

(English Translation)

Summary of Consolidated First Quarter Results for 2011

6 May 2011

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 May 2011

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 1st quarter 2011 (from 1 January 2011 to 31 March 2011)

(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 2011	691,246	13.2	38,869	260.1	38,432	179.4	20,472	151.1
1st quarter 2010	610,601	22.5	10,793	-	13,757	-	8,152	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
1st quarter 2011	54.36	-
1st quarter 2010	21.65	-

(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 2011	1,285,177	280,013	20.0	682.92
Full year 2010	1,193,149	263,006	20.1	637.78

(Reference) Net assets (excl. minority interest) 1Q 2011 257,206 million yen End of 2010 240,204million yen

2. Dividends

(Record date)	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of year	Yearly
	Yen	Yen	Yen	Yen	Yen
Full year 2010	-	9.00	-	9.00	18.00
Full year 2011	-	-	-	-	-
Full year 2011 (Forecast)	-	9.00	-	9.00	18.00

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

3. Forecast of consolidated full year results 2011 (from 1 January 2011 to 31 December 2011)

(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
Interim 2011	1,324,000	13.1	59,000	243.2	59,000	173.5	31,500	172.0	83.64
Full year 2011	2,638,000	12.4	61,000	66.2	60,000	42.4	34,000	113.1	90.28

(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. : None
- (4) Issued shares (Common share)
- | | | |
|--|----------------------------------|----------------------------------|
| a) Number of shares issued
(Inc. treasury shares) | As of 31 Mar. 2011 : 376,850,400 | As of 31 Dec. 2010 : 376,850,400 |
| b) Number of treasury shares | As of 31 Mar. 2011 : 225,195 | As of 31 Dec. 2010 : 225,209 |
| c) Average number of shares | As of 31 Mar. 2011 : 376,625,154 | As of 31 Mar. 2010 : 376,627,483 |

*** 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 2.

[Supporting material]

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1. Qualitative information and consolidated financial statements etc.

(1) Qualitative information concerning consolidated financial results

The Japanese economy for the first quarter 2011 (from January 1, 2011, to March 31, 2011), despite improvements in corporate earnings and signs of a recovery in capital expenditures and exports, suffered from the weak autonomy of the recovery and the concern over the effects of the Great East Japan Earthquake of March 11, 2011.

As for the effects of the earthquake on the Group, though three oil tank facilities were water damaged and operations were temporarily suspended at fifty service stations, oil tank facilities started operation earlier than expected, and service stations restarted business except for 32 stations. And we believe that the earthquake has had a limited impact on the Group's financial results, since there was no damage to any of the Group's four oil refineries from the earthquake.

For the first quarter, Dubai crude oil prices, which started at the 91-dollar-per-barrel level at the beginning of the period, started to rise in January, affected by anti-government protests in Tunisia and Egypt, which spilled over to Libya, until once exceeding 110 dollars per barrel in late February. The prices subsequently hovered close to 110 dollars per barrel due to the prolonged political turmoil in the Middle East and North Africa and closed the first quarter at the 109-dollar-per-barrel level.

The exchange rate for Japanese yen to the U.S. dollar, which started at the 81-yen level at the beginning of the year, generally remained within the same range between the 81-yen and 83-yen levels. The U.S. dollar fell sharply after the Great East Japan Earthquake until the yen hit a record high of 76.25 yen against the dollar on March 17 but spiked to the higher part of 81 yen after the G7 intervened in the foreign exchange markets on the following day, March 18. The yen further weakened toward the end of March against the backdrop of a recovery in the U.S. economy and the outlook for a shrinking trade surplus in Japan to close the first quarter at the 83-yen level.

In such a business environment, the Showa Shell Sekiyu Group posted consolidated sales of 691.2 billion yen (a 13.2% increase compared to the same period a year ago), consolidated operating income of 38.8 billion yen (an increase of 28.0 billion yen compared to the same period a year ago), consolidated ordinary income of 38.4 billion yen (an increase of 24.6 billion yen compared to the same period a year ago) for the current three-month period of 2011. This was attributable to the fact that the demand has increased due to lower temperatures and the balance between supply and demand has been improved since last year. In addition, the relevant consolidated ordinary income, excluding the impact of the inventory valuation, was 17.9 billion yen, an increase of 10.7 billion yen compared to the same period a year ago.

