

(English Translation)

Summary of Consolidated Third Quarter Results for 2010

29 October 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: 11 November 2010

Expected date of dividend payment: -

Supporting material for Quarter results: Applicable

Quarter results briefing: Applicable (For analysts and institutional investors)

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

1. Consolidated financial results for 3rd quarter 2010 (from 1 January 2010 to 30 September 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	%
3rd quarter 2010	1,737,547	19.7	18,310	-	23,384	-	11,298	-
3rd quarter 2009	1,451,795	-	(54,150)	-	(53,668)	-	(34,527)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
3rd quarter 2010	30.00	-
3rd quarter 2009	(91.68)	-

(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 2010	1,101,111	258,044	21.4	625.23
Full year 2009	1,172,739	257,723	20.1	625.33

(Reference) Net assets (excl. minority interest) 3Q 2010 235,476 million 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	-	9.00	-	-	-
Full year 2010 (Forecast)	-	-	-	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
Full year 2010	2,330,000	15.2	22,000	-	28,000	-	6,000	-	15.93

(Note) Revision of forecast of consolidated results : Applicable

4. Others (Note: Please refer to “ 2. Others “in [Supporting material] on page 3 for the details.)

- (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 : 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
- (4) Issued shares (Common share)
- | | | |
|--|----------------------------------|----------------------------------|
| a) Number of shares issued
(Inc. treasury shares) | As of 30 Sep. 2010 : 376,850,400 | As of 31 Dec. 2009 : 376,850,400 |
| b) Number of treasury shares | As of 30 Sep. 2010 : 224,075 | As of 31 Dec. 2009 : 222,736 |
| c) Average number of shares | As of 30 Sep. 2010 : 376,627,024 | As of 30 Sep. 2009 : 376,629,602 |

* Presentation regarding the status of implementation of the quarterly review procedures

These quarterly results are exempt from the quarterly review procedures pursuant to the Financial Instruments and Exchange Act, and the review procedures with respect to the quarterly financial statements pursuant to the Financial Instruments and Exchange Act have not been completed as of the date of disclosure of such quarterly results.

* 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 “1. (3) Qualitative information concerning the forecast of consolidated financial results” in [Supporting material] on page 3.

[Supporting material]

Contents

1. Qualitative information and financial statements etc.	P.2
(1) Qualitative information concerning consolidated financial results	P.2
(2) Qualitative information concerning consolidated financial position	P.3
(3) Qualitative information concerning the forecast of consolidated financial results	P.3
2. Others	P.3
(1) Important change in scope of consolidated subsidiaries during the period	P.3
(2) Adoption of simplified accounting method and application of accounting procedure specific to the preparation of consolidated quarterly financial statements	P.3
(3) Change in accounting principles, procedures and presentation regarding consolidated quarterly financial statements	P.4
3. Consolidated financial statements	P.5
(1) Consolidated balance sheets	P.5
(2) Consolidated statement of income	P.7
【Year-To-Date of current year】	P.7
【3rd quarter of current year】	P.8
(3) Consolidated Statement of Cash Flows	P.9
(4) Note for premises of going concern	P.10
(5) Note in case of significant change in shareholders equity	P.10

1. Qualitative information and consolidated financial statements etc.

(1) Qualitative information concerning consolidated financial results

Regarding crude oil prices for the nine-month period for 2010 (from 1 January 2010 to 30 September 2010), Dubai crude oil prices, which started at the 78 dollars per barrel level at the beginning of this year, once dropped below the 70 dollars per barrel level. Prices then remained stable, primarily due to the favorable global economic outlook, to go higher, once reaching the 87 dollars per barrel level at the beginning of May. Crude oil prices, which thereafter fell sharply, plunged at one point below 70 dollars per barrel, reflecting concerns over a global economic slump caused by the financial crisis in the euro zone countries, especially Greece, and then rose again to 78 dollars per barrel at the beginning of August, but fluctuated between 70 and 78 dollars per barrel to close the third quarter at the 77 dollars 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 mainly due to deterioration in the US economy and the fiscal problems in Greece. The dollar then appreciated following an increase in US interest rates and global equity appreciation to trade at 93 yen per dollar. Subsequently, there was a gradual rise in the yen from the middle of May because of the deterioration in the US economy, uncertainty over debt problems facing the euro zone, and concerns over the European financial system until the dollar slid to a 15-year low against the yen trading at 83 yen in August. The Bank of Japan intervention in the middle of September drove the dollar up to near 86 yen but the yen has clawed back to 83 yen per dollar in response to another reduction in US interest rates arising from the prospect of further monetary easing by the Federal Reserve to close the third quarter at 83 yen per dollar.

