

English Translation

Third Quarter Results for 2008

The following is the summary of third quarter results for 2008 (1 January to 30 September 2008) of Showa Shell Sekiyu K.K..

Consolidated ordinary income of third quarter 2008 was 111.6 billion yen, an increase of 51.1 billion yen versus a year ago (CCS ordinary income was 41.4 billion yen, an increase of 3.8 billion yen from the year-ago income). The company amended its estimate for full year 2008 consolidated ordinary income to 10 billion yen, a decrease of 90 billion yen from the previous forecast in July (the forecast of CCS ordinary income is 50 billion yen and expected to remain the same as the previous forecast).

1. Main indicators of the third quarter results 2008

<Consolidated financial results>

unit: million yen

Sales proceeds	2,587,663	vs.3Q 2007	+ 289,713 (+12.6%)
Operating income	110,104		+50,973 (+86.2%)
Ordinary income	111,637		+51,106 (+84.4%)
CCS ordinary income*	41,461		+3,874 (+10.3%)
Net income	62,143		+28,804 (+86.4%)

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

2. Forecast of full year results for 2008

Assuming that crude oil price is 65 dollars per barrel and the exchange rate is 100 yen per dollars for the forth quarter 2008, the company amended its forecast for the full year 2008 as below.

<Consolidated>

unit: million yen

Estimates for Full year 2008	Sales proceeds	Operating income	Ordinary income	Net income
Last forecasts (A)	3,530,000	97,000	100,000	56,000
New forecasts (B)	3,280,000	7,000	10,000	0
Differences (B)-(A)	(250,000)	(90,000)	(90,000)	(56,000)
Differences (%)	(7.1%)	(92.8%)	(90.0%)	-

3. Summary of third quarter 2008

(1) Movement of crude oil prices and exchange rates

Regarding crude oil prices during the third quarter (from 1 January 2008 to 30 September 2008), Dubai crude oil price continued to move upward and reached 140 dollars per barrel in July, as a result of increasing demand from emerging countries, fears of supply disruptions due to geopolitical risks and an influx of speculative funds. However after July, expectations of slowing oil demand due to concerns about a global recession and financial turmoil pushed crude oil prices down to below 100 dollars per barrel in September and to 90 dollars per barrel at the end of the third quarter.

The dollar/yen exchange rate started in the 112 yen per dollar range in the beginning of the year, but the yen continued to appreciate against the U.S. dollar due to weak U.S. employment and deteriorating business sentiment and appreciated to a level below 100 yen per dollar for the first time since October 1995 by the middle of March. The yen, though depreciated to 110 yen per dollar range with the intensifying U.S. financial turmoil triggered by collapse of U.S. major securities firms in September making investors more risk averse. The dollar was traded at the mid-103 yen level at the end of the third quarter.

(2) Domestic oil product demand

Demand for gasoline decreased compared to that of the same period a year ago due to holdback in consumption with continued price rises since the beginning of the year, and the effect of the drop in consumer spending in August and September. 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 also suffered from the continuing decline in demand, however C fuel oil has remained firm, affected by factors such as reduction in nuclear power generation.

(3) Profit and loss

Briefly reviewing the consolidated financial results in such a business environment, sales totaled 2,587.6 billion yen (a 12.6% increase compared to the same period a year ago), operating income was 110.1 billion yen (an increase of 50.9 billion yen compared to the same period a year ago), ordinary income was 111.6 billion yen (an increase of 51.1 billion yen compared to the same period a year ago). Consolidated ordinary income, excluding the effects of inventory valuation (current cost of supply basis), was 41.4 billion yen (an increase of 3.8 billion yen compared to the same period a year ago).

Sales of international oil products trading business decreased by 269.5 billion yen compared to the same period a year ago, due to the integration of the business with the Shell Group in August 2007. The decline in sales has had a very marginal impact on income because profits from this business have been recovered as stable income in the form of business lease fees.

(4) Forecast of full year results for 2008

The company has revised the previous forecast of full year financial results for 2008 released on 31 July 2008, taking plunge of crude oil prices affected by worldwide recession into consideration. The forecast is based on 65 dollars per barrel of crude oil price and 100 yen per dollar of exchange rate for the forth quarter.

Consolidated operating income is estimated to be 7 billion yen (a decrease of 90 billion yen from the previous forecast), ordinary income 10 billion yen (a decrease of 90 billion yen from the previous forecast), and net income 0 billion yen (a decrease of 56 billion yen from the previous forecast) due to the deteriorated inventory valuation effects as a result of drastic decline in crude oil price, etc. On a current cost of supply basis (excluding the effect of inventory valuation), consolidated ordinary income for the full year is estimated to be 50 billion yen and expected to remain the same as the previous forecast.

(5) Dividends

The annual dividend, 36 yen per share (interim dividend 18 yen per share and year-end dividend 18 yen per share) is expected to be unchanged.

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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