

(English Translation)

## Summary of Consolidated First Quarter Results for 2010

30 April 2010

**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

Contact: Title: Controller, Corporate Officer

Name: Kiyotaka Yamada

Phone: (03) 5531-5591

Expected date of quarterly report submission: 13 May 2010

Expected date of dividend payment: -

(Note) Fractions of one million yen are rounded off

### 1. Consolidated financial results for 1st quarter 2010 (from 1 January 2010 to 31 March 2010)

(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 2010 | 610,601     | 22.5 | 10,793           | - | 13,757          | - | 8,152       | - |
| 1st quarter 2009 | 498,531     | -    | (70,021)         | - | (71,283)        | - | (43,341)    | - |

|                  | Earnings per share | Diluted earnings per share |
|------------------|--------------------|----------------------------|
|                  | Yen                | Yen                        |
| 1st quarter 2010 | 21.65              | -                          |
| 1st quarter 2009 | (115.08)           | -                          |

#### (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 2010 | 1,110,676    | 259,996     | 21.4                                                  | 631.08                                          |
| Full year 2009   | 1,172,739    | 257,723     | 20.1                                                  | 625.33                                          |

(Reference) Net assets (excl. minority interest) 1Q 2010 237,681million yen End of 2009 235,517million yen

### 2. Dividends

| (Record date)             | Dividend per share |           |           |             |           |
|---------------------------|--------------------|-----------|-----------|-------------|-----------|
|                           | End of 1Q          | End of 2Q | End of 3Q | End of year | Yearly    |
| Full year 2009            | - Yen              | 18.00 Yen | - Yen     | 18.00 Yen   | 36.00 Yen |
| Full year 2010            | -                  | -         | -         | -           | -         |
| Full year 2010 (Forecast) | -                  | 9.00      | -         | 9.00        | 18.00     |

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

### 3. Forecast of consolidated full year results 2010 (from 1 January 2010 to 31 December 2010)

(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 2010  | 1,190,000   | 26.4 | 6,500            | - | 8,000           | - | 2,700       | - | 7.17               |
| Full year 2010 | 2,370,000   | 17.2 | 4,000            | - | 5,500           | - | 1,000       | - | 2.66               |

(Note) Revision of forecast of consolidated results : None

#### 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 3 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 31 Mar. 2010 : 376,850,400 | As of 31 Dec. 2009 : 376,850,400 |
| b) Number of treasury shares                         | As of 31 Mar. 2010 : 223,124     | As of 31 Dec. 2009 : 222,736     |
| c) Average number of shares                          | As of 31 Mar. 2010 : 376,627,483 | As of 31 Mar. 2009 : 376,630,479 |

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

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.

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

Total assets reached 1,110.6 billion yen at the end of the first quarter, a decrease of 62.0 billion yen from the end of the previous quarter. This was mainly attributable to a decrease in accounts receivable due to declined sales and a decrease in inventories.

Net assets reached 259.9 billion yen, an increase of 2.2 billion yen from the end of the previous quarter. This was mainly attributable to positive factors, such as net income for the first quarter exceeding negative factors like the final dividend.

The balance of interest-bearing liabilities (total of long- and short-term debts, commercial paper and corporate bonds) posted 285.3 billion yen, a decrease of 12.6 billion yen from the end of the previous quarter.

As a result, capital adequacy stands at 21.4% at the end of the first quarter of the current consolidated financial year.

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

There is no change in the earnings forecasts for the first half of the current consolidated financial year and the full year, which were published on February 23, 2010. The earning forecasts were prepared based on information available on the announcement date of this document. Actual results may differ from those included in the forecasts due to a variety of factors.

## **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) Change in the depreciation method of important depreciable assets**

Some consolidated subsidiaries, which had adopted the declining balance method for tangible fixed assets, changed the depreciation method to the straight-line method in the first quarter of the current consolidated financial year. The change was implemented because the straight-line method is a more rational depreciation method to further improve the appropriateness of periodical accounting of profit and loss. It was a result of re-examination regarding the investment purposes and the use of refineries held by the consolidated subsidiaries, given the change in economic environment for the oil industry. The change caused an increase of 250 million yen in operating income, ordinary income, and net income before taxes, compared with the previous method. The effects on segment information are described in the corresponding areas.

**b) Change in the standards for recording net sales of completed construction contracts and cost of sales of completed construction contracts**

Regarding the standard for recording income from contract work, the percentage of the completion method and the completed contract method had been applied to construction projects worth 5 billion yen or more with a construction period of more than one year and other construction projects. The Group applied the Accounting Standards for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Statement No. 15, December 27, 2007) and the Implementation Guidance on Accounting Standards for Construction Contracts (Implementation Guidance of ASBJ Statement No. 18, December 27, 2007) in the first quarter of the current consolidated financial year. From construction contracts started during the first quarter of the current consolidated financial year, the percentage of the completion method (cost related method for estimation of complete percentage) and the completed contract method are applied to construction projects recognized to hold certainty of outcomes for the portion completed by the end of the period and other construction projects. The change has no effect on sales, operating income, ordinary income, and net income before taxes for the first quarter of the current consolidated financial year.

