

CSR Book 2014



Showa Shell Sekiyu K.K.



LEADING THE WAY ON THE ENERGY FRONTIER

Opening New Energy Frontiers

Society's energy needs change with the times. Over its 110-year history, Showa Shell Sekiyu has delivered a stable supply of safe energy suited to the demands of the time while constantly improving convenience and pursuing optimization.

Demand for oil products in Japan has fallen 20% in the last 10 years. But during these 10 turbulent years, Showa Shell has never lost sight of the need to create new value with an eye on the future of energy in Japan. We have made tough decisions and undertaken numerous actions in pursuit of this new value. The results of these efforts are apparent today in the form of the much more efficient Oil Business and the significantly larger Energy Solution Business.

As we move into the future, Showa Shell will continue to overcome the challenges that are placed before it, leading the way on the energy frontier.



Editorial Policy

From 2012, the Showa Shell Group has combined its Annual Report and Sustainability Report into a single publication, "the Corporate Report." This move was designed to present information about the Group's management and overall corporate activities to stakeholders in an easy-to-understand format.

CSR Book 2014 was made to supplement *Corporate Report 2014* and contains detailed non-financial data and information on the CSR activities conducted for the benefit of Showa Shell's various stakeholders.

Reporting Period

Information contained in this report is based on corporate performance during fiscal 2013 (January 1, 2013, through December 31, 2013). In some cases, the report also describes activities conducted in fiscal 2014.

Scope of Reporting

In principle, this report covers the 31 consolidated subsidiaries and 12 equity-method affiliates that constituted the Showa Shell Group as of December 31, 2013. In the event that reporting is outside this scope, this fact is indicated.

Reference Guidelines for Presentation of Non-Financial Information

- ISO 26000, International Organization for Standardization:
International guidance on social responsibility issued by International Organization for Standardization
- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines Version 3.0 (G3):
International guidelines on corporate sustainability reporting
- The International Integrated Reporting Framework:
International framework for corporate reporting processes based on "integrated thinking" released by the International Integrated Reporting Council

Inclusion in SRI Indexes (As of May 31, 2014)



FTSE4Good

Showa Shell Sekiyu has been selected for the FTSE4Good Index (a socially responsible investment index) for ten consecutive years starting in 2004.



The Company is included in the Morningstar Socially Responsible Investment Index from 2014.

Management Philosophy

Showa Shell Sekiyu K.K. can make breakthrough achievements and deliver sustainable growth by constantly making its contributions to society while securing reasonable profits and constructing a strong management base with sound corporate character.

With this in mind, we set our management philosophy:

1. We will ensure the development of our company by always having a spirit of customer first, endeavoring for breakthroughs and technological innovations as we meet our social responsibilities by providing a stable supply of energy through safe operations while preserving the environment.
2. We will implement Japanese-style management, adapting to business changes as needed through our own decisions and responsibility, while maintaining close relationships with Shell Group companies and cultivating our international business sense.
3. We will aim to achieve our corporate goals and create a team of positive people full of vitality united with high ideals and a bond of trust.
4. We will endeavor to improve productivity through efforts calling for everyone's active participation in thinking and working together to build a prosperous future on a robust corporate foundation.

Code of Conduct

We share a set of core values—honesty, integrity, and respect for people. We also firmly believe in the fundamental importance of trust, openness, teamwork, and professionalism, and pride in what we do.

With the foundation of the core values above, we hereby set out the Code of Conduct applicable to all business activities we do.

Text explaining each of the categories described in our Code of Conduct is displayed on the right.

■ Please see our website for the text of our Code of Conduct.
<http://www.showa-shell.co.jp/english/profile/mp/action.html>

1. Sustainable Development
2. Responsibilities
 - 1) Responsibility to customers
 - 2) Responsibility to shareholders
 - 3) Responsibility to employees
 - 4) Responsibility to contractors
 - 5) Responsibility to society
3. Business Integrity
4. Compliance
5. Health, Safety, Security, and the Environment
6. Economic Principles
7. Competition
8. The Community
9. Communication
10. Political Activities

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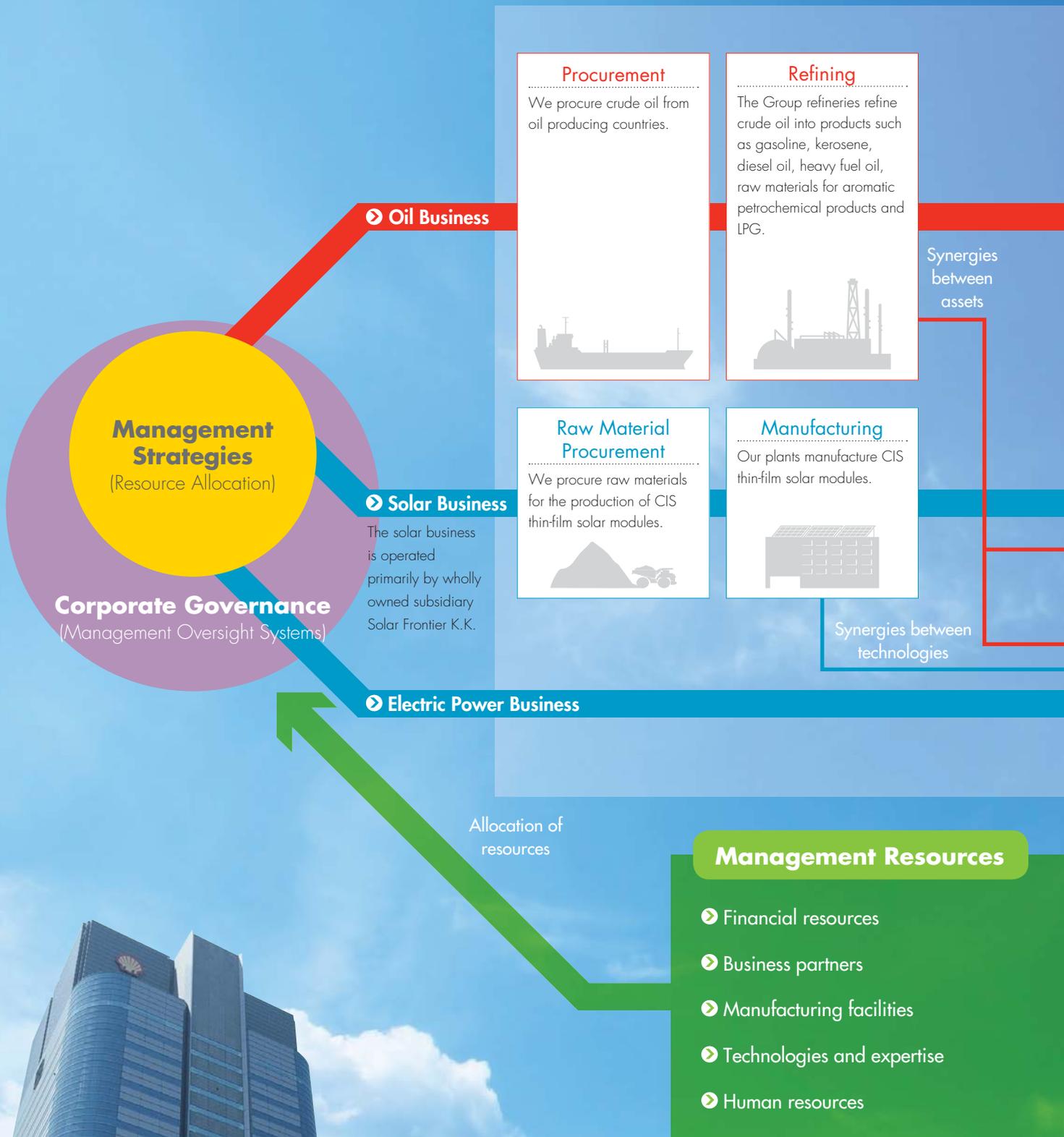
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Business Model (Figures are for fiscal 2013 or as of December 31, 2013)

