

(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 (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.

**[Qualitative information and financial statements etc.]**

**1. Qualitative information concerning consolidated financial results**

Regarding crude oil prices for the first quarter 2010 (from 1 January 2010 to 31 March 2010), Dubai crude oil prices, which started at the 78 dollar per barrel level at the beginning of this year, once dropped below the 70 dollar per barrel level. Then, prices ranged from 75 dollars to 80 dollars per barrel due to the solid growth in crude oil demand and closed the first quarter at the 78 dollar per barrel level.

The exchange rate, which started the year at 93 yen per US dollar, appreciated to 88 yen per dollar in early March due to uncertainty about the US economy backed by deterioration in US economic indicators and the Financial Regulation Improvement Act, as well as the fiscal problem in Greece. The dollar then appreciated following an increase in US interest rates and global equity appreciation and closed the first quarter at 93 yen per dollar.

With regard to the sales of oil products, sales volume of gasoline reached the same level as the previous year during the first quarter against the backdrop of a gradual recovery and promotional measures implemented by the government to encourage the use of expressways. Kerosene enjoyed solid demand in Japan mainly due to lower temperatures over the same period a year ago, but the growth in sales underperformed the industry because of sales focusing on profitability. Sales of diesel oil were less than the same period a year ago due to decreased movement of goods as well as the focus on profitability. Sales of fuel oil were remarkably lower due to fuel conversion by customers and weak demand for power compared with the same period a year ago.

In such a business environment, the Showa Shell Sekiyu Group posted consolidated sales of 610.6 billion yen (a 22.5% increase compared to the same period a year ago), consolidated operating income of 10.7 billion yen (an increase of 80.8 billion yen compared to the same period a year ago), and consolidated ordinary income of 13.7 billion yen (an increase of 85.0 billion yen compared to the same period a year ago) for the first quarter of 2010. This was attributable to the fact that sales declined for oil products and costs were not fully translated into higher selling prices while the impact of the inventory valuation for the first quarter brought us an increase in profit compared to the same period a year ago. In addition, the relevant consolidated ordinary income, excluding the impact of the inventory valuation, was 7.2 billion yen, a decrease of 4.6 billion yen compared to the same period a year ago.

Showa Shell Solar K.K. changed its name to Solar Frontier K.K. on April 1, 2010, and established the sales subsidiaries in the USA (California) and Germany (Bayern). The Group also decided to abolish the SOLACIS brand, which was used in Japan, and operate businesses in Japan and overseas under the universal brand.

**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 As of 31 Mar. 2010	Previous year end 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 As of 31 Mar. 2010	Previous year end 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 From 1 Jan. 2009 To 31 Mar. 2009	1st quarter of current year From 1 Jan. 2010 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 From 1 Jan. 2009 To 31 Mar. 2009	1st quarter of current year From 1 Jan. 2010 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