(2) Qualitative information concerning consolidated financial position

Total assets reached 1,285.1 billion yen at the end of the first quarter, an increase of 92.0 billion yen from the end of the previous year. This was mainly attributable to the increase in accounts receivable and inventories, both of which were caused by the hike in crude oil prices.

Net assets reached 280.0 billion yen, an increase of 17.0 billion yen from the end of the previous year. This was mainly attributable to positive factors, such as net income for the current three-month period 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 356.8 billion yen, an increase of 55.7 billion yen from the end of the previous year. As a result, capital adequacy stands at 20.0% at the end of the first quarter of the current consolidated financial year.

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

As for the outlook for first half and full year of 2011, we have revised the previous forecast originally released on 31st January 2011. Please refer to "Announcement of revisions in the forecast of 1st half and full year results 2011" 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

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

None

(3) Change in accounting principles, procedures and presentation regarding consolidated quarterly financial statements

a) Application of Accounting Standards for Asset Retirement Obligations

From the first quarter consolidated accounting period, “Accounting Standards for Asset Retirement Obligations” (Accounting Standards Board of Japan [ASBJ] Statement No. 18, March 31, 2008) and “Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008) have been applied. As a result, operating income and ordinary income each declined by 38 million yen, and quarterly income before income taxes and minority interests declined by 1,793 million yen. The variable amount of asset retirement obligations due to the application of this accounting standard is 2,860 million yen.

b) Application of “Accounting Standard for Equity Method of Accounting for Investment”

From the first quarter consolidated accounting period, the Group applies the “Accounting Standard for Equity Method of Accounting for Investment” (ASBJ Statement No. 16 of March 10, 2008) and the “Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method” (ASBJ PITF No. 24 of March 10, 2008).

There is no impact on the Group’s consolidated financial statements for the year as a result of this change.

c) Application of the Standard for Consolidated Financial Statements

Based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 of December 26, 2008), the Group applies the “Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No.5, March 24, 2009). As a result, “Income before minority interests” is included in the consolidated financial statements from the current first quarter of fiscal 2011.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Unit: Million Yen)

	Current 1st quarter end As of 31 Mar. 2011	Previous year end As of 31 Dec. 2010
Assets		
Current assets		
Cash and deposits	44,958	20,943
Notes and accounts receivable-trade	331,530	291,104
Merchandise and finished goods	125,484	108,200
Work in process	758	1,158
Raw materials and supplies	146,069	127,032
Other	52,945	54,784
Allowance for doubtful accounts	(203)	(249)
Total current assets	701,544	602,975
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	120,631	106,324
Machinery, equipment and vehicles, net	148,843	111,001
Land	160,782	162,795
Other, net	55,801	93,597
Total property, plant and equipment	486,059	473,719
Intangible assets	13,194	12,836
Investments and other assets		
Other	85,250	104,509
Allowance for doubtful accounts	(873)	(892)
Total investments and other assets	84,377	103,617
Total noncurrent assets	583,632	590,173
Total assets	1,285,177	1,193,149
Liabilities		
Current liabilities		
Notes and accounts payable-trade	319,102	273,531
Short-term loans payable	52,928	40,381
Accounts payable-other	150,038	185,000
Income taxes payable	1,697	2,151
Provision	4,249	2,213
Commercial papers	134,000	115,000
Other	52,447	50,237
Total current liabilities	714,463	668,517
Noncurrent liabilities		
Bonds payable	35,000	35,000
Long-term loans payable	134,708	110,470
Provision for retirement benefits	73,478	72,426
Provision for special repairs	13,182	11,687
Other provision	479	475
Other	33,851	31,566
Total noncurrent liabilities	290,700	261,626
Total liabilities	1,005,163	930,143

(Unit:Million Yen)

	Current 1st quarter end As of 31 Mar. 2011	Previous year end As of 31 Dec. 2010
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,113	22,113
Retained earnings	199,952	182,959
Treasury stock	(183)	(183)
Total shareholders' equity	<u>256,079</u>	<u>239,087</u>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,126	1,117
Total valuation and translation adjustments	<u>1,126</u>	<u>1,117</u>
Minority interests	<u>22,807</u>	<u>22,801</u>
Total net assets	<u>280,013</u>	<u>263,006</u>
Total liabilities and net assets	<u>1,285,177</u>	<u>1,193,149</u>

