

(English Translation)

Summary of Consolidated First Quarter Results for 2009

30 April 2009

Listed Company Name: Showa Shell Sekiyu K. K.

Listed Stock Exchange: Tokyo Stock Exchange 1st Section

Code Number: 5002

URL <http://www.showa-shell.co.jp>

Delegate: Title: President, Representative Director

Name: Jun Arai

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Expected date of quarterly report submission: 14 May 2009

(Note) Fractions of one million yen are rounded off

1. Consolidated financial results for 1st quarter 2009 (from 1 January 2009 to 31 March 2009)

(Note) Percentages represent changes from the same quarter of the previous year.

(1) Consolidated financial results

	Sales		Operating income		Ordinary income		Net income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
1st quarter 2009	498,531	-	(70,021)	-	(71,283)	-	(43,341)	-
1st quarter 2008	810,509	11.3	16,613	91.7	18,231	100.1	10,976	119.1

	Earnings per share	Diluted earnings per share
	Yen	Yen
1st quarter 2009	(115.08)	-
1st quarter 2008	29.14	-

(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 quarter 2009	1,058,885	278,388	24.2	681.26
Full year 2008	1,209,956	328,451	25.4	814.63

(Reference) Net assets (excl. minority interest) 1Q 2009 256,582million yen End of 2008 306,813million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of year	Yearly
	Yen	Yen	Yen	Yen	Yen
Full year 2008	-	18.00	-	18.00	36.00
Full year 2009 (Forecast)	-	18.00	-	18.00	36.00

(Note) Revision of dividend forecast during this quarter : None

3. Forecast of consolidated full year results 2009 (from 1 January 2009 to 31 December 2009)

(Percentages represent changes from previous year)

	Sales		Operating income		Ordinary income		Net income		Earnings per share
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%	Yen
1st half 2009	920,000	-	(64,000)	-	(62,000)	-	(40,000)	-	(106.20)
Full year 2009	2,010,000	(38.6)	0	-	0	-	0	-	0.00

(Note) Revision of forecast of consolidated full year results : Applicable

4. Others

- (1) Important change in scope of consolidated subsidiaries during the period : None
- (2) Adoption of simplified accounting method and special accounting method for consolidated quarterly financial statements (Note: Please refer to [Qualitative Information and Financial Statements etc. 4. Others] on page 4 for the details.) : Applicable
- (3) Change in accounting principles, procedures and presentation etc. (It will be described in “Change in important issues for the basis of quarterly consolidated financial statements in the “Quarterly Report”.)
1. Change due to amendment of accounting standards : Applicable
 2. Change other than 1. : Applicable
- (Note: Please refer to [Qualitative Information and Financial Statements etc.] 4. Others on page 4 for the details.)

(4) Issued shares (Common share)

1. Number of shares issued (Inc. treasury shares)	As of 31 Mar. 2009 : 376,850,400	As of 31 Dec. 2008 : 376,850,400
2. Number of treasury shares	As of 31 Mar. 2009 : 220,426	As of 31 Dec. 2008 : 219,446
3. Average number of shares issued	As of 31 Mar. 2009 : 376,630,479	As of 31 Mar. 2008 : 376,634,271

* Explanation regarding appropriate use of the forecast, other special instructions

1. Figures in the above forecast are based on currently available information, and includes various risks and uncertainty. Actual results could differ from this forecast due to changes in economic conditions, market trends, exchange rate and other factors. Please refer to “3. Qualitative information concerning to the forecast of consolidated financial results” in “Qualitative Information and Financial Statements etc.” on page 3, as well as “Announcement of revisions in the forecast of full year results 2009” released today (30 April 2009) for the details.
2. Starting with the current consolidated financial year, we have adopted the Accounting Standards for Quarterly Financial Statements (Corporate Accounting Standards, No. 12) and the Implementation Guidance of Accounting Standards for Quarterly Financial Statements (Implementation Guidance of Corporate Accounting Standards, No. 14). Furthermore, we prepared the consolidated quarterly financial statements according to the Regulations on Consolidated Quarterly Financial Statements.

[Qualitative information and financial statements etc.]

