

(English Translation)

## Summary of Consolidated Third Quarter Results for 2009

30 October 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: 12 November 2009

(Note) Fractions of one million yen are rounded off

### 1. Consolidated financial results for 3rd quarter 2009 (from 1 January 2009 to 30 September 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	%
3rd quarter 2009	1,451,795	-	(54,150)	-	(53,668)	-	(34,527)	-
3rd quarter 2008	2,587,663	12.6	110,104	86.2	111,637	84.4	62,143	86.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
3rd quarter 2009	(91.68)	-
3rd quarter 2008	165.00	-

#### (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
3rd quarter 2009	1,101,108	281,513	23.5	688.45
Full year 2008	1,209,956	328,451	25.4	814.63

(Reference) Net assets (excl. minority interest) 3Q 2009 259,291million yen End of 2008 306,813million yen

### 2. Dividends

(Record date)	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of year	Yearly
Full year 2008	- Yen	18.00 Yen	- Yen	18.00 Yen	36.00 Yen
Full year 2009	-	18.00	-	-	-
Full year 2009 (Forecast)	-	-	-	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
Full year 2009	2,060,000	(37.1)	(45,000)	-	(45,000)	-	(32,000)	-	(84.96)

(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”.)
- a) Change due to amendment of accounting standards : Applicable
- b) 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)
- |  |                                  |                                  |
|--|----------------------------------|----------------------------------|
| a) Number of shares issued<br>(Inc. treasury shares) | As of 30 Sep. 2009 : 376,850,400 | As of 31 Dec. 2008 : 376,850,400 |
| b) Number of treasury shares                         | As of 30 Sep. 2009 : 221,999     | As of 31 Dec. 2008 : 219,446     |
| c) Average number of shares                          | As of 30 Sep. 2009 : 376,629,602 | As of 30 Sep. 2008 : 376,633,055 |

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

1. Figures in the above forecast are based on currently available information, and include 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 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 October 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**

Regarding crude oil prices for the nine month period for 2009 (from 1 January 2009 to 30 September 2009), Dubai crude oil prices, which started near 40 dollars per barrel at the beginning of this year, traded at almost the same level in a weak economy for the first quarter. The prices, after the subsequent increase to nearly 70 dollars per barrel due to the bottoming out of the global economy and expectations for a recovery, have slipped slightly to around 65 dollars per barrel at the end of the third quarter as a result of expectations of slowing oil demand fueled by concerns about a global recession.

The exchange rate, which started the year at the 92 yen level per dollar, once plunged under 90 yen, due to anxiety over the global recession. Then it depreciated and reached the 101 yen level in April due to the backdrop of expectations for the new U.S. administration as well as the deterioration of the Japanese economic indicators. Subsequently, the yen gradually appreciated against the dollar due to factors such as the spread of the swine flue virus and concerns about the collapse of U.S. automakers. The dollar further declined against the yen until bottoming out at 88 yen due to press speculation over the G20 financial summit that a weak dollar was accepted and a senior Japanese government official expressing the negative opinion of intervention to buy the dollar. The Japanese currency subsequently ended the third quarter at the lower 90 yen level.

With regard to the sales of oil products, sales of gasoline, which showed a downward trend due to the impact of the economic slowdown, gradually recovered and reached the same level as the previous year during the first quarter. For the second quarter, sales fell compared to the same quarter a year ago due to sales increase in April last year by the expiration of the provisional gasoline tax. The sales volume of the third quarter, however, was about the same level as that of the third quarter a year ago against the backdrop of promotional measures implemented by the government to encourage the use of expressways and reductions in retail prices at service stations driven by lower crude oil prices. On the other hand, sales of middle distillate and C fuel oil ended lower compared with the previous year due to the impact of decreased goods distribution and declining demand for power from a warm winter, fuel conversion of customers, and the economic slowdown.

