

English Translation

Full Year Results for 2008

The following is the summary of full year results for 2008 (1 January to 31 December 2008) of Showa Shell Sekiyu K.K.

Consolidated sales for full year 2008 amounted to 3,272.8 billion yen (an increase of 6.2% versus a year ago). However, the Showa Shell Sekiyu Group posted a consolidated operating loss of 12.2 billion yen (a decrease of 101.0 billion yen versus a year ago) and consolidated ordinary loss of 10.0 billion yen (a decrease of 102.7 billion yen versus a year ago), mainly due to the deteriorated inventory valuation effects as a result of drastic decline in crude oil prices. Consolidated CCS ordinary income (the relevant amount of consolidated ordinary income excluding the effects of inventory valuation) was 45.6 billion yen (an increase of 1.4 billion yen versus a year ago).

1. Main indicators of full year 2008

<Consolidated financial results>		Unit: million yen	
Sales proceeds	3,272,801	vs. full year 2007	190,159 [+6.2%]
Operating income	(12,283)		(101,096) [-]
Ordinary income	(10,065)		(102,775) [-]
CCS ordinary income	45,697		1,426 [+3.2 %]
Net income	(16,221)		(59,951) [-]

<Nonconsolidated financial results>		Unit: million yen	
Sales proceeds	3,138,867	vs. full year 2007	+155,317 [+5.2%]
Operating income	(17,182)		(95,211) [-]
Ordinary income	(13,066)		(96,839) [-]
CCS ordinary income	42,696		7,362 [+20.8%]
Net income	(22,445)		(67,879) [-]

2. Summary of full year 2008

(1) Economy and oil business in Japan

In reviewing the Japanese economy for the current period, a growing uncertainty about the future outlook prevailed towards the end of the year against the backdrop of the recession associated with the U.S. financial turmoil sparked by the subprime loan crisis rapidly spreading on a global basis.

The Dubai crude oil price, which started from around 89 dollars per barrel at the beginning of 2008, continued to move upward until reaching a record high of 140 dollars per barrel in July. However, the subsequent deterioration in the actual economy

from the contagious financial turmoil of the credit contraction and fall in stock prices, and the accompanying slowdown in oil demand growth, which caused a sharp decline in crude oil prices, have continued to push the Dubai crude oil prices down to the 36 dollars per barrel range at the end of the year.

Turning to the exchange rate, the yen started the year around the lower half of 109 yen per dollar, and gradually weakened falling as low as 110 yen per dollar by the middle of August. The intensifying U.S. financial turmoil triggered by the collapse of the major U.S. investment bank in September pushed the yen up sharply toward the end of the year with the exchange rate in the lower half of 91 yen per dollar.

The domestic oil demand has still been on a downward trend even this year. The fall in demand for gasoline has become evident, demonstrated by dwindling consumer spending caused by oil price hikes and weak consumption, which remains low even after the prices fall against the backdrop of changing consumer life styles and diffusion of energy-saving cars.

(2) Business Performances

[Oil business]

Regarding crude oil procurement, flexible crude oil procurement mainly from Saudi Aramco was continuously implemented in order to optimise the operations of refineries of our group companies by maintaining relationships with the oil-producing countries of the Middle East and the Shell Group.

With regard to production and supply aspects, we strived to gain higher credibility over the Showa Shell Sekiyu Group's refining facilities and to maintain operations in a stable and efficient manner and, at the same time, kept enhancing the production ratio of high value-added products. In relation to the distribution aspect in the domestic market, we improved the operation efficiency by shared use of oil storage tanks with other oil companies and by streamlining distribution networks through flexible product circulation. We also improved our transportation efficiency by introducing large vessels for marine transportation of oil products and starting nighttime shipping using lorries from the Sodegaura Refinery of Fuji Oil Co., Ltd. In addition, we renovated fuel oil tanks located at our oil import base in Niigata to boost our overall kerosene reserve capacity to create more stable supply system for kerosene in winter.