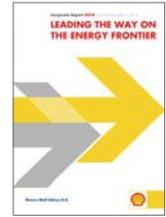
Showa Shell provides energy in various forms through the Oil Business and the Energy Solution Business, which consists of the solar business and the electric power business.



Corporate Report 2014

Corporate Report 2014 contains more-detailed information on the Showa Shell Group's management strategies and business activities.

☛ <http://www.showa-shell.co.jp/english/ir/corporate/index.html>



Business Activities

Storage

Our petroleum products are stored at refineries and oil depots.



Manufacturing

Our plants produce lubricants and asphalt.



Sales

Service stations operated by our contract dealers and retailers sell our gasoline, kerosene, diesel oil and other products to customers. We also sell industrial fuels, jet and marine fuels, lubricants, asphalt and LPG through contract dealers.



Solar Module Sales

We sell CIS thin-film solar modules in Japan through sales agents and home builders. Overseas subsidiaries sell these modules around the world.

Megasolar System Development and Construction

We develop, construct, operate and provide maintenance for megasolar systems.



Power Plant Operation

- Power plants that use byproducts from the petroleum refining process as fuel
- Natural gas-fired power stations built on former facility sites
- Solar power plants utilizing CIS thin-film solar modules



Customers

General



Industrial and Other Customers



Oil Business
Net Sales

¥2,803.0
billion

Energy Solution Business
Net Sales

¥141.2
billion

Net Cash Provided by Operating Activities

¥95.1 billion

Invest in ongoing growth

Maintain strong financial base

Provide funds

Shareholder
Returns/
Social
Contributions

Shareholders and
Other Stakeholders

Details regarding
stakeholder relationships

Total Assets

¥1,295.8 billion

Total Shareholders' Equity

¥300.6 billion

Establishing Strong Corporate Foundations

In accordance with its Management Philosophy, Showa Shell has formulated a Basic Policy for Health, Safety, Security and Environment (HSSE). Over the almost 30 years since the establishment of Showa Shell Sekiyu K.K. in 1985, we have continued to pursue ongoing HSSE performance improvements in line with this policy. We consider HSSE initiatives of foremost importance in fulfilling our social responsibility as an energy company. Accordingly, we are promoting these activities throughout the Group, with direction from top management.

HSSE Definitions



More information regarding HSSE policies can be found on the Company's website.
<http://www.showa-shell.co.jp/english/profile/mp/hsse.html>

HSSE Measures to Ensure Safe Operations and Stable Supply

The Showa Shell Group has been entrusted with the social responsibility of providing a stable supply of energy. If we are to fulfill this responsibility and continue growing, it is important that we prioritize HSSE. We maintain a constant sense of urgency as we build safety management systems and other safety and quality assurance measures geared toward preventing occupational accidents. All executives visit work sites across all areas of operations every year. During these visits, they discuss and exchange opinions with Group employees working at the frontlines of operations, helping facilitate a shared sense of determination toward maintaining high HSSE standards and ensuring safe operations and a stable supply of products.

HSSE measures not only represent a social responsibility, but are also integral to protecting our employees and the livelihoods of their families. A small mistake can lead to a serious accident, which in turn can result in failure to fulfill our social mission of providing a stable supply of energy and adversely impact the futures of countless workers. To prevent this type of tragedy, we address HSSE with the utmost earnestness and incorporate this attitude into our daily work.

Should a disaster occur, we will be charged with the important task of constructing emergency energy supply systems. We have learned from our experience with the 2011 Great East Japan Earthquake and the issues with transporting oil products to the stricken regions. We are addressing these issues by revising our disaster response plans and conducting comprehensive disaster response drills that simulate specific disasters and damage scenarios. These drills are conducted each year throughout the supply chain, and verify the effectiveness of our disaster response systems.

Through these ongoing efforts, we are raising the level of dedication toward HSSE among all employees and solidifying our ability to continue operating safely while stably supplying our products. I believe that this represents the greatest value we can provide to our stakeholders.



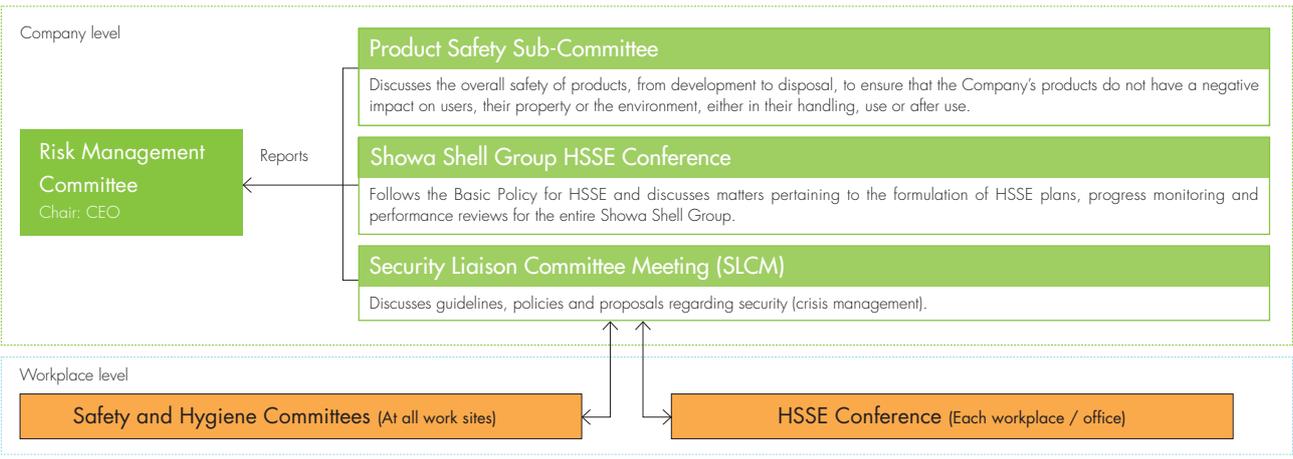
Shigeya Kato
 Chairman, Representative Director
 and Chief Executive Officer (CEO)

HSSE Promotion System

In May 2013, we established the Risk Management Committee to replace the HSSE Committee as the highest HSSE decision-making body. This new committee is responsible for all aspects of internal control, including HSSE and compliance.