1. Qualitative information concerning consolidated financial results

The Dubai crude oil price, which plunged sharply after last summer, started around the lower range of 40 dollars per barrel at the beginning of this year. It hovered around the same range under the economic slump and ended around the upper range of 40 dollars per barrel at the end of the first quarter. Turning to the Dollar/Yen exchange rate, in the midst of currencies depreciation, it started the year at 92 yen per dollar, and appreciated against the U.S. dollar due to anxiety over the worldwide recession and once plunged under 90 yen. Then the yen experienced a sharp reversal to depreciation against the backdrop of expectations for the U.S. new administration as well as the deterioration of the Japanese economy and ended the first quarter at the 98 yen level.

With regard to the sales of oil products during the current first quarter (1 January 2009 to 31 March 2009), sales of gasoline showed a downward trend due to the impact of the economic slowdown but gradually recovered as retail prices plunged by approximately 40% compared to the peak time of last August and, as a result, remained at the same level as the first quarter of the previous year. On the other hand, sales of middle distillate and C fuel oil fell below the level of those at the same quarter last year due to the impact of decreased cargo movement and declining demand for power caused by the warm winter, fuel conversion, and the economic slowdown.

In such a business environment, the Group posted current first quarter consolidated sales of 498.5 billion yen (a 38.5% decrease compared to the same period a year ago), consolidated operating loss of 70.0 billion yen (a decrease of 86.6 billion yen compared to the same period a year ago), and consolidated ordinary loss of 71.2 billion yen (a decrease of 89.5 billion yen compared to the same period a year ago). This was mainly attributable to the fact that relatively expensive inventories at the beginning of the year pushed the cost of sales for this quarter upward because the Company adopts weighted average method for inventory valuation. Moreover application of the Accounting Standard for Measurement of Inventories was one of the additional reasons for decreased profit.

The relevant consolidated ordinary profit, excluding the impact of the inventory valuation, was 11.8 billion yen (an increase of 6.7 billion yen compared to the same period a year ago).

*Percentage and amount comparing with the same period a year ago are just for reference.

2. Qualitative information concerning consolidated financial position

Total assets as of the end of the current first quarter were 1,058.8 billion yen, a decrease of 151.0 billion yen compared to the end of the previous year. This was mainly attributable to considerable decreases in accounts receivable and inventories caused by the sharp fall in crude oil prices.

Consolidated net assets were 278.3 billion yen, a decrease of 50.0 billion yen compared with the end of the previous year. This was mainly due to the decrease in retained earnings caused by deteriorated financial results and dividend payments.

In addition, interest-bearing liabilities (total of long-term and short-term borrowings, CP, and bonds) were 266.8 billion yen, a decrease of 12.5 billion yen.

As a result, the equity ratio at the end of the current first quarter was 24.2%.

3. Qualitative information concerning the forecast of consolidated financial results

As for the outlook for first half and full year 2009, we have revised the previous forecast originally released on 30th January 2009. Please refer to "Announcement of revisions in the forecast of full year results 2009" released today for details.

4. Others

(1) Important change in scope of consolidated subsidiaries during the period

None

(2) Adoption of simplified accounting method and application of accounting procedure specific to the preparation of consolidated quarterly financial statements

a) Simplified accounting method

With regard to the judgment of collectibility of deferred tax assets, as the business environment and temporary differences are deemed not to have been changed significantly since the end of the previous financial year, the method of which the way used in the previous consolidated financial year on the future earnings forecast and tax planning has been adopted.

b) Accounting procedure specific to the preparation of consolidated quarterly financial statements

None

(3) Change in accounting principle, procedure and presentation regarding consolidated quarterly financial statements

a) Application of accounting standards for quarterly financial statements

Starting with the current financial year, the Accounting Standards for Quarterly Financial Statements (Corporate Accounting Standards, No. 12) and the Implementation Guidance of Accounting Standards for Quarterly Financial Statements (Implementation Guidance of Corporate Accounting Standards, No. 14) have been adopted. Furthermore, the consolidated quarterly financial statements have been prepared according to the Regulations on Consolidated Quarterly Financial Statements.