## 5. Consolidated Financial Statements

### (1) Consolidated balance sheet

(Unit: Million Yen)

|                                        | Current 1st quarter end<br>As of 31 Mar. 2010 | Previous year end<br>As of 31 Dec. 2009 |
|----------------------------------------|-----------------------------------------------|-----------------------------------------|
| <b>Assets</b>                          |                                               |                                         |
| Current assets                         |                                               |                                         |
| Cash and deposits                      | 14,018                                        | 22,235                                  |
| Notes and accounts receivable-trade    | 266,126                                       | 287,749                                 |
| Merchandise and finished goods         | 112,986                                       | 117,749                                 |
| Work in process                        | 1,358                                         | 766                                     |
| Raw materials and supplies             | 105,974                                       | 122,334                                 |
| Other                                  | 40,546                                        | 48,138                                  |
| Allowance for doubtful accounts        | (382)                                         | (412)                                   |
| Total current assets                   | 540,628                                       | 598,562                                 |
| Noncurrent assets                      |                                               |                                         |
| Property, plant and equipment          |                                               |                                         |
| Buildings and structures, net          | 111,720                                       | 113,318                                 |
| Machinery, equipment and vehicles, net | 115,570                                       | 119,274                                 |
| Land                                   | 165,650                                       | 165,051                                 |
| Other, net                             | 36,250                                        | 34,691                                  |
| Total property, plant and equipment    | 429,191                                       | 432,336                                 |
| Intangible assets                      | 12,161                                        | 11,355                                  |
| Investments and other assets           |                                               |                                         |
| Other                                  | 129,844                                       | 131,752                                 |
| Allowance for doubtful accounts        | (1,149)                                       | (1,267)                                 |
| Total investments and other assets     | 128,695                                       | 130,485                                 |
| Total noncurrent assets                | 570,047                                       | 574,177                                 |
| Total assets                           | 1,110,676                                     | 1,172,739                               |
| <b>Liabilities</b>                     |                                               |                                         |
| Current liabilities                    |                                               |                                         |
| Notes and accounts payable-trade       | 242,006                                       | 263,382                                 |
| Short-term loans payable               | 114,773                                       | 101,580                                 |
| Accounts payable-other                 | 153,147                                       | 186,512                                 |
| Income taxes payable                   | 1,574                                         | 1,326                                   |
| Provision                              | 4,072                                         | 2,265                                   |
| Commercial papers                      | 69,000                                        | 104,000                                 |
| Other                                  | 63,056                                        | 62,316                                  |
| Total current liabilities              | 647,631                                       | 721,384                                 |
| Noncurrent liabilities                 |                                               |                                         |
| Bonds payable                          | 15,200                                        | 15,200                                  |
| Long-term loans payable                | 71,405                                        | 62,292                                  |
| Provision for retirement benefits      | 69,744                                        | 68,926                                  |
| Provision for special repairs          | 16,864                                        | 15,622                                  |
| Other provision                        | 600                                           | 612                                     |
| Other                                  | 29,233                                        | 30,976                                  |
| Total noncurrent liabilities           | 203,048                                       | 193,631                                 |
| Total liabilities                      | 850,680                                       | 915,015                                 |

(Unit:Million Yen)

|                                             | Current 1st quarter end<br>As of 31 Mar. 2010 | Previous year end<br>As of 31 Dec. 2009 |
|---------------------------------------------|-----------------------------------------------|-----------------------------------------|
| Net assets                                  |                                               |                                         |
| Shareholders' equity                        |                                               |                                         |
| Capital stock                               | 34,197                                        | 34,197                                  |
| Capital surplus                             | 22,113                                        | 22,113                                  |
| Retained earnings                           | 178,781                                       | 177,408                                 |
| Treasury stock                              | (182)                                         | (181)                                   |
| Total shareholders' equity                  | <u>234,909</u>                                | <u>233,537</u>                          |
| Valuation and translation adjustments       |                                               |                                         |
| Valuation difference on available-for-sale  | 2,771                                         | 1,979                                   |
| Total valuation and translation adjustments | <u>2,771</u>                                  | <u>1,979</u>                            |
| Minority interests                          | <u>22,314</u>                                 | <u>22,206</u>                           |
| Total net assets                            | <u>259,996</u>                                | <u>257,723</u>                          |
| Total liabilities and net assets            | <u>1,110,676</u>                              | <u>1,172,739</u>                        |