Matters discussed by the Risk Management Committee are all top priorities for our business activities. Shigeya Kato, Group CEO, chairs this committee and reports important matters

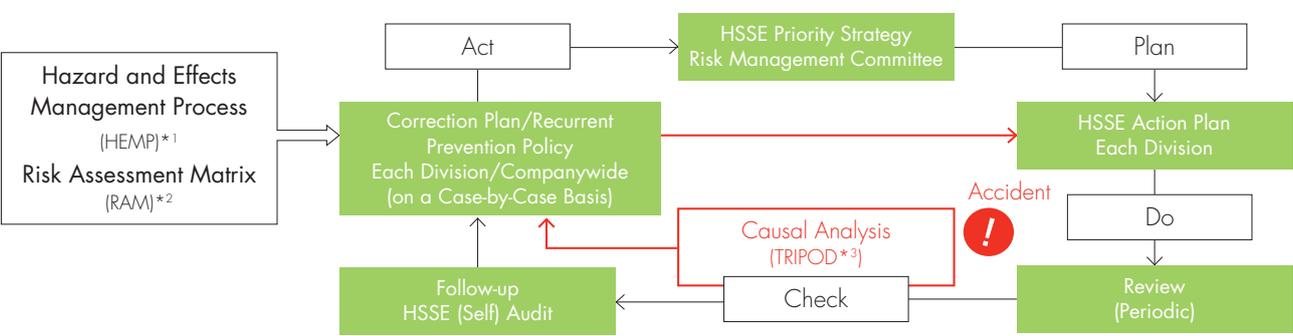
discussed to the Board of Directors. In fiscal 2013, the Showa Shell Group HSSE Conference was combined with the HSSE Sub-Committee to create a more efficient committee system. There are now three subcommittees under the Risk Management Committee, and members include heads of departments in the Showa Shell head office. In addition, site-level teams have been established at individual work sites and divisions.



HSSE Management System (HSSE-MS)

The Shell Group has developed the HSSE Management System (HSSE-MS) as a system to track and continuously improve HSSE performance. The system is also employed by the Showa Shell Group to help comprehensively manage risks related to HSSE. Investigations are conducted at individual work sites in accordance with the HSSE-MS to identify hazardous or environmental risks at relevant facilities. The potential impact of these risks is measured based on the chance of occurrence and projected damage or environment impact. The scores are then used to

prioritize the facilities and hazards for which responses are needed. Response measures for high priority hazards are developed through the Hazards and Effects Management Process (HEMP)*¹, and corrective plans are formulated. Group refineries and other principal operating sites have acquired certification under the ISO 14001 international environmental management standard, and we have instituted an environmental management system based on this standard.



*1. Hazard and Effects Management Process (HEMP): A process used to confirm the disaster potential (hazards) related to tasks and equipment, and to envision the damage those hazards might cause. The risks of a hypothetical disaster are then assessed using a Risk Assessment Matrix (RAM), and the highest risks are analyzed using a HEMP Worksheet. Once an area for improvement is confirmed, a corrective measures plan is formulated.

*2. Risk Assessment Matrix (RAM): A management table for assessing the effects and incidence probability of risks by person, capital, environment and popularity categories.
 *3. TRIPOD: An accident analysis technique used by the Shell Group.

Health

It is a social responsibility of Showa Shell to secure a safe workplace environment for its employees, and we also realize that such an environment is essential to the continuation of our business activities.

Based on the Labor Standards Act, the Occupational Health and Safety Act and such internal rules as HSSE, we have formulated the Safety and Hygiene Management Rules to ensure the safety of our workplaces and the mental and physical health of our employees. We endeavor to create an appropriate working environment in accordance with these regulations.

Safety and Hygiene Committees

In accordance with the Occupational Health and Safety Act, Safety and Hygiene Committees have been established with membership consisting of representatives from the Company and from labor unions. These committees provide opportunities to discuss circumstances related to occupational health and safety throughout the Company. Feedback regarding issues is provided periodically and areas needing improvement are identified.

Employee Health Management and Mental Health

On the health front, we conduct employee health exams once each year. These examinations are more extensive than legally required. Based on the findings of these examinations, we encourage employees to consult with industrial physicians or undergo extensive testing as deemed necessary.

We have conducted the Japan Productivity Center (JPC) Mental Health Inventory (JMI) every other year since 2001 as an opportunity to assess employees' mental and physical health. Furthermore, we monitor overtime levels, and have employees consult with an industrial physician if their overtime work hours exceed a certain limit.

Health Counseling Desk

We have set up a Health Counseling Desk on Heart and Body Health Plaza, an intranet site that is periodically updated with information on health-related topics. This site enables employees to seek counseling regarding their physical or mental health with full privacy.

Safety

Maintaining safe, accident-free operation is not only core to the Showa Shell Group's competitiveness, it is also critical to retaining society's trust. For this reason, Showa Shell works to enhance safety awareness. In addition to having in place the Safety Rule, we have defined ways of responding quickly in the event of an accident—prescribing how to determine the causes of accidents and how to prevent recurrence—and have put in place a safety recognition system. In particular, we conduct the Safety & Quality First (SQF) Campaign with our contract dealers and business partners to ensure safety and quality assurance measures, with the aim of achieving zero accidents.

HSSE Site Visits by Executives

Since 2006, Showa Shell has had all of its executives participate in site visits to its refineries, oil depots and other work sites to observe and talk with on-site staff about activities aimed at preventing work-related and facility accidents. In 2013, with the aim of disseminating the Shell Group's Life-Saving Rules*, executives visited 70 sites, where they helped spread the shared Company stance toward accomplishing Goal Zero.



Group CEO Kato visiting Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd.

*Life-Saving Rules

The Shell Group's Life-Saving Rules have been designed to prevent accidents. In formulating these rules, the Shell Group analyzed the primary causes of major occupational accidents that occurred during the Group's operations over a nine-year period from 2000 to 2008, and a total of 12 rules were established based on this analysis. Awareness of and compliance with these rules is being promoted for all Shell Group employees and business partners worldwide.