With regard to the sales of oil products, sales of gasoline were slightly lower than the same period the previous year in tandem with the trend toward weak demand by general consumers who felt that dissemination of fuel-efficient cars and a moderate economic recovery were not at hand in spite of the positive effect of extreme heat, which helped to increase sales. Kerosene, which had enjoyed solid demand mainly due to lower average temperatures in April over the same period a year ago and the temperatures in northeastern Japan that started to decrease to the average at the end of September, largely fell below the level during the same period one year ago because of promoted fuel conversion for industrial applications. Sales of diesel oil were less than the same period a year ago owing to a further reduction in the number of trucks as a result of streamlining logistics systems. Sales of fuel oil were remarkably lower compared with the same period a year ago due to fuel conversion by customers and weak demand for fired electric power generation caused by increased electric energy production from hydraulic or nuclear sources. As a result, domestic sales volume of oil products declined slightly from the same period a year ago. Conversely, total sales volume increased compared to the same period a year earlier because the export of oil products was up significantly from the year-earlier period.

In such a business environment, the Showa Shell Sekiyu Group posted consolidated sales of 1,737.5 billion yen (a 19.7% increase compared to the same period a year ago), consolidated operating income of 18.3 billion yen (an increase of 72.4 billion yen compared to the same period a year ago), and consolidated ordinary income of 23.3 billion yen (an increase of 77.0 billion yen compared to the same period a year ago) for the current nine-month period of 2010. This was mainly attributable to an increase in the margins for oil products since the latter part of the first quarter with improvement in the balance between supply and demand. In addition, the relevant consolidated ordinary income, excluding the impact of the inventory valuation, was 23.8 billion yen, an increase of 24.8 billion yen compared to the same period a year ago.

With regard to the solar cell business, Showa Shell Solar K.K., a consolidated subsidiary of the Company, changed its name to Solar Frontier K.K. on 1 April 2010 and construction of the Kunitomi Plant (third plant) in Miyazaki Prefecture is progressing steadily in preparation for commencement of operations scheduled for the second half of 2011. The Group's sales efforts include activities in Japan, building a sound network of agencies to accelerate sales operations primarily for residential and industrial solutions and in overseas locations, and launching full-scale marketing activities through sales subsidiaries established in the USA (Northern California) and Germany (Munich, Bayern). At the end of August, Niigata Yukigunigata Megasolar power plant, which has been constructed at Showa Shell Sekiyu's old Niigata Petroleum Terminal site and has a power generating capacity of 1,000 kilowatts, commenced operations. The power plant represents the first commercial megawatt-scale solar power plant in Japan with the expectation of accumulated expertise on large-scale solar cell power generation business.

As for the electric power business, the Group expanded the scale of electric power retail supply operations in the Kanto region upon commencing operations of the first natural gas fired large-scale electric power generation plant, which was carried out by Ohgishima Power Co., Ltd., a joint venture with Tokyo Gas Co., Ltd., at the end of March, as well as of the second plant in July, while the existing wholesale transactions of electric power through the Japan Electric Power Exchange (JEPX) are continuously underway.

(2) Qualitative information concerning consolidated financial position

Total assets reached 1,101.1 billion yen at the end of the third quarter, a decrease of 71.6 billion yen from the end of the previous year. This was mainly attributable to a decrease in accounts receivable and inventories due to a decrease in sales volume and quantity of inventory.

Net assets reached 258.0 billion yen, an increase of 0.3 billion yen from the end of the previous year. This was mainly attributable to positive factors, such as net income for the current nine-month period exceeding negative factors like the interim and final dividend.

The balance of interest-bearing liabilities (total of long- and short-term debts, commercial paper, and corporate bonds) posted 284.6 billion yen, a decrease of 13.3 billion yen from the end of the previous year. As a result, capital adequacy stands at 21.4% at the end of the third quarter of the current consolidated financial year.