b) Change in valuation standards and method for significant assets

Inventories held for normal sales purposes had been accounted by the cost method, specifically and primarily in the form of the weighted average method; however, Accounting Standard for Measurement of Inventories (Corporate Accounting Standards, No. 9, 5 July 2006) has been applied starting with the current first quarter, and calculations are now based on the cost method, specifically and primarily in the form of the weighted average method. (Values on the balance sheet are subject to the book value reduction method based on decreased profitability.) As a result of the change, operating loss, ordinary loss, and the current quarter net loss before taxes increased by 7,625 million yen, respectively.

c) Application of accounting standards for lease transactions

Finance lease transaction for which ownership of the leased assets is not considered to transfer to lessees (hereinafter "ownership non-transfer finance lease"), had been accounted by the accounting method in conformity with the method related to operating lease transactions. However as the Accounting Standards for Lease Transactions (Corporate Accounting Standards No. 13 (17 June 1993 (First Committee of the Business Accounting Council), revised on 30 March 2007)) and the Implementation Guidance of Accounting Standards for Lease Transactions (Implementation Guidance of Corporate Accounting Standards, No. 16 (18 January 1994 (Accounting System Committee of the Japanese Institute of Certified Public Accountants), revised on 30 March 2007)) can be applied to the quarterly financial statements of the financial year commencing on and after 1 April 2008, it has applied from this first quarter and treated those lease transactions as normal sales and purchase transactions. In addition, with regard to the depreciation method of these leased assets, the straight-line method is applied where the lease period is taken as useful economic life and the residual value is zero.

Ownership non-transfer finance lease transactions, where the start-up dates are prior to the beginning of the current financial year (prior to 31 December 2008), continue to be accounted by the accounting method in conformity with the method of operating lease transactions.

Such changes as above shall not affect operating loss, ordinary loss, or the current quarter net loss before taxes.

(Additional information)

The group has reviewed the useful economic life of machinery and equipment, such as part of the oil refining facilities, by taking into account the utilisation status of the relevant facilities on the basis of the revision of the Corporation Tax Law. Starting with the current first quarter, the useful economic life of these assets has been changed to those based on the Corporation Tax Law. As a result of the change, operating loss, ordinary loss, and the current quarter net loss before taxes have increased by 273 million yen.

5. Consolidated Financial Statements

(1) Consolidated balance sheet

(Unit:Million Yen)

	Current 1st quarter end As of 31 Mar. 2009	Previous year end As of 31 Dec. 2008
Assets		
Current assets		
Cash and deposits	35,026	73,113
Notes and accounts receivable-trade	225,121	276,218
Merchandise and finished goods	68,062	121,375
Work in process	24,331	29,521
Raw materials and supplies	78,967	97,191
Other	97,348	79,121
Allowance for doubtful accounts	(394)	(433)
Total current assets	528,462	676,107
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	119,905	112,601
Machinery, equipment and vehicles, net	126,289	118,426
Land	166,502	166,675
Other, net	21,934	37,874
Total property, plant and equipment	434,632	435,579
Intangible assets	11,598	11,910
Investments and other assets		
Other	86,390	88,522
Allowance for doubtful accounts	(2,198)	(2,164)
Total investments and other assets	84,192	86,358
Total noncurrent assets	530,423	533,848
Total assets	1,058,885	1,209,956
Liabilities		
Current liabilities		
Notes and accounts payable-trade	190,624	231,419
Short-term loans payable	118,017	141,384
Accounts payable-other	160,968	204,363
Income taxes payable	3,375	4,672
Provision	4,389	2,430
Commercial papers	84,000	72,000
Other	45,984	52,335
Total current liabilities	607,360	708,606
Noncurrent liabilities		
Bonds payable	30,200	30,200
Long-term loans payable	34,671	35,891
Provision for retirement benefits	69,637	69,560
Provision for special repairs	20,079	17,633
Other provision	589	674
Other	17,958	18,937
Total noncurrent liabilities	173,136	172,898
Total liabilities	780,497	881,504

(Unit:Million Yen)