With regard to domestic oil product sales, various measures we have implemented to facilitate efficiency of service station network that satisfy the customer needs include the increase in the ratio of self-service service stations and the development of Fantasista, service stations sited in easy-to-access locations next to shopping malls, and convenience store service stations. Regarding export of oil products, we have mainly exported diesel oil to overseas markets using the global network of the Shell Group and expanded exports of oil products such as gasoline and jet fuel. We also greatly increased our export capacity by expanding our export facilities.

As for the LP gas sales business, we concluded a basic agreement for a business merger with Sumitomo Corporation in December 2007. This was to agree on the consolidation of import and domestic supply operations of the two companies into Showa Shell Sekiyu. We also established a joint holding company, Enessance Holdings Co., Ltd., in July 2008 to control the sales subsidiaries of both Sumitomo Corporation and Showa Shell Sekiyu.

In the chemical products business, we established TS Aromatics Ltd., a joint venture with Teijin Fibers Ltd. and Mitsubishi Corporation, in April 2008 to secure a stable sales channel for our mixed xylene, and to move into the outsourcing manufacturing and sales of paraxylene.

[Other businesses]

With regard to CIS solar power business, commercial production in the Miyazaki Plant of Showa Shell Solar K.K., our consolidated subsidiary, has been successful since 2007. The second Miyazaki Plant is currently under construction to start operation in 2009. We also decided to establish a research centre aiming to enhance the technical development and started developing mass production technologies. The Group's CIS solar powered cells won the Minister of Economy, Trade and Industry Prize, which is the highest prize among the New Energy Awards, a program operated by the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry (New Energy Foundation).

As in our electric power business, large natural gas power plants under the joint venture project are currently under construction towards the start of operations in 2010. We also started electric power retail sales and, in addition, wholesale of electric power through Japan Electric Power Exchange (JEPX), a limited liability intermediate corporation.

3. Profit and loss

[Consolidated]

Sales proceeds were 3,272.8 billion yen (an increase of 6.2% versus a year ago), operating loss was 12.2 billion yen (a decrease of 101.0 billion yen versus a year ago), ordinary loss was 10.0 billion yen (a decrease of 102.7 billion yen versus a year ago), and net loss was 16.2 billion yen (a decrease of 59.9 billion yen versus a year ago). CCS ordinary income, excluding the inventory valuation effects, was 45.6 billion yen (an increase of 1.4 billion yen versus a year ago).

[Nonconsolidated]

Sales proceeds were 3,138.8 billion yen (an increase of 5.2% versus a year ago), operating loss was 17.1 billion yen (a decrease of 95.2 billion yen versus a year ago), ordinary loss was 13.0 billion yen (a decrease of 96.8 billion yen versus a year ago), and net loss was 22.4 billion yen (a decrease of 67.8 billion yen versus a year ago). CCS ordinary income, excluding the inventory valuation effects, was 42.6 billion yen (an increase of 7.3 billion yen versus a year ago).

4. Dividends

The year-end dividend for 2008 will be 18 yen per share. Including the interim dividend of 18 yen per share will be the total of 36 yen per share for 2008.

5. Forecast of full year results for 2009

Assuming that crude oil price is 53 dollars per barrel (46 dollars for the first half and 60 dollars for the second half of the year), and the exchange rate is 95 yen per dollar for 2009, Showa Shell Sekiyu forecasts the results of full year 2009 as below.

Estimate for consolidated CCS ordinary income, excluding the inventory valuation effects, is 50.0 billion yen, an increase of 4.4 billion yen from the 45.6 billion yen of 2008.

36 yen per share (interim 18 yen, year-end 18 yen per share) is the expected dividend for 2009.

<Consolidated>

Sales proceeds	2,030,000
Operating income	20,000
Ordinary income	20,000
Net income	9,000

unit: million yen

<Nonconsolidated>

Sales proceeds	1,950,000
Operating income	12,000
Ordinary income	15,000
Net income	9,000

unit: million yen

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.

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