ライフ・セービング・ルール



ライフ・セービング・ルールはあなたとあなたの仲間の命を守る大切なルールです。

昭和シェル石油グループ

Safety & Quality First (SQF)*

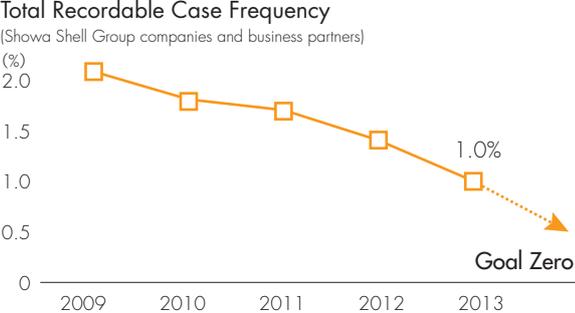
We realize the extreme importance of preventing accidents that result in lost work time, as this is absolutely crucial to fulfilling our mission of providing a stable supply of products and earning customer trust. We approach this from a hard and soft perspective. Hard element initiatives include developing risk management procedures and manuals. Soft element initiatives include spreading safety awareness, and one initiative in this area is the Goal Zero Movement. This movement was launched in 2011 and the following initiatives were implemented over the period from May to July 2013.

Safety Day 2013

Safety Day is a worldwide Shell Group initiative in which safety issues are examined through educational videos and discussed through group workshops conducted at the work site level. As part of Safety Day 2013, we received reports on Goal Zero Movement activities conducted at different work sites, and reaffirmed the importance of compliance with the Life-Saving Rules*⁵ introduced in 2013, and otherwise promoted the type of awareness and actions needed to ensure safety.

Goal Zero Declarations

Each work site is expected to make a declaration of how they will take appropriate actions to prevent occupational accidents. This year, we asked that Safety Day 2013's theme of "Time for Safety" be incorporated into these declarations, which we call Goal Zero Declarations. Posters were displayed to raise awareness about declarations, and each site delivered what they promised.



* 1. Incidence rates (%) are per 1 million labor hours.
 * 2. Figures include Showa Shell Group companies and business partners.
 * 3. Recordable cases of all occupational accidents, including those that do not result in lost work time.

Safety Messages for Work Sites

At refineries and other work sites that require a particularly high degree of safety awareness, safety messages were communicated to employees from the head of each respective work site.

* Safety & Quality First (SQF) Campaign: A campaign designed to ensure stringent safety and quality assurance measures are in place throughout the Showa Shell Group, including at contract dealers and business partners



Employees reaffirming their Goal Zero Declaration (Toa Oil Co., Ltd.)

Security

As a company that handles the energy that is essential to our way of life, our social mission is to provide a stable supply of products and services even in the event of disaster or other emergency. Accordingly, we have in place structures to ensure business continuity, have drafted emergency response plans and conduct regular drills as part of our efforts to strengthen our Group crisis management system.

Disaster Drills at Refineries

We hold comprehensive disaster drills at our refineries and other workplaces in cooperation with business partners and government organizations. These drills prepare workers for large-scale earthquakes, tsunamis resulting from earthquakes and other disasters. In addition, oil cleanup drills are instituted to train in how to respond in the event of a major oil leak. Conducting such drills on an ongoing basis enhances employees' response skills, and we periodically revise and improve our systems to assure the safety of operations.



Refinery disaster drill

Crisis Management Measures

Showa Shell has formulated a business continuity plan (BCP) to prepare for crises. This plan includes provisions to guarantee that products can be ordered and shipped anywhere in Japan even if an earthquake strikes directly below the Tokyo metropolitan area or in the Nankai Trough, if there is an outbreak of a new strain of influenza or if some other disruption occurs. The plan also provides for the continuation of business activities in the event that the head office ceases to function due to such disruptions. We conduct yearly drills based on this plan.

In May 2013, we conducted comprehensive disaster response drills in which employees responded to a simulated earthquake originating directly below the Tokyo metropolitan area. This training assumed that the earthquake had halted the supply of electricity and other lifelines, and that communications, transportation and other infrastructure had been damaged.

These drills also tested our ability to implement the Company's crisis management plan (CMP) as well as its BCP initiatives. Key management figures, including Group CEO Kato and the heads of relevant divisions and offices, were drilled on their ability to quickly assemble the membership needed for a meeting at the Disaster Control Headquarters, which will be crucial to maintaining order and responding timely and appropriately in the face of disaster. Furthermore, managers confirmed their duties in accor-

dance with a defined response timeline and verified the effectiveness of the Disaster Control Headquarters and its ability to be a center for coordination. These drills were conducted together with the Kinki Branch, which will serve as an alternative headquarters should the Tokyo metropolitan area be seriously damaged by a disaster. Confirming employee safety is another important aspect of disaster response systems. All employees are enrolled in a disaster information service that allows them to report their safety in the event of an emergency simply by responding to an email. Drills on the usage of this system have been conducted, and the head office was trained to use portable wireless communication systems to confirm employee safety.

Specific BCPs containing detailed measures have also been formulated for major divisions, such as those related to supply, distribution and sales. Based on these plans, we worked together with affiliates, such as the contract agents that operate refineries, oil depots and service stations, as well as other business partners to conduct drills in which we take and place orders with limited access to IT and communications systems.

Fire-Fighting Drills

As we operate hazardous facilities that face the risk of complex and large-scale fire incidents, employees must be able to accurately predict how a fire will react to given circumstances and fight fires strategically. The Niigata Disaster Control Training Center serves as a ground for cultivating flexible and proficient fire-fighting capabilities. At this facility, trainees face actual fires, allowing them to develop an understanding of how fires operate, and are submitted to team drills where their decisiveness is put to the test. Since opening in 1993, the center has been a site for fire drills not only for Company employees, but also for companies in and outside Niigata Prefecture, thereby helping Showa Shell fulfill its social responsibility by coexisting with and contributing to the community. It is also used by local fire-fighting brigades and school. In addition, the center dispatched lecturers to the Tokyo Fire Department in 2013. These lecturers were highly evaluated for their specialized knowledge. In the 20 years since the center first opened, some 5,386 people have undergone training there.



