as well as those sold to industrial customers. As a result, our group has achieved sales proceeds of 2,297.9 billion yen (an increase of 5.5% versus a year ago), ordinary income of 60.5 billion yen (a decrease of 8.8 billion versus a year ago). These results can be partially explained by amount of cost of sales under negative effects of inventory valuation was reduced on a year-over-year basis due to a temporary sharp drop in crude oil prices at the beginning of the period.

In addition, the integration of Showa Shell's international trading business with Shell Trading from 1 August has resulted in a decrease in sales of 2% versus the same period a year ago. On the other hand, the impact of this integration on operating income and ordinary income is expected to be immaterial, since any decline in earnings from its international trading business will be offset by a business lease fee.

On a current cost of supply basis (excluding the effect of inventory valuation), operating income totalled 36.1 billion yen (an increase of 2.5 billion yen versus a year ago), while ordinary income reached 37.5 billion yen (an increase of 2.9 billion yen versus a year ago).

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