In such a business environment, the Showa Shell Sekiyu Group posted consolidated sales of 1,451.7 billion yen (43.9% decrease compared to the same period a year ago), a consolidated operating loss of 54.1 billion yen (decrease of 164.2 billion yen compared to the same period a year ago), and a consolidated ordinary loss of 53.6 billion yen (decrease of 165.3 billion yen compared to the same period a year ago) for the current nine month period of 2009. This was attributable to the fact that the significant decline in profit due to the impact of the inventory valuation for the first quarter had not been compensated for in the second and third quarters, combined with a decrease in sales of oil and petrochemical products. An additional factor contributing to the decline in profit was that the Accounting Standard for Measurement of Inventories has been adopted for the current financial year. The relevant consolidated ordinary loss, excluding the impact of the inventory valuation, was 9.0 billion yen (decrease of 42.3 billion yen compared to the same period a year ago).

As for the solar business, the Second Miyazaki Plant (annual production capacity 60 MW), the world-class plant for CIS thin film solar cells, has started full-scale commercial production in June after a successful start-up period. At the Atsugi Research Centre, where we aim to enhance our research and development, we are continuously developing mass production technology for efficiently producing competitive products. We made a decision to invest in the third plant (annual production capacity 900 MW) in Miyazaki Prefecture using the technology. The total annual production capacity including the first plant, second plant, and the third plant, which is planned to start operation in the second half of 2011, will reach 1GW.

### **2. Qualitative information concerning consolidated financial position**

Total assets as of the end of the third quarter were 1,101.1 billion yen, a decrease of 108.8 billion yen compared to the end of the previous year. This was mainly attributable to decreases in accounts receivable caused by the sharp fall in sales prices and decrease in inventories.

Consolidated net assets were 281.5 billion yen, a decrease of 46.9 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.

Total interest-bearing liabilities (total of long-term and short-term borrowings, commercial paper, and bonds) were 281.2 billion yen, an increase of 1.8 billion yen compared to the end of the previous year.

As a result, the equity ratio at the end of the current third quarter was 23.5%.

### **3. Qualitative information concerning the forecast of consolidated financial results**

As for the outlook for full year 2009, we have revised the previous forecast originally released on 31 July 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 principles, procedures and presentation regarding consolidated quarterly financial statements

###### a) Application of accounting standards for quarterly financial statements

Starting with the current consolidated 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 net loss before taxes increased by 4,468 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 leasees (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 significantly affect operating loss, ordinary loss, or net loss before taxes for current third quarter from 1 January 2009 to 30 September 2009.

**(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 net loss before taxes for year to date have increased by 867 million yen.

## 5. Consolidated Financial Statements

### (1) Consolidated balance sheet

(Unit: Million Yen)

	Current 3rd quarter end As of 30 Sep. 2009	Previous year end As of 31 Dec. 2008
<b>Assets</b>		
Current assets		
Cash and deposits	11,726	73,113
Notes and accounts receivable-trade	237,208	276,218
Merchandise and finished goods	94,806	121,375
Work in process	26,186	29,521
Raw materials and supplies	120,618	97,191
Other	76,853	79,121
Allowance for doubtful accounts	(324)	(433)
Total current assets	567,076	676,107
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	118,364	112,601
Machinery, equipment and vehicles, net	126,357	118,426
Land	167,584	166,675
Other, net	24,567	37,874
Total property, plant and equipment	436,873	435,579
Intangible assets	11,682	11,910
Investments and other assets		
Other	86,698	88,522
Allowance for doubtful accounts	(1,223)	(2,164)
Total investments and other assets	85,475	86,358
Total noncurrent assets	534,031	533,848
Total assets	1,101,108	1,209,956
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	257,761	231,419
Short-term loans payable	107,868	141,384
Accounts payable-other	125,563	204,363
Income taxes payable	1,340	4,672
Provision	4,565	2,430
Commercial papers	104,000	72,000
Other	60,070	52,335
Total current liabilities	661,171	708,606

(Unit:Million Yen)