(3) Qualitative information concerning the forecast of consolidated financial results

As for the outlook for full year 2010, we have revised the previous forecast originally released on 30th July 2010. Please refer to "Announcement of revisions in the forecast of full year results 2010" released today for details.

2. 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 1,339 million yen in operating income and ordinary income, and an increase of 1,335 million yen in net income before taxes, compared with the previous method.

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 third quarter and other construction projects. The change caused an increase of 289 million yen in net sales, and an increase of 42 million yen in operating income, ordinary income, and net income before taxes, compared with the previous method.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Unit:Million Yen)

	Current 3rd quarter end As of 30 Sep. 2010	Previous year end As of 31 Dec. 2009
Assets		
Current assets		
Cash and deposits	18,480	22,235
Notes and accounts receivable-trade	253,982	287,749
Merchandise and finished goods	103,956	117,749
Work in process	1,030	766
Raw materials and supplies	88,200	122,334
Other	44,526	48,138
Allowance for doubtful accounts	(241)	(412)
Total current assets	509,936	598,562
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	108,130	113,318
Machinery, equipment and vehicles, net	114,733	119,274
Land	164,817	165,051
Other, net	67,176	34,691
Total property, plant and equipment	454,858	432,336
Intangible assets	12,708	11,355
Investments and other assets		
Other	124,620	131,752
Allowance for doubtful accounts	(1,012)	(1,267)
Total investments and other assets	123,607	130,485
Total noncurrent assets	591,175	574,177
Total assets	1,101,111	1,172,739
Liabilities		
Current liabilities		
Notes and accounts payable-trade	234,827	263,382
Short-term loans payable	50,161	101,580
Accounts payable-other	156,374	186,512
Income taxes payable	1,708	1,326
Provision	4,253	2,265
Commercial papers	90,000	104,000
Other	44,261	62,316
Total current liabilities	581,586	721,384
Noncurrent liabilities		
Bonds payable	35,200	15,200
Long-term loans payable	109,325	62,292
Provision for retirement benefits	72,056	68,926
Provision for special repairs	13,015	15,622
Other provision	450	612
Other	31,432	30,976
Total noncurrent liabilities	261,480	193,631
Total liabilities	843,067	915,015

(Unit:Million Yen)

	Current 3rd quarter end As of 30 Sep. 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	178,301	177,408
Treasury stock	(182)	(181)
Total shareholders' equity	<u>234,429</u>	<u>233,537</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale	1,047	1,979
Total valuation and translation adjustments	<u>1,047</u>	<u>1,979</u>
Minority interests	<u>22,567</u>	<u>22,206</u>
Total net assets	<u>258,044</u>	<u>257,723</u>
Total liabilities and net assets	<u>1,101,111</u>	<u>1,172,739</u>

(2) Consolidated Statement of Income

(Unit: Million Yen)

	Year-To-Date From 1 Jan. 2009 To 30 Sep. 2009	Year-To-Date From 1 Jan. 2010 To 30 Sep. 2010
Net sales	1,451,795	1,737,547
Cost of sales	1,414,798	1,627,436
Gross profit	36,996	110,111
Selling, general and administrative expenses		
Freightage related expenses	28,535	27,064
Personal expenses	26,001	27,162
Other	36,608	37,573
Total selling, general and administrative expenses	91,146	91,800
Operating income (loss)	(54,150)	18,310
Non-operating income		
Interest income	91	163
Dividends income	1,918	3,547
Foreign exchange gains	695	564
Equity in earnings of affiliates	—	431
Other	1,996	3,629
Total non-operating income	4,702	8,335
Non-operating expenses		
Interest expenses	2,655	2,742
Equity in losses of affiliates	994	—
Other	569	519
Total non-operating expenses	4,220	3,262
Ordinary income (loss)	(53,668)	23,384
Extraordinary income		
Gain on sales of noncurrent assets	513	979
Reversal of provisions for estimated loss on assets disposal	487	—
Other	789	1,271
Total extraordinary income	1,790	2,250
Extraordinary loss		
Loss on disposal of noncurrent assets	2,297	1,634
Impairment loss	—	948
Other	1,306	846
Total extraordinary losses	3,604	3,429
Income (loss) before income taxes and minority interests	(55,482)	22,205
Income taxes-current	2,484	2,409
Income taxes-deferred	(24,379)	7,475
Total income taxes	(21,895)	9,885
Minority interests in income	940	1,021
Net income (loss)	(34,527)	11,298