Fire-fighting drill at the Niigata Disaster Control Training Center

Environment

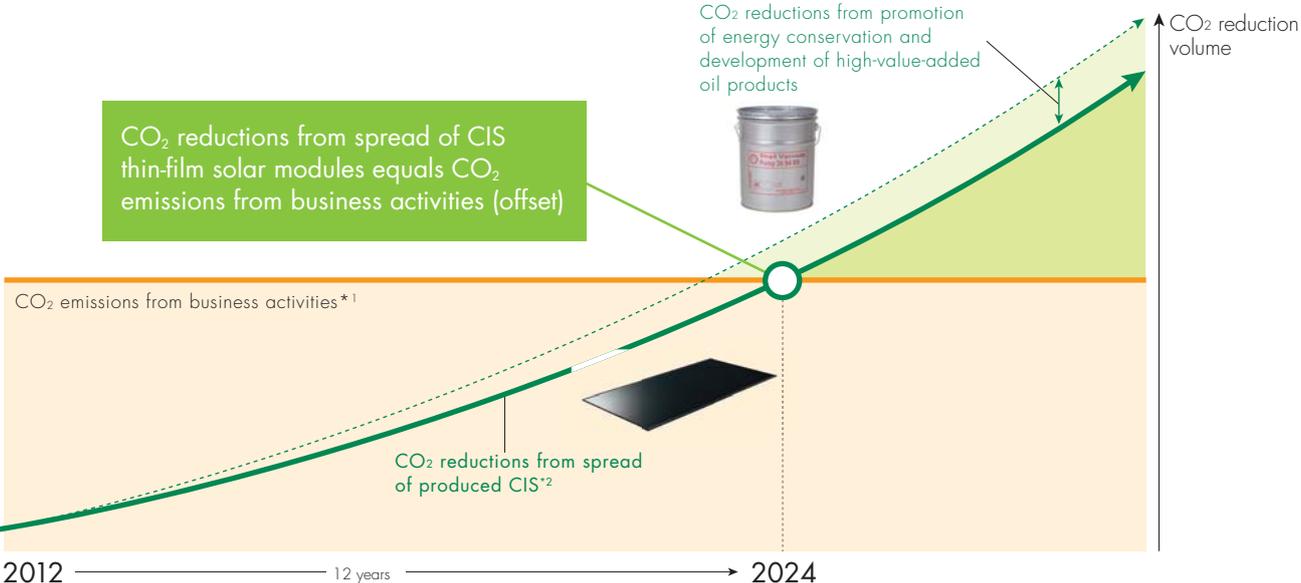
The Showa Shell Group is dedicated to helping resolve environmental and other social issues. To this end, we are working to reduce energy usage and environmental impacts throughout all business processes. At the same time, we are providing high-value-added energy by promoting usage of eco-friendly oil products and solar modules.

We have a particular focus on solar modules, which provide renewable energy. Spreading usage of this energy source is anticipated to result in substantial reductions in CO₂ emissions. Accordingly, we forecast that in 2024 the reductions in annual CO₂ emissions realized through our provision of solar modules will come to equal the volume of CO₂ emissions from our business activities, effectively offsetting these emissions (see graph below).

Going forward, our quest to contribute to the development of a low-carbon society will continue. We will pursue ongoing reductions in the environmental footprint of our business processes. At the same time, we will develop higher performance solar modules and oil products while supplying electricity from eco-friendly power sources, such as solar power and biomass power.

CO₂ Emission Reductions Realized Through Business Activities

The Showa Shell Group aims to contribute to the development of a low-carbon society through its business activities.



*1. Calculated using average CO₂ emission volumes from operations (all activities spanning from crude oil procurement to product sales) in 2012 and 2013.
 *2. Calculated based on annual production capacity of solar module plants (450 MW for 2012, 900 MW for 2013 onward) with the usable life of solar modules set at 20 years and the volume of CO₂ emission reductions per module per year set at 524g-CO₂/kWh (from Voluntary Industry Rules Related to Indication (Fiscal 2012 edition), Japan Photovoltaic Energy Association).

Structure for Promoting Environmental Preservation and Medium-Term Environmental Action Plan

Showa Shell has formulated its Environmental Preservation Guidelines in accordance with the Basic Policy for Health, Safety, Security and Environment (HSSE). Based on these guidelines and the guidance of the HSSE Division, we operate an HSSE-MS (management system) to improve our environmental performance on a continuous basis through a process of determining, evaluating and managing risks. In addition, our refineries and other principal work sites have acquired certification under the ISO 14001 international environmental management standard.

With regard to environmental initiatives, we have formulated a Medium-Term Environmental Action Plan and medium-term environmental targets out of recognition for the need to manage such activities in a focused and systematic manner. The action plan that covers the period from 2013 to 2015 incorporates environment management and risk management concepts, and sets targets based on environmental strategies targeting the three areas of compliance, CSR and business.

For details on the Medium-Term Environmental Action Plan, please refer to pages 18 and 19.

Important Areas for Reducing Environmental Footprint

The majority of the environmental impacts from Showa Shell's business can be attributed to either Group refineries or the consumption of oil products by customers. These two areas therefore represent important areas for reducing our environmental footprint. To lower impacts from Group refineries, we are making

capital investment related to environmental preservation and instituting energy-saving measures. In regard to consumption, we are reducing impacts by promoting usage of eco-friendly oil products and solar modules.

Preventing Environmental Pollution

Atmospheric Pollution Prevention

Sulfur oxides (SOx) and nitrogen oxides (NOx) are produced by fuel oils and gases in refinery furnaces and boilers. The Group strictly maintains SOx emissions below regulated levels by using low-sulfur fuel oil and sulfur-free fuel gas treated with gas-cleaning equipment. Efforts to prevent atmospheric pollution by NOx emissions include improved combustion methods achieved through the introduction of low NOx burners and the installation of flue gas denitration equipment. Through these efforts, we are working to prevent atmospheric pollution.

Water Pollution Prevention

Group refineries use water in large quantities, primarily for cooling purposes or to generate high-pressure steam for refining processes. The water used at oil refineries is strictly managed so that it meets environmental regulations related to chemical oxygen demand (COD) and oil content. Coolant water is confirmed to have no oil content before it is discharged into the ocean. Water quality is managed through wastewater purification, either through oil separators, chemical treatment using flocculating agents or through the use of activated sludge treatment equipment.

Soil Contamination Countermeasures

The Showa Shell Group conducts soil contamination surveys and implements countermeasures at approximately 1,000 service station sites. We continue to conduct these surveys when facilities are closed or remodeled. We also participate in a committee for reviewing the application of the Water Pollution Control Act and the Soil Contamination Countermeasures Act, and provide feedback based on the knowledge and experience gained from our own countermeasures.

Chemical Substance Management

The Company practices proper management of the chemical substances used in its manufacturing processes, basing management procedures on domestic and overseas laws and chemical substance management regulations. For chemical substances contained in the Company's products, we quickly and appropriately respond to revisions and additions to industry lists of chemical substances to be managed as well as to users' own lists. In this manner, we endeavor to supply customers with minimal-risk products.

Furthermore, Showa Shell fulfills its obligations as defined by the Occupational Health and Safety Act and pollutant release and transfer registers (PRTRs). These obligations include labelling in accordance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and construction of safety data sheets. Fuel products are our first priority in this area, but we expand efforts to other products thereafter. The Company is also working to develop GHS classification standards and disclosure hazard information in a more scientifically reliable manner.

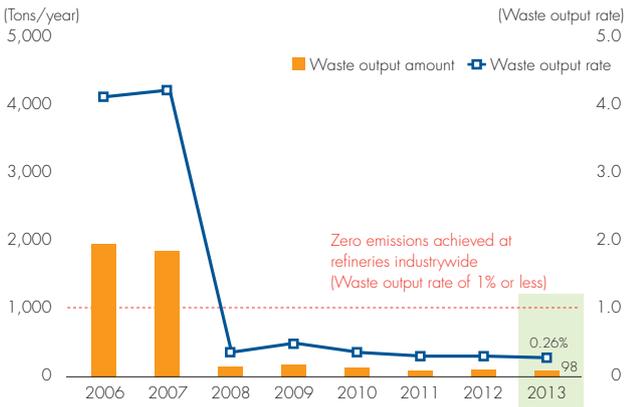
Waste Reduction Initiatives

Industrial Waste Reduction at Group Refineries

The petroleum refining process generates industrial waste, including sludge and disposable catalysts. The Group is building a Companywide waste management system to ensure the optimum disposal of waste and reuse of resources. In 2013, final waste

output by refineries amounted to 0.26% of the total amount generated, or 98 tons. Accordingly, the Group has continued to meet its zero-emissions goal (emissions of 1% or less) since 2008.