## (2) Consolidated Statement of Income

(Unit: Million Yen)

|                                                              | 1st quarter of previous year<br>From 1 Jan. 2009<br>To 31 Mar. 2009 | 1st quarter of current year<br>From 1 Jan. 2010<br>To 31 Mar. 2010 |
|--------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------|
| Net sales                                                    | 498,531                                                             | 610,601                                                            |
| Cost of sales                                                | 537,373                                                             | 569,858                                                            |
| Gross profit (loss)                                          | (38,842)                                                            | 40,743                                                             |
| Selling, general and administrative expenses                 |                                                                     |                                                                    |
| Freightage related expenses                                  | 10,460                                                              | 9,713                                                              |
| Personal expenses                                            | 8,539                                                               | 8,782                                                              |
| Other                                                        | 12,178                                                              | 11,454                                                             |
| Total selling, general and administrative expenses           | 31,179                                                              | 29,950                                                             |
| Operating income (loss)                                      | (70,021)                                                            | 10,793                                                             |
| Non-operating income                                         |                                                                     |                                                                    |
| Interest income                                              | 29                                                                  | 48                                                                 |
| Dividends income                                             | 262                                                                 | 1,680                                                              |
| Foreign exchange gains                                       | 17                                                                  | —                                                                  |
| Amortization of negative goodwill                            | —                                                                   | 1,759                                                              |
| Equity in earnings of affiliates                             | —                                                                   | 103                                                                |
| Other                                                        | 311                                                                 | 752                                                                |
| Total non-operating income                                   | 620                                                                 | 4,343                                                              |
| Non-operating expenses                                       |                                                                     |                                                                    |
| Interest expenses                                            | 1,060                                                               | 966                                                                |
| Foreign exchange losses                                      | —                                                                   | 266                                                                |
| Equity in losses of affiliates                               | 525                                                                 | —                                                                  |
| Other                                                        | 297                                                                 | 147                                                                |
| Total non-operating expenses                                 | 1,882                                                               | 1,380                                                              |
| Ordinary income (loss)                                       | (71,283)                                                            | 13,757                                                             |
| Extraordinary income                                         |                                                                     |                                                                    |
| Gain on sales of noncurrent assets                           | 180                                                                 | 92                                                                 |
| Reversal of provisions for estimated loss on assets disposal | 488                                                                 | —                                                                  |
| Other                                                        | 91                                                                  | 34                                                                 |
| Total extraordinary income                                   | 760                                                                 | 127                                                                |
| Extraordinary loss                                           |                                                                     |                                                                    |
| Loss on disposal of noncurrent assets                        | 556                                                                 | 370                                                                |
| Impairment loss                                              | —                                                                   | 547                                                                |
| Litigation settlement                                        | 237                                                                 | —                                                                  |
| Other                                                        | 149                                                                 | 38                                                                 |
| Total extraordinary losses                                   | 942                                                                 | 956                                                                |
| Income (loss) before income taxes and minority interests     | (71,465)                                                            | 12,928                                                             |
| Income taxes-current                                         | 2,860                                                               | 1,442                                                              |
| Income taxes-deferred                                        | (31,519)                                                            | 2,629                                                              |
| Total income taxes                                           | (28,658)                                                            | 4,072                                                              |
| Minority interests in income                                 | 533                                                                 | 702                                                                |
| Net income (loss)                                            | (43,341)                                                            | 8,152                                                              |

### (3) Consolidated Statement of Cash Flows

(Unit: Million Yen)