	Current 1st quarter end As of 31 Mar. 2009	Previous year end As of 31 Dec. 2008
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,113	22,113
Retained earnings	198,468	248,589
Treasury stock	(179)	(178)
Total shareholders' equity	<u>254,598</u>	<u>304,721</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,983	2,092
Total valuation and translation adjustments	<u>1,983</u>	<u>2,092</u>
Minority interests	<u>21,806</u>	<u>21,637</u>
Total net assets	<u>278,388</u>	<u>328,451</u>
Total liabilities and net assets	<u>1,058,885</u>	<u>1,209,956</u>

(2) Consolidated Statement of Income

	(Unit:Million Yen)
	1st quarter of current year
	From 1 Jan. 2009
	To 31 Mar. 2009
Net sales	498,531
Cost of sales	<u>537,373</u>
Gross loss	<u>(38,842)</u>
Selling, general and administrative expenses	
Freightage related expenses	10,460
Personal expenses	8,539
Other	<u>12,178</u>
Total selling, general and administrative expenses	<u>31,179</u>
Operating loss	<u>(70,021)</u>
Non-operating income	
Interest income	29
Dividends income	262
Foreign exchange gains	17
Other	<u>311</u>
Total non-operating income	<u>620</u>
Non-operating expenses	
Interest expenses	1,060
Equity in losses of affiliates	525
Other	<u>297</u>
Total non-operating expenses	<u>1,882</u>
Ordinary loss	<u>(71,283)</u>
Extraordinary income	
Gain on sales of noncurrent assets	180
Reversal of provisions for estimated loss on assets disposal	488
Other	<u>91</u>
Total extraordinary income	<u>760</u>
Extraordinary loss	
Loss on disposal of noncurrent assets	556
Litigation settlement	237
Other	<u>149</u>
Total extraordinary losses	<u>942</u>
Loss before income taxes and minority interests	<u>(71,465)</u>
Income taxes-current	2,860
Income taxes-deferred	<u>(31,519)</u>
Total income taxes	<u>(28,658)</u>
Minority interests in income	<u>533</u>
Net loss	<u>(43,341)</u>

(3) Consolidated Statement of Cash Flows

	(Unit: Million Yen)
	1st quarter of current year
	From 1 Jan. 2009
	To 31 Mar. 2009
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(71,465)
Depreciation and amortization	8,562
Loss (gain) on sales and retirement of noncurrent assets	375
Interest and dividends income	(292)
Interest expenses	1,060
Decrease (increase) in notes and accounts receivable-trade	51,097
Decrease (increase) in inventories	76,727
Increase (decrease) in notes and accounts payable-trade	(69,749)
Other, net	(5,454)
Subtotal	<u>(9,139)</u>
Interest and dividends income received	286
Interest expenses paid	(1,071)
Income taxes paid	(4,309)
Net cash provided by (used in) operating activities	<u>(14,234)</u>
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(4,445)
Purchase of intangible assets	(186)
Proceeds from sales of property, plant and equipment	321
Purchase of investment securities	(11)
Proceeds from sales of investment securities	11
Decrease (increase) in short-term loans receivable	286
Payments of long-term loans receivable	(54)
Collection of long-term loans receivable	1
Other, net	(625)
Net cash provided by (used in) investment activities	<u>(4,702)</u>
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(23,227)
Increase (decrease) in commercial papers	12,000
Repayment of long-term loans payable	(1,359)
Purchase of treasury stock	(0)
Cash dividends paid	(6,780)
Cash dividends paid to minority shareholders	(352)
Other, net	(29)
Net cash provided by (used in) financing activities	<u>(19,750)</u>
Net increase (decrease) in cash and cash equivalents	<u>(38,686)</u>
Cash and cash equivalents at beginning of period	<u>71,815</u>
Cash and cash equivalents at end of period	<u>33,128</u>

Starting with the current financial year, we have adopted the Accounting Standards for Quarterly Financial Statements (Corporate Accounting Standards, No. 12) and the Implementation Guidance of Accounting Standards for Quarterly Financial Statements (Implementation Guidance of Corporate Accounting Standards, No. 14). Furthermore, we prepared the consolidated quarterly financial statements according to the Regulations on Consolidated Quarterly Financial Statements.