Amount and Rate of Final Industrial Waste Output from Group Refineries



* Scope: Keihin Refinery of Toa Oil Co., Ltd., Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd., and Yamaguchi Refinery of Seibu Oil Co., Ltd.



Reducing Waste and Promoting Recycling in the Solar Business

Group company Solar Frontier K.K. is a member of PV Cycle, a European organization established to promote the collection and recycling of end-of-life solar panels. Solar Frontier is also participating in the joint development of Japan's first technology for solar power system recycling, a project being promoted by the Kitakyushu Foundation for the Advancement of Industry, Science and Technology.

In addition, packaging for solar modules was changed from conventional cardboard boxes to reusable packaging using corner pieces, thereby reducing waste production. This change was instituted in conjunction with the start of operations at the Kunitomi Plant in 2011. This packaging method won a Large-sized Equipment Packaging Category Award in the 2012 Japan Packaging Contest held by the Japan Packaging Institute.



Solar module packaging method

Preventing Environmental Pollution and Reducing Waste

Efforts during Crude Oil Procurement

When the very large crude carriers (VLCCs) that we use when transporting crude oil from the Middle East to Japan pass through a strait or enter the ports they serve, they travel at reduced speeds to reduce both fuel consumption and CO₂ emissions.

Group Refinery Initiatives

To promote energy conservation by maximizing the effective use of energy generated during oil refining processes, we invest in equipment such as heat exchangers, waste heat recovery boilers and exhaust gas recycling equipment. Showa Shell is actively

promoting energy-saving measures at its refineries, and is striving to reduce its CO₂ emissions, using “unit energy consumption” as its indicator. In fiscal 2013, unit energy consumption was 7.67 (kiloliters/megaliter), down 19% from fiscal 1990 levels. This surpasses the level that the PAJ has introduced (average reduction of 13% for fiscal years 2008–2012 against fiscal 1990 levels), as well as the average industry value.

Initiatives at Solar Module Plants

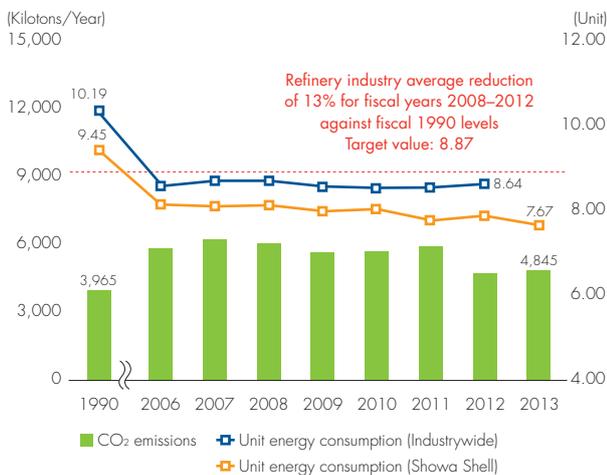
CIS thin-film solar modules are designed and manufactured with a high degree of environmental awareness, from the materials they use to their recycling processes. Compared with modules made of crystalline silicon, the generation layer of these modules is only 1/100th as thick, which saves raw materials. Also, the production process is simple and short, and they can be produced with relatively little energy. Furthermore, at the Kunitomi Plant we have improved production efficiency, and also realized more-efficient transportation by changing the materials used to package solar modules.

On the operations front as well, we are reducing environmental impact through such measures as adjusting freezer temperatures and exhaust fans to achieve efficient operations. In addition, a portion of the electricity used in our plants is supplied by mega-solar facilities installed on the site of our Second Miyazaki Plant and the roof of our Kunitomi Plant. These facilities have a combined generation capacity of three megawatts.



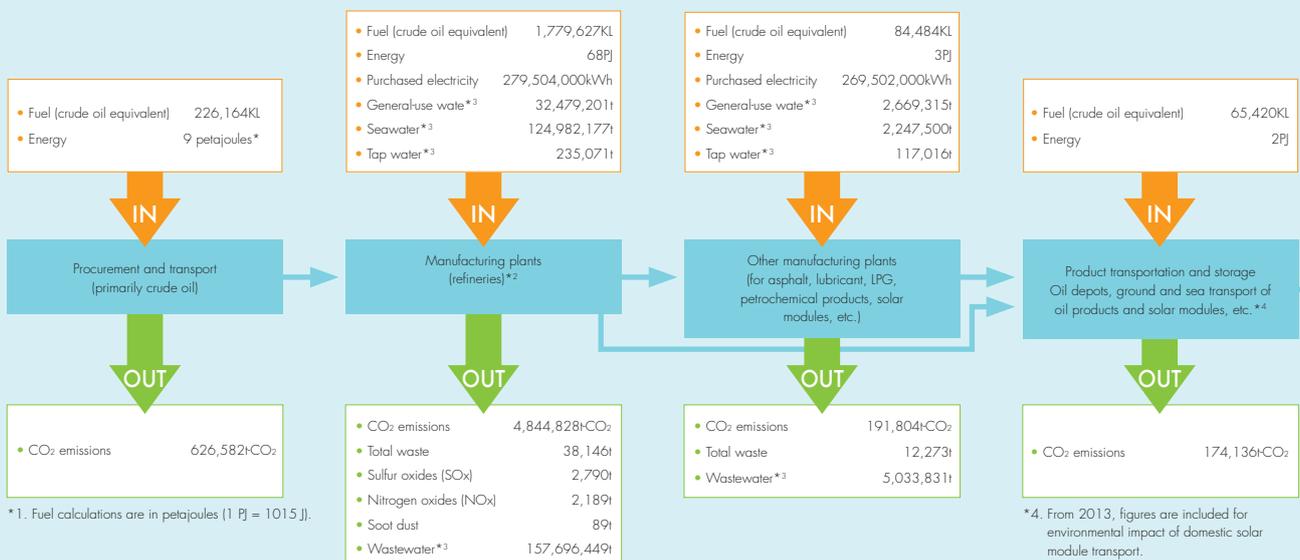
Kunitomi Plant

CO₂ Emissions and Unit Energy Consumption at Group Refineries



* Following data revisions, the figure for unit energy consumption in 2012 disclosed in Corporate Report 2013 has been restated as 7.89.

Showa Shell Total Adverse Environmental Impact for 2013



* 1. Fuel calculations are in petajoules (1 PJ = 1015 J).