	Current 3rd quarter end As of 30 Sep. 2009	Previous year end As of 31 Dec. 2008
Noncurrent liabilities		
Bonds payable	15,200	30,200
Long-term loans payable	39,220	35,891
Provision for retirement benefits	69,607	69,560
Provision for special repairs	15,701	17,633
Other provision	603	674
Other	18,091	18,937
Total noncurrent liabilities	<u>158,423</u>	<u>172,898</u>
Total liabilities	<u>819,594</u>	<u>881,504</u>
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,113	22,113
Retained earnings	200,500	248,589
Treasury stock	(181)	(178)
Total shareholders' equity	<u>256,630</u>	<u>304,721</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale	2,660	2,092
Total valuation and translation adjustments	<u>2,660</u>	<u>2,092</u>
Minority interests	22,222	21,637
Total net assets	<u>281,513</u>	<u>328,451</u>
Total liabilities and net assets	<u>1,101,108</u>	<u>1,209,956</u>

## (2) Consolidated Statement of Income

(Unit:Million Yen)

	Year-To-Date
	From 1 Jan. 2009
	To 30 Sep. 2009
Net sales	1,451,795
Cost of sales	1,414,798
Gross profit	36,996
Selling, general and administrative expenses	
Freightage related expenses	28,535
Personal expenses	26,001
Other	36,608
Total selling, general and administrative expenses	91,146
Operating loss	(54,150)
Non-operating income	
Interest income	91
Dividends income	1,918
Foreign exchange gains	695
Other	1,996
Total non-operating income	4,702
Non-operating expenses	
Interest expenses	2,655
Equity in losses of affiliates	994
Other	569
Total non-operating expenses	4,220
Ordinary loss	(53,668)
Extraordinary income	
Gain on sales of noncurrent assets	513
Reversal of provisions for estimated loss on assets disposal	487
Other	789
Total extraordinary income	1,790
Extraordinary loss	
Loss on disposal of noncurrent assets	2,297
Other	1,306
Total extraordinary losses	3,604
Loss before income taxes and minority interests	(55,482)
Income taxes-current	2,484
Income taxes-deferred	(24,379)
Total income taxes	(21,895)
Minority interests in income	940
Net loss	(34,527)

### (3) Consolidated Statement of Cash Flows

(Unit: Million Yen)

	3rd quarter of current year
	From 1 Jan. 2009
	To 30 Sep. 2009
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(55,482)
Depreciation and amortization	26,241
Impairment loss	515
Loss (gain) on sales and retirement of noncurrent assets	1,784
Interest and dividends income	(2,010)
Interest expenses	2,655
Decrease (increase) in notes and accounts receivable-trade	39,009
Decrease (increase) in inventories	6,477
Increase (decrease) in notes and accounts payable-trade	(31,068)
Other, net	(17,943)
Subtotal	<u>(29,820)</u>
Interest and dividends income received	1,997
Interest expenses paid	(2,697)
Income taxes (paid) refund	12,310
Net cash provided by (used in) operating activities	<u>(18,210)</u>
Net cash provided by (used in) investment activities	
Purchase of property, plant and equipment	(26,738)
Purchase of intangible assets	(1,497)
Proceeds from sales of property, plant and equipment	2,010
Purchase of investment securities	(28)
Proceeds from sales of investment securities	129
Decrease (increase) in short-term loans receivable	(1,318)
Payments of long-term loans receivable	(3,306)
Collection of long-term loans receivable	3
Other, net	(74)
Net cash provided by (used in) investment activities	<u>(30,821)</u>
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(26,600)
Increase (decrease) in commercial papers	32,000
Proceeds from long-term loans payable	5,698
Repayment of long-term loans payable	(9,285)
Purchase of treasury stock	(2)
Cash dividends paid	(13,561)
Cash dividends paid to minority shareholders	(352)
Other, net	(156)
Net cash provided by (used in) financing activities	<u>(12,260)</u>
Net increase (decrease) in cash and cash equivalents	<u>(61,291)</u>
Cash and cash equivalents at beginning of period	<u>71,815</u>
Cash and cash equivalents at end of period	<u>10,523</u>

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.