(Unit:Million Yen)

	3rd quarter of previous year From 1 Jul. 2009 To 30 Sep. 2009	3rd quarter of current year From 1 Jul. 2010 To 30 Sep. 2010
Net sales	510,637	567,326
Cost of sales	472,746	535,225
Gross profit	37,890	32,100
Selling, general and administrative expenses		
Freightage related expenses	8,855	8,849
Personal expenses	8,581	9,155
Other	12,301	12,975
Total selling, general and administrative expenses	29,738	30,979
Operating income	8,152	1,121
Non-operating income		
Interest income	34	56
Dividends income	1,371	767
Foreign exchange gains	879	662
Equity in earnings of affiliates	—	1
Other	435	355
Total non-operating income	2,721	1,843
Non-operating expenses		
Interest expenses	769	898
Equity in losses of affiliates	113	—
Other	173	258
Total non-operating expenses	1,056	1,156
Ordinary income	9,817	1,808
Extraordinary income		
Gain on sales of noncurrent assets	229	392
Gain on sales of investment securities	89	354
Reversal of allowance for doubtful accounts	—	(99)
Other	31	74
Total extraordinary income	350	721
Extraordinary loss		
Loss on disposal of noncurrent assets	1,324	717
Impairment loss	515	—
Other	249	265
Total extraordinary losses	2,089	983
Income before income taxes and minority interests	8,078	1,547
Income taxes-current	(248)	873
Income taxes-deferred	3,400	529
Total income taxes	3,151	1,403
Minority interests in income	369	425
Net income (loss)	4,557	(281)

(3) Consolidated Statement of Cash Flows

(Unit: Million Yen)

	Year-To-Date From 1 Jan. 2009 To 30 Sep. 2009	Year-To-Date From 1 Jan. 2010 To 30 Sep. 2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	(55,482)	22,205
Depreciation and amortization	26,241	25,418
Impairment loss	515	948
Loss (gain) on sales and retirement of noncurrent assets	1,784	655
Interest and dividends income	(2,010)	(3,710)
Interest expenses	2,655	2,742
Decrease (increase) in notes and accounts receivable-trade	39,009	33,686
Decrease (increase) in inventories	6,477	47,625
Increase (decrease) in notes and accounts payable-trade	(31,068)	(46,723)
Other, net	(17,943)	(8,920)
Subtotal	(29,820)	73,928
Interest and dividends income received	1,997	3,683
Interest expenses paid	(2,697)	(2,670)
Income taxes (paid) refund	12,310	(2,518)
Net cash provided by (used in) operating activities	(18,210)	72,424
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(26,738)	(48,225)
Purchase of intangible assets	(1,497)	(2,308)
Proceeds from sales of property, plant and equipment	2,010	1,909
Purchase of investment securities	(28)	(123)
Proceeds from sales of investment securities	129	777
Decrease (increase) in short-term loans receivable	(1,318)	(988)
Payments of long-term loans receivable	(3,306)	(2,326)
Collection of long-term loans receivable	3	8
Other, net	(74)	(193)
Net cash provided by (used in) investing activities	(30,821)	(51,470)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(26,600)	(51,421)
Increase (decrease) in commercial papers	32,000	(14,000)
Proceeds from long-term loans payable	5,698	49,650
Repayment of long-term loans payable	(9,285)	(2,615)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	—	(15,000)
Purchase of treasury stock	(2)	(1)
Cash dividends paid	(13,561)	(10,170)
Cash dividends paid to minority shareholders	(352)	(622)
Other, net	(156)	(582)
Net cash provided by (used in) financing activities	(12,260)	(24,763)
Net increase (decrease) in cash and cash equivalents	(61,291)	(3,809)
Cash and cash equivalents at beginning of period	71,815	21,030
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	62
Cash and cash equivalents at end of period	10,523	17,283

(4) Note for premises of going concern

None

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

None