** 2. Total is for Yokkaichi Refinery, Keihin Refinery and Yamaguchi Refinery.

** 3. From 2013, figures are displayed for intake volumes of general-use water, seawater, tap water and emission volumes of wastewater.

** 4. From 2013, figures are included for environmental impact of domestic solar module transport.

Initiatives at Other Plants

Plants are pursuing CO₂ emissions reductions through energy-saving measures that include conserving electricity, decreasing peak-hour energy usage and optimizing boiler operation. At lubricant plants, we are conserving electricity and optimizing boiler operation by adjusting compressor output for different manufacturing processes and utilizing ideal blending times. In addition, we provide safe and eco-friendly liquid petroleum gas (LPG) through our LPG terminals, and are managing LPG flow equalization in a manner that is both safe and friendly toward the environment. Furthermore, Niigata Petroleum Import Terminal has been working to reduce consumption of boiler fuel and electricity, and successfully achieved a year-on-year decrease of 3% in energy usage.

Logistics Initiatives

Ground Shipments

We are working to avoid sudden acceleration—which also has safety implications—while also stopping engines when vehicles are idling and using other eco-friendly driving techniques. In addition, we are using larger tank trucks for transportation to reduce the number of trucks we dispatch, and otherwise improving transport efficiency. Through these efforts, we aim to curtail CO₂ emissions.

Maritime Shipments

In maritime transportation, we promote the use of larger domestic vessels and endeavor to reduce CO₂ emissions by improving transportation efficiency and reducing fuel consumption. To this end, we keep two fuel-efficient electrical propulsion vessels in continuous operation. In addition, we are maintaining low-fuel consumption levels by raising fuel efficiency through the use of a

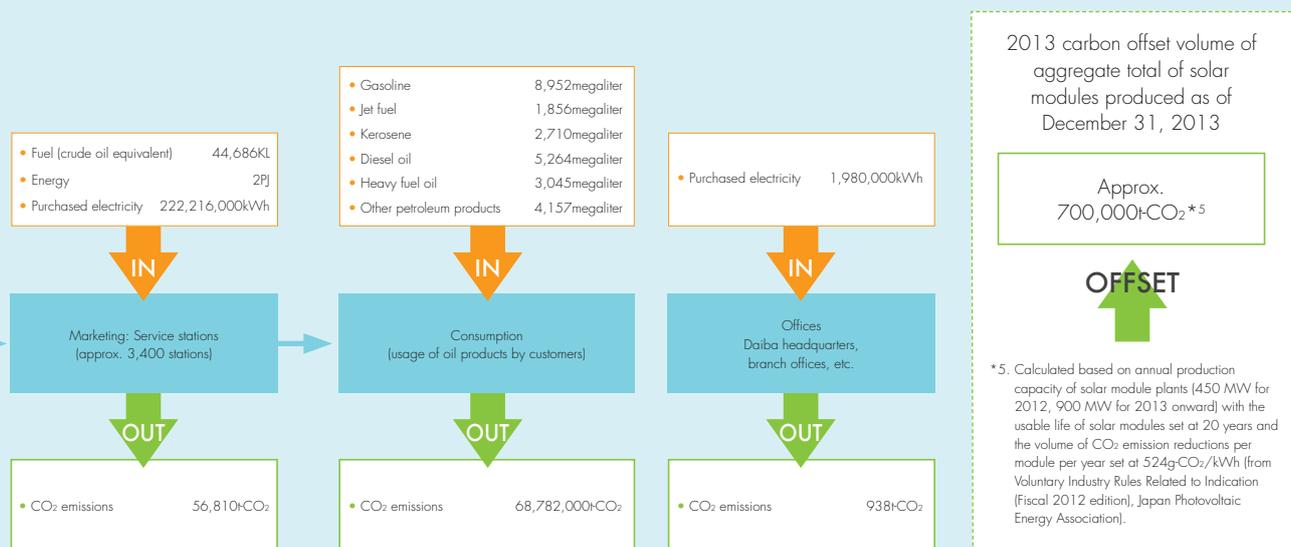
fuel-saving supplement on all vessels and by monitoring their transport speeds.

Initiatives at Sales Locations

After the Great East Japan Earthquake, Japan was presented with a tight supply and demand situation for electricity. To help address this issue, we installed solar modules manufactured by the Group on the upper canopies of several of our service stations over the period from 2011 to 2012. As of December 31, 2013, a total of 454 service stations were equipped with these solar modules and using them to power lighting and other equipment. In addition, we install LED lighting when opening new service stations or renovating existing stations with the aim of realizing energy savings.

Initiatives at Offices

Preventing global warming requires all employees to act in their daily lives. Based on this recognition, we are taking steps to reduce CO₂ emissions at the Showa Shell head office. For example, lighting is turned off during lunch breaks and when employees are not present to conserve electricity and restroom water heaters are deactivated during the summer months. In addition, the number of copy machines has been reduced to lower electricity consumed when the machines are idle, which alone has resulted in annual electricity savings of approximately 10,440 kWh. Initiatives in place at all office buildings include encouraging employees to use their own cups, designating certain days as no-overtime days and asking drivers to stop their engines when vehicles are idling. Furthermore, the entire Company participates in plastic bottle cap recycling drives. A total of 302,000 bottle caps were collected in 2013.



Technology Development for Eco-Friendly Products

R&D Activities in the Oil Business

Showa Shell is advancing the development and commercialization of high-quality, high-performance fuels, lubricants, asphalt and other products through R&D activities conducted at the Central Research Laboratory, located in Kanagawa Prefecture. Furthermore, Showa Shell is developing systems for exchanging human resources and the latest intelligence with Shell Group R&D centers in the United States, the Netherlands and Germany in order to develop cutting-edge technologies.

Japanese Launch of Shell V-Power High-Octane Gasoline Loved in 66 Countries Worldwide

Shell V-Power is a high-octane automobile gasoline that was developed using the technologies refined through the Shell Group's technical partnership with Ferrari S.p.A., which has continued for more than 60 years. This innovative gasoline helps automobiles realize their full potential by removing harmful intake valve deposits inside engines and protecting against future dirt and rusting. Aiming to meet the needs of Japanese motorists who seek to keep their precious cars running long into the future, Shell V-Power is launched in the domestic market in July 2014, after adjusting it to meet Japanese gasoline standards and performing necessary testing.



Intake valve after driving 8,000 km using regular gasoline Same intake valve after driving the equivalent of another 8,000 km using Shell V-Power

New Lubricant Using GTL* Technology

Lubricants used in factory machinery and trucks have to outperform the specifications of the equipment in which they are used. In addition, these lubricants are expected to help extend the period between lubricants changes, protect equipment from wear and tear and lengthen equipment lifespans. Showa Shell is developing products that respond to these high customer demands.

In 2013, Showa Shell succeeded in developing base oils that employ oils manufactured by the Shell Group using GTL technologies. This base oil has been incorporated into new products and applied to existing products. Lubricants that employ GTL* technologies are resilient to oxidation and other forms of

degradation, meaning that they can provide strong performance over a longer period. The period between lubricant changes is also longer as a result, which helps reduce the burden of lubricant changes on equipment, subsequently lengthening equipment lifespans. These GTL-based lubricants have proven immensely popular among customers.