(4) Note for premises of going concern

None

(5) Segment Information

Information by business segment

Current 1st Quarter (From 1 January to 31 March 2009)

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade	Consolidated
I Sales & Operating Profits						
Sales						
(1) Sales to customers	490,028	1,077	7,426	498,531	-	498,531
(2) Inter-segment sales and transfers	1,106	30	1,734	2,871	(2,871)	-
Total	491,134	1,107	9,160	501,403	(2,871)	498,531
Operating Income	(70,276)	722	(485)	(70,039)	17	(70,021)

Note 1. Business segments are primarily in accordance with the internal definitions for control purposes.

2. Major products and businesses in each business segment.

- (1) Oil: Gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricant, LPG, bitumen, petrochemicals, 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, and solar battery, etc.

Segment information by location

Current 1st quarter (From 1 January to 31 March 2009)

Since there are no overseas branches or consolidated subsidiaries, this section is not applicable.

Overseas sales

Current 1st quarter (From 1 January to 31 March 2009)

Disclosure on this information is omitted because overseas sales was less than 10% of consolidated sales proceeds.

(6) Note in case of significant change in shareholders equity

None

“Reference”

Consolidated financial statements for the previous 1st quarter

(1) [Summary] Consolidated quarterly profit and loss statement

	Previous 1st quarter (From 1 Jan. 2008 To. 31 Mar. 2008)		
		Million yen	%
<u>I. Sales proceeds</u>		810,509	100.0
<u>II. Cost of sales</u>		764,588	94.3
Gross profit		45,921	5.7
<u>III. Sales & admin. expenses</u>		29,307	3.7
Operating income		16,613	2.0
<u>IV. Non-operating profit</u>			
1. Interest and dividend income	246		
2. Foreign exchange gains	1,465		
3. Equity in net earnings of affiliates	720		
4. Others	662		
<u>Non-operation profit total</u>		3,095	0.4
<u>V. Non-operating expenses</u>			
1. Interest expense	1,231		
2. Others	246		
<u>Non-operating expense total</u>		1,477	0.2
Ordinary income		18,231	2.2
<u>VI. Extraordinary profit</u>		633	0.1
<u>VII. Extraordinary loss</u>		1,167	0.1
Net income before taxes		17,696	2.2
Income taxes		6,732	0.8
Income/(loss) of minority interests		(12)	0.0
Net income after taxes		10,976	1.4

(2) [Summary] Consolidated quarterly statement of cash flows

	Previous 1st quarter From 1 Jan. 2008 To 31 Mar. 2008
Item	Million Yen
I. Cash flow from operating activities	
Net income before taxes	17,696
Depreciation	7,573
Change in accounts receivables	62,732
Change in inventories	26,795
Change in accounts payable	(117,236)
Others	(22,440)
Cash flow from operating activities	(24,878)
II. Cash flow from investing activities	
Payments for purchase of tangible fixed assets	(2,704)
Payments for purchase of intangible fixed assets	(824)
Proceeds from sales of fixed assets	130
Payments for purchase of investment securities	(308)
Proceeds from sales of investment securities	69
Others	(37)
Cash flow from investing activities	(3,675)
III. Cash flow from financing activities	
Net change in short-term debts	39,638
Net change in long-term debts and bonds	(1,440)
Dividends paid	(6,780)
Others	(392)
Cash flow from financing activities	31,024
IV. Change in cash and cash equivalents	2,470
V. Opening balance of cash and cash equivalents	15,686
VI. Closing balance of cash and cash equivalents	18,156

(3) Segment information

[Information by business segment]

1st quarter of previous year (From 1 Jan. 2008 to 31 Mar. 2008)

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade	Consolidated
I . Sales and operating income						
Sales						
(1) Sales to customers	801,316	1,071	8,121	810,509	-	810,509
(2) Inter-segment sales and transfer	1,610	31	1,395	3,036	(3,036)	-
Total	802,926	1,102	9,517	813,546	(3,036)	810,509
Operating expenses	787,319	389	9,225	796,935	(3,039)	793,895
Operating income	15,606	712	291	16,610	2	16,613

- Notes:
1. Business segments are primarily in accordance with the internal definitions for control purposes.
 2. Major products and businesses in each business segment.
 - (1) Oil: Gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricant, LPG, bitumen, petrochemicals, 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, and solar battery, etc.