|                                                            | 1st quarter of previous year<br>From 1 Jan. 2009<br>To 31 Mar. 2009 | 1st quarter of current year<br>From 1 Jan. 2010<br>To 31 Mar. 2010 |
|------------------------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------|
| Net cash provided by (used in) operating activities        |                                                                     |                                                                    |
| Income (loss) before income taxes and minority interests   | (71,465)                                                            | 12,928                                                             |
| Depreciation and amortization                              | 8,562                                                               | 8,397                                                              |
| Impairment loss                                            | —                                                                   | 547                                                                |
| Loss (gain) on sales and retirement of noncurrent assets   | 375                                                                 | 277                                                                |
| Interest and dividends income                              | (292)                                                               | (1,728)                                                            |
| Interest expenses                                          | 1,060                                                               | 966                                                                |
| Decrease (increase) in notes and accounts receivable-trade | 51,097                                                              | 21,623                                                             |
| Decrease (increase) in inventories                         | 76,727                                                              | 20,530                                                             |
| Increase (decrease) in notes and accounts payable-trade    | (69,749)                                                            | (40,428)                                                           |
| Other, net                                                 | (5,454)                                                             | 3,037                                                              |
| Subtotal                                                   | (9,139)                                                             | 26,150                                                             |
| Interest and dividends income received                     | 286                                                                 | 1,716                                                              |
| Interest expenses paid                                     | (1,071)                                                             | (863)                                                              |
| Income taxes (paid) refund                                 | (4,309)                                                             | (1,379)                                                            |
| Net cash provided by (used in) operating activities        | (14,234)                                                            | 25,624                                                             |
| Net cash provided by (used in) investing activities        |                                                                     |                                                                    |
| Purchase of property, plant and equipment                  | (4,445)                                                             | (11,943)                                                           |
| Purchase of intangible assets                              | (186)                                                               | (771)                                                              |
| Proceeds from sales of property, plant and equipment       | 321                                                                 | 124                                                                |
| Purchase of investment securities                          | (11)                                                                | (36)                                                               |
| Proceeds from sales of investment securities               | 11                                                                  | 3                                                                  |
| Decrease (increase) in short-term loans receivable         | 286                                                                 | (66)                                                               |
| Payments of long-term loans receivable                     | (54)                                                                | (800)                                                              |
| Collection of long-term loans receivable                   | 1                                                                   | 1                                                                  |
| Other, net                                                 | (625)                                                               | 6                                                                  |
| Net cash provided by (used in) investing activities        | (4,702)                                                             | (13,481)                                                           |
| Net cash provided by (used in) financing activities        |                                                                     |                                                                    |
| Net increase (decrease) in short-term loans payable        | (23,227)                                                            | 13,404                                                             |
| Increase (decrease) in commercial papers                   | 12,000                                                              | (35,000)                                                           |
| Proceeds from long-term loans payable                      | —                                                                   | 10,200                                                             |
| Repayment of long-term loans payable                       | (1,359)                                                             | (1,299)                                                            |
| Purchase of treasury stock                                 | (0)                                                                 | (0)                                                                |
| Cash dividends paid                                        | (6,780)                                                             | (6,780)                                                            |
| Cash dividends paid to minority shareholders               | (352)                                                               | (622)                                                              |
| Other, net                                                 | (29)                                                                | (162)                                                              |
| Net cash provided by (used in) financing activities        | (19,750)                                                            | (20,260)                                                           |
| Net increase (decrease) in cash and cash equivalents       | (38,686)                                                            | (8,117)                                                            |
| Cash and cash equivalents at beginning of period           | 71,815                                                              | 21,030                                                             |
| Cash and cash equivalents at end of period                 | 33,128                                                              | 12,912                                                             |

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

None

**(5) Segment Information****Information by business segment****Previous 1st quarter (From 1 January 2009 to 31 March 2009)**

(Unit: Million Yen)

|                                       | Oil      | Property | Others | Total    | Internal Trade | Consolidated |
|---------------------------------------|----------|----------|--------|----------|----------------|--------------|
| Sales proceeds                        |          |          |        |          |                |              |
| (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)     |

**Current 1st quarter (From 1 January 2010 to 31 March 2010)**

(Unit: Million Yen)

|                                       | Oil     | Property | Others | Total   | Internal Trade | Consolidated |
|---------------------------------------|---------|----------|--------|---------|----------------|--------------|
| Sales proceeds                        |         |          |        |         |                |              |
| (1) Sales to customers                | 601,678 | 1,080    | 7,843  | 610,601 | -              | 610,601      |
| (2) Inter-segment sales and transfers | 516     | 28       | 1,995  | 2,540   | (2,540)        | -            |
| Total                                 | 602,194 | 1,109    | 9,838  | 613,142 | (2,540)        | 610,601      |
| Operating Income                      | 10,755  | 755      | (796)  | 10,714  | 78             | 10,793       |

- Note
- Business segments are primarily in accordance with the internal definitions for control purposes.
  - Major products and businesses in each business segment.
    - Oil: Gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricant, LPG, bitumen, petrochemicals, etc.
    - Property: Leasing and administration of properties.
    - Others: Construction works, sale and lease of auto accessories, wholesale supply of city gas, electricity and distributed power supply, and solar panel, etc.
  - Change in accounting procedures

Change in the depreciation method of important depreciable assets

Some consolidated subsidiaries, which had adopted the declining balance method for tangible fixed assets, changed the depreciation method to the straight-line method in the first quarter of the current consolidated financial year. The change was implemented because the straight-line method is a more rational depreciation method to further improve the appropriateness of periodical accounting of profit and loss. It was a result of re-examination regarding the investment purposes and the use of refineries held by the consolidated subsidiaries, given the change in economic environment for the oil industry. The change caused an increase of 250 million yen in operating income, ordinary income, and net income before taxes, compared with the previous method. The effects on segment information are described in the corresponding areas.

### **Segment information by location**

**Previous 1st quarter (From 1 January 2009 to 31 March 2009) and Current 1st quarter (From 1 January 2010 to 31 March 2010)**

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

### **Overseas sales**

**Previous 1st quarter (From 1 January 2009 to 31 March 2009) and Current 1st quarter (From 1 January 2010 to 31 March 2010)**

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

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

None