

Showa Shell Sekiyu K.K. Medium Term Business Vision 2010–2014: “EPOCH 2010: Conquer the Change, Pioneer the Future”

Showa Shell Sekiyu K.K. has achieved a sound business foundation for the oil business under “New Foundation” launched in 2005 and has become a leading company in the domestic oil industry.

Our business environment is changing rapidly with declining domestic oil demand due to the aging population and energy saving trends, and, with new export refineries, the global competition is intensifying. We must also play our part in moving towards a low carbon society. We have taken into account these changes in developing our Medium Term Business Vision – “EPOCH 2010*”.

** “Epoch 2010” is the title of our Business Vision, expressing our commitment to conquer the significantly changing epoch (era) by working together with members of the Showa Shell Sekiyu Group including employees, dealers and business partners with a new management team in the pursuit of achieving sustainable development.*

■ Key management targets and plans under “EPOCH 2010”

To conquer the structurally changing business environment and to pioneer the future, we will optimize profitability by enhancing the quality of our oil business, as well as developing the solar business into a new energy business in order to achieve sustainable development in the coming low carbon society. Through our balanced strategies across existing and rapidly growing businesses, we aim to become a highly competitive and sustainable energy company that meets the needs of customers and society.

Key management targets and plans for FY 2014

- 1) CCS ordinary profit: 100 billion yen
(50 bln yen in oil business; 50 bln yen in solar business)
*CCS: Current Cost of Supply excluding the effects of stock valuation
- 2) Delivering growth strategy to maintain stable and attractive dividends
- 3) No breach of law or Code of Conduct
- 4) No occupational accidents or product quality incidents

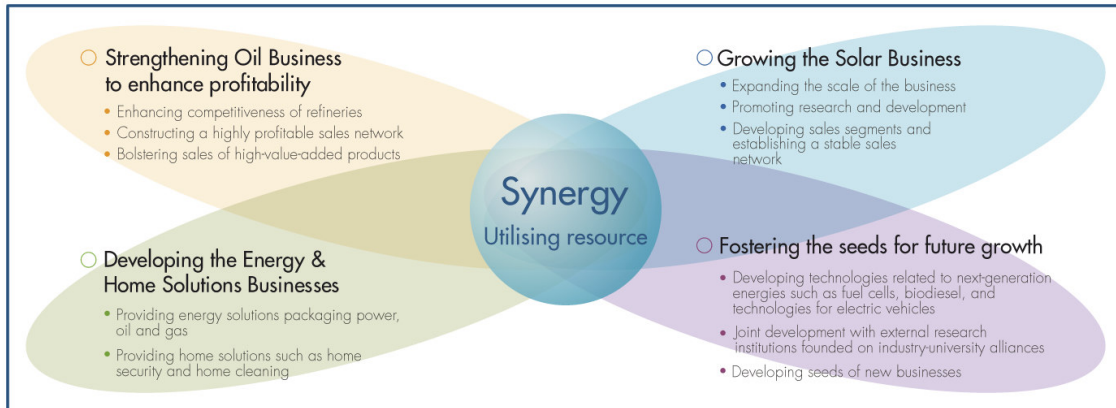
To achieve the above targets, we will allocate free cash flow generated in the business period across three key areas:

- o Operational maintenance, expansion and rationalization of assets in the oil business
- o Expansion of the solar business
- o Dividends and others

Note that the above targets and plans are indicators to check the progress of our business activities under the Business Vision and are subject to change due to changes in the business environment.

■ Key strategic areas of the Business Vision

- ① Strengthening the Oil Business to enhance profitability
- ② Growing the Solar Business
- ③ Developing the Energy & Home Solutions Businesses
- ④ Fostering the seeds for future growth



1) Strengthening the Oil Business to enhance profitability

By re-focusing on strengthening the profitability of the oil business to build strong competitiveness, we will try to expand profits in the declining domestic oil market.

The target of our supply strategy is to have top-class cost competitiveness in the Asia region. We will do this by continuing the optimal crude oil procurement from Saudi Aramco and by utilizing the global trading network of the Shell Group for flexible product exports.

Our sales strategy for primary fuels is to expand sales of our most profitable segment of retail by working together with dealers, our important business partners, to enhance the quality and size of the sales network under our basic principle of "Dealerism".

2) Growing the Solar Business

In the solar business, we are working to establish a stable production framework and to obtain operational know-how at the first Miyazaki Plant already under operation and the second Miyazaki Plant, where construction was completed in April. We are aiming to expand our annual production capacity to a gigawatt within the Medium Term Business Period to gain a 10% share in the global solar market.

In expanding the size of the business, we will pursue cost reduction by enhancing mass production technology and energy conversion,

securing skilled human resources and developing stable sales channels.

We will not only manufacture modules but will also consider participating in the business chain within and outside of Japan to establish a sustainable business model.

3) Developing the Energy & Home Solutions Businesses

In addition to the oil and solar businesses, we will continue our pursuit to be a comprehensive energy company, including an electric power business primarily using the power generated at Ohgishima Power Station, which is under construction with Tokyo Gas CO., Ltd., and expansion of LNG sales to meet the needs of industrial customers who have changing fuel needs.

We will also provide new solution services such as home security and home cleaning in order to appeal to our customers and to seek synergies with our core businesses.

4) Fostering the seeds for future growth

To meet the needs of society and customers as we move toward a low carbon society, we will engage in research and development of next-generation energy technologies such as those for fuel cells, biofuels, electric power vehicles, and GTL fuel.

We also aim to develop new environmentally-friendly technologies and business models such as technologies that contribute to the reduction of GHG. Some of this work will include partnering with academic institutions.

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