**(4) Note for premises of going concern**

None

**(5) Segment Information**

**Information by business segment**

**Current 3rd quarter (From 1 January 2009 to 30 September 2009)**

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade	Consolidated
Sales proceeds						
(1) Sales to customers	1,429,281	3,191	19,322	1,451,795	-	1,451,795
(2) Inter-segment sales and transfers	2,366	92	5,098	7,557	(7,557)	-
Total	1,431,648	3,283	24,421	1,459,353	(7,557)	1,451,795
Operating Income	(54,381)	2,144	(1,995)	(54,231)	81	(54,150)

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 3rd quarter (From 1 January 2009 to 30 September 2009)**

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

**Overseas sales**

**Current 3rd quarter (From 1 January 2009 to 30 September 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 3rd quarter

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

	Previous 3rd quarter (From 1 Jan. 2008 To 30 Sep. 2008)		
	Million Yen	%	
<u>I. Sales proceeds</u>		2,587,663	100.0
<u>II. Cost of sales</u>		2,387,746	92.3
<b>Gross profit</b>		199,917	7.7
<u>III. Sales &amp; admin. expenses</u>		89,812	3.4
<b>Operating income</b>		110,104	4.3
<u>IV. Non-operating profit</u>			
1. Interest and dividends income	775		
2. Foreign exchange gain	2,075		
3. Equity in net earnings of affiliates	1,384		
4. Others	1,797		
<u>Non-operating profit total</u>		6,032	0.2
<u>V. Non-operating expenses</u>			
1. Interest expense	3,557		
2. Others	942		
<u>Non-operating expense total</u>		4,499	0.2
<b>Ordinary income</b>		111,637	4.3
<u>VI. Extraordinary profit</u>		1,632	0.1
<u>VII. Extraordinary loss</u>		7,959	0.3
Net income before taxes		105,310	4.1
Income taxes		42,841	1.7
Income/(loss) of minority interests		325	0.0
<b>Net income after taxes</b>		62,143	2.4

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

	Previous 3rd quarter (From 1 Jan.2008 To 30 Sep.2008)
	Amount (Million Yen)
<b>I. Cash flow from operating activities</b>	
Net income before taxes	105,310
Depreciation	23,229
Impairment losses	445
Change in accounts receivable	13,419
Change in inventories	( 107,820)
Change in accounts payable	( 70,976)
Other	( 39,724)
<b>Cash flow from operating activities</b>	( 76,116)
<b>II. Cash flow from investing activities</b>	
Payments for purchase of tangible fixed assets	( 16,393)
Payments for purchase of intangible fixed assets	( 1,869)
Proceeds from sales of fixed assets	940
Payments for purchase of investment securities	( 2,370)
Proceeds from sales of investment securities	71
Others	( 1,545)
<b>Cash flow from investing activities</b>	( 21,167)
<b>III. Cash flow from financing activities</b>	
Net change in short-term debts	114,169
Net change in long-term debts	( 3,987)
Dividends paid	( 13,561)
Others	( 698)
<b>Cash flow from financing activities</b>	95,922
<b>IV. Changes in cash &amp; cash equivalents</b>	( 1,362)
<b>V. Opening balance in cash &amp; cash equivalents</b>	15,686
<b>VI. Closing balance in cash &amp; cash equivalents</b>	14,324

(Note) Fractions below one million yen are rounded off.

**(3) Segment information**  
**[Information by business segment]**

**Previous 3rd quarter (From 1 January 2008 to 30 September 2008)**

(Unit: Million Yen)

	Oil	Property	Others	Total	Internal Trade	Consolidated
I. Sales and operating income						
Sales						
(1) Sales to customers	2,561,245	3,215	23,202	2,587,663	-	2,587,663
(2) Inter-segment sales and transfers	4,011	93	4,689	8,793	( 8,793 )	-
Total	2,565,256	3,308	27,892	2,596,457	( 8,793 )	2,587,663
Operating expenses	2,458,548	1,137	26,652	2,486,338	( 8,779 )	2,477,559
Operating income	106,708	2,170	1,239	110,118	( 13 )	110,104

(Note) 1. Business segments are primarily in accordance with 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, solar battery etc.

3. No operating expenses are included in unattributable items in the "Internal Trade" column.