

English Translation

Interim Results for 2008

The following is the summary of interim results 2008 (1 January to 30 June 2008) of Showa Shell Sekiyu K.K..

Consolidated ordinary income of interim 2008 was 73.7 billion yen, an increase of 34.5 billion yen versus a year ago (CCS ordinary income was 27.3 billion yen, a decrease of 2.7 billion yen from the year-ago income). The company amended its estimate for full year 2008 consolidated ordinary income to 100 billion yen, an increase of 40 billion yen from the previous forecast (the forecast of CCS ordinary income is expected to be 50 billion yen).

1. Main indicators of the interim results 2008

<Consolidated financial results>

unit: million yen

Sales proceeds	1,677,438	vs. interim 2007	+ 151,359 (+9.9%)
Operating income	72,281		+34,117 (+89.4%)
Ordinary income	73,728		+34,515 (+88.0%)
CCS ordinary income*	27,395		-2,727 (-9.1%)
Net income	39,201		+18,258 (+87.2%)

<Unconsolidated financial results>

unit: million yen

Sales proceeds	1,620,306	vs. interim 2007	+146,345 (+9.9%)
Operating income	66,761		+32,012 (+92.1%)
Ordinary income	69,565		+31,854 (+84.5%)
CCS ordinary income *	23,232		-5,387 (-18.8%)
Net income	37,327		+15,314 (+69.6%)

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

2. Summary of the interim 2008

(1) Economy and petroleum business in Japan

During the first half of the current year, the Japanese economy continued to suffer from severe conditions due to strong and growing concern about the future resulting from the declined household consumer confidence in tandem with rising prices, deteriorating corporate earnings reflecting high resource prices, and concern about a slowdown in U.S. economic growth spreading to the world economy.

Crude oil prices, after WTI smashing through 100 dollars per barrel at the start of the year, have continued to rise toward 150 dollars per barrel at the end of the first half as a result of the combined effects on price formation of various factors such as fears about supply disruptions due to geopolitical risk, strong demand for petroleum from emerging economies, an influx of speculative funds into commodity markets resulting from the financial turmoil sparked by the subprime loan problem, and the weak dollar.

Dollar/Yen exchange rate, which started the year at around the 112 yen per dollar range, appreciated to a level below 110 yen per dollar, reaching below 100 yen per dollar by the middle of March. The dollar has gradually been bought back, and ended at around 106 yen at the end of the interim period.

As for domestic petroleum demand, declining demand trends for gasoline associated with a sharp rise in retail prices became evident despite an abrupt surge in sales volume due to special factors such as the expiration and reintroduction of the temporary gasoline tax rate. Demand for kerosene and diesel oil has been falling, mainly because of the economic downturn, a relatively warm winter, and rising prices. Industrial A fuel oil has been also suffering from a continuing decline in demand primarily due to the megatrends of environmental awareness and fuel switching.

(2) Business performances

<Petroleum business>

Regarding crude oil procurement, we optimised the operations of our group refineries by maintaining relationships with Saudi Aramco and other oil-producing countries of the Middle East and the Shell Group.

With regard to production and supply, we strived to pursue more stable and efficient refinery operations and, at the same time, advance the refinery utilisation ratio and the production ratio of high value-added products. Furthermore, the new catalytic cracker installed in the Sodegaura Refinery of Fuji Oil Co., Ltd., our business partner, has improved our product flexibility and contributed to the further expansion of our product supply capacity. In addition, together with Teijin Fiber Ltd. and Mitsubishi Corporation, we set up a joint venture company in April 2008 for the purpose of forming a partnership in the xylene business to secure a stable customer base of mixed xylene, and therefore entered the paraxylene business area.

As for the distribution aspect of the domestic market, we promoted the joint use of petroleum tank terminals as well as mutual product exchange with other petroleum companies in order to enhance the efficiency of the distribution network. We also dealt with a drastic change in transportation demand in a proper and flexible manner through a consistent logistics management system.

As for sales of petroleum products, with a view to enhancing the efficiency of our service station network, we continued to commit ourselves to a proactive strategy of opening new service stations on promising sites and to the remodeling of existing service stations into self-service stations. We opened service stations in conjunction with shopping centres under the brand name “Fantasista,” as well as convenience store

integrated model service stations. In an effort to carry out the (ETBE blended) bio-gasoline trial sales project undertaken in collaboration with member companies of the Petroleum Association of Japan, we started to sell bio-gasoline at another 9 service stations during the year, thus bringing the number of service stations at which bio-gasoline is currently available to 16 in total.

As for the LPG business, we have finally agreed with Sumitomo Corporation to consolidate our LPG operations. As part of the agreement, we have taken all responsibility for imports and domestic supply-demand operations since April 2008. This has enabled a more efficient supply of LPG.

<New businesses>

With regard to the CIS solar power business, Showa Shell Solar K.K., a consolidated subsidiary, started mass production in the latter half of 2007 at the Miyazaki plant, its first factory, and its second factory is currently under construction with operations scheduled to start in 2009.

Regarding the power supply business, we filed an application with the Ministry of Economy, Trade and Industry to start business operations as a PPS (Power Producer and Supplier) in January 2008 and started electric power retail operations in April 2008. On the initiative of Ohgishima Power Co., Ltd., which promotes projects for the construction of large natural gas thermal power plants, power plants are currently under construction.

3. Profit and loss

<Consolidated>

Sales proceeds were 1,677.4 billion yen (an increase of 9.9% versus a year ago), operating income was 72.2 billion yen (an increase of 34.1 billion yen versus a year ago), and ordinary income was 73.7 billion yen (an increase of 34.5 billion yen versus a year ago). Ordinary income, excluding the inventory valuation effects, was 27.3 billion yen (a decrease of 2.7 billion yen versus a year ago).

<Unconsolidated>

Sales proceeds were 1,620.3 billion yen (an increase of 9.9% versus a year ago), operating income was 66.7 billion yen (an increase of 32.0 billion yen versus a year ago), ordinary income was 69.5 billion yen (a decrease of 31.8 billion yen versus a year ago), and net income was 37.3 billion yen (an increase of 15.3 billion yen versus a year ago).

4. Dividends

Interim dividend in respect of the interim 2008 will be 18 yen per share. The year-end dividend is also expected to be 18 yen per share, making the total dividend for the year 36 yen per share.

5. Forecast of full year results for 2008

Assuming that crude oil price is 112 dollars per barrel and the exchange rate is 107 yen per dollars for the second half of 2008, the company amended its forecast for the full year 2008 as below. The estimated consolidated CCS ordinary income is 50 billion yen.

<Consolidated>		unit: million yen		
Estimates for 2008	Sales proceeds	Operating income	Ordinary income	Net income
New forecasts	3,530,000	97,000	100,000	56,000
Last forecasts	3,140,000	58,000	60,000	35,000
Difference	390,000	39,000	40,000	21,000

<Unconsolidated>		unit: million yen		
Estimates for 2008	Sales proceeds	Operating income	Ordinary income	Net income
New forecasts	3,400,000	88,000	92,000	51,000
Last forecasts	3,030,000	47,000	51,000	31,000
Difference	370,000	41,000	41,000	20,000

<Background for making amendments to the results>

In view of the current crude oil price trends, the assumption for average crude oil price for full year 2008 is amended to 108 dollars per barrel, making inventory valuation effects to increase, and hence the revision above. CCS ordinary income, excluding inventory valuation effects, is not amended from the previous forecast.

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

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