(2) Consolidated Statement of Income

(Unit: Million Yen)

	Year-To-Date From 1 Jan. 2010 To 31 Mar. 2010	Year-To-Date From 1 Jan. 2011 To 31 Mar. 2011
Net sales	610,601	691,246
Cost of sales	569,858	620,372
Gross profit	40,743	70,874
Selling, general and administrative expenses		
Freightage related expenses	9,713	9,806
Personal expenses	8,782	8,931
Other	11,454	13,267
Total selling, general and administrative expenses	29,950	32,004
Operating income	10,793	38,869
Non-operating income		
Interest income	48	58
Dividends income	1,680	132
Amortization of negative goodwill	1,759	—
Equity in earnings of affiliates	103	904
Gain on investments in silent partnership	—	400
Other	752	429
Total non-operating income	4,343	1,924
Non-operating expenses		
Interest expenses	966	1,063
Foreign exchange losses	266	300
Loss on cancellation of derivatives contracts	—	824
Other	147	174
Total non-operating expenses	1,380	2,362
Ordinary income	13,757	38,432
Extraordinary income		
Gain on sales of noncurrent assets	92	7,007
Other	34	314
Total extraordinary income	127	7,322
Extraordinary loss		
Loss on disposal of noncurrent assets	370	1,437
Impairment loss	547	139
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,754
Loss from the earthquake	—	1,564
Other	38	83
Total extraordinary losses	956	4,980
Income before income taxes and minority interests	12,928	40,774
Income taxes-current	1,442	1,326
Income taxes-deferred	2,629	18,450
Total income taxes	4,072	19,776
Income before minority interests	—	20,998
Minority interests in income	702	525
Net income	8,152	20,472

(3) Consolidated Statement of Cash Flows

(Unit: Million Yen)

	Year-To-Date From 1 Jan. 2010 To 31 Mar. 2010	Year-To-Date From 1 Jan. 2011 To 31 Mar. 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	12,928	40,774
Depreciation and amortization	8,397	9,536
Impairment loss	547	139
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	1,754
Loss (gain) on sales and retirement of noncurrent assets	277	(5,569)
Interest and dividends income	(1,728)	(190)
Interest expenses	966	1,063
Decrease (increase) in notes and accounts receivable-trade	21,623	(40,627)
Decrease (increase) in inventories	20,530	(36,003)
Increase (decrease) in notes and accounts payable-trade	(40,428)	16,540
Other, net	3,037	(929)
Subtotal	<u>26,150</u>	<u>(13,513)</u>
Interest and dividends income received	1,716	178
Interest expenses paid	(863)	(983)
Income taxes (paid) refund	(1,379)	(2,175)
Net cash provided by (used in) operating activities	<u>25,624</u>	<u>(16,493)</u>
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(11,943)	(24,136)
Purchase of intangible assets	(771)	(863)
Proceeds from sales of property, plant and equipment	124	11,951
Purchase of investment securities	(36)	(2)
Proceeds from sales of investment securities	3	0
Decrease (increase) in short-term loans receivable	(66)	2,076
Payments of long-term loans receivable	(800)	—
Collection of long-term loans receivable	1	0
Other, net	6	29
Net cash provided by (used in) investing activities	<u>(13,481)</u>	<u>(10,942)</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	13,404	12,593
Increase (decrease) in commercial papers	(35,000)	19,000
Proceeds from long-term loans payable	10,200	25,300
Repayment of long-term loans payable	(1,299)	(1,108)
Purchase of treasury stock	(0)	(0)
Cash dividends paid	(6,780)	(3,390)
Cash dividends paid to minority shareholders	(622)	(541)
Other, net	(162)	(258)
Net cash provided by (used in) financing activities	<u>(20,260)</u>	<u>51,594</u>
Net increase (decrease) in cash and cash equivalents	<u>(8,117)</u>	<u>24,157</u>
Cash and cash equivalents at beginning of period	21,030	19,746
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(111)
Cash and cash equivalents at end of period	<u>12,912</u>	<u>43,792</u>

(4) Note for premises of going concern

None

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

None