New products using GTL base oils



Shell Vacuum Pump Oil S4 RX: In addition to improving equipment performance, this product helps reduce oil change frequency and extends equipment lifespan.



Shell RIMULA R6 LMEJ 5W-30 This diesel engine oil protects engines from wear and tear while lengthening their lifespan.

Proprietary Development of High-Value-Added Asphalt

Asphalt is used for a wide variety of applications, such as for roadway paving materials and building materials. Different applications require different levels of durability, safety and environmental performance. As Japan's only integrated manufacturer of asphalt, Showa Shell is devoted to developing high-value-added products that provide the functionality required for various applications.

Showa Shell products are used in certain sections of the Shin Tomei Expressway, a critical new transportation route in Japan. Specifically, this major transportation venue employs CARIMEX HD asphalt, which is long-lasting even under heavy traffic conditions, and Drainage ECO pavement, which has excellent drainage and low-noise properties.

In addition, Showa Shell has developed various other eco-friendly products, which are also proving popular among customers. One such product is CARIMEX ART, an eco-friendly product that helps lower the amount of heat produced when mixing asphalt and aggregates, thereby reducing CO₂ emissions during the production of asphalt. We also offer Reprophalte 300, a recyclable asphalt product that enhances the strength of recycled asphalt, responding to the rising trend of reusing asphalt pavement.

* GTL (gas to liquids) is a refining process that converts natural gas into liquid fuel. This method is gaining attention for its ability to create next-generation fuel that features less sulfur and fewer odors than petroleum fuels.

R&D Activities in the Energy Solution Business (Solar Business)

The Atsugi Research Center (ARC), established in 2009, drives R&D activities targeting higher energy conversion efficiency in CIS thin-film solar modules and improved production technologies. ARC employs the same equipment as is used in our factories conducting commercial production, thereby expediting the process of introducing developed technologies into commercial production lines. This facility is also proceeding with the development of solar modules that utilize non-CIS materials.

System for Expediting Transition from R&D to Commercial Production

Solar module R&D is generally conducted using small 1cm x 1cm cells. Solar Frontier, however, bases its research on larger 30cm x 30cm submodules. Conducting research on these larger submodules better ensures that the results of R&D efforts will be applicable to actual products. Furthermore, we set the world record for cadmium-free CIS cell conversion efficiency by realizing efficiency of 19.7% on a 0.5cm² cell in January 2013. We later rewrote this record in March 2014 with efficiency of 20.9%, which also represented a new record for the wider range of thin-film cells in general, not just CIS cells. The 0.5cm² cell used to achieve this record was cut from a 30cm x 30cm research-use submodule.

Introduction of New Technologies at the Tohoku Plant

Solar Frontier's unique production technologies are also born at ARC. The center is developing technologies to improve the productivity of existing factories, as well as those for shortening production processes and manufacturing solar modules with higher output. ARC's latest technological innovations will be

introduced into the Tohoku Plant, which is slated to commence operations in 2015.

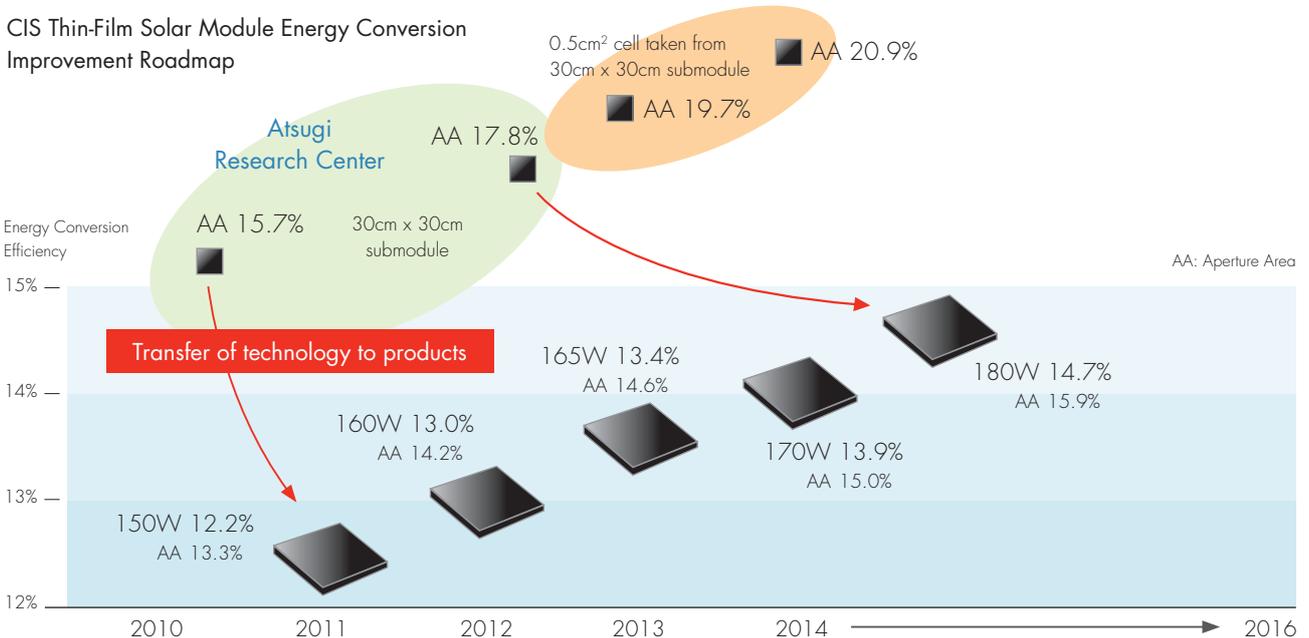
Bold New Technology Development

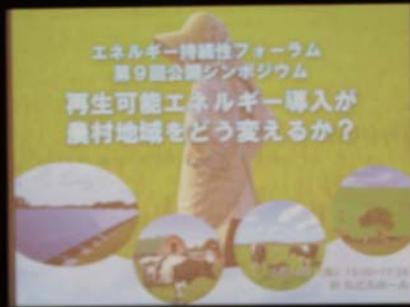
Since 2010, Solar Frontier, IBM Corporation and Tokyo Ohka Kogyo Co., Ltd., have performed joint research and development on CZTS (copper, zinc, tin, sulfur and selenium) solar modules. These modules do not use rare metals. Conversely, they are made from materials that are both affordable and easy to obtain. As such, they present significant opportunities for cost competitiveness, making them ideal for mass production. We expect these modules to become growth drivers in the medium to long term.

In August 2012, a conversion efficiency of 11.1% was successfully achieved, setting a new world record for CZTS solar panels, and this record was rewritten in December 2013 with an efficiency of 12.6%. At the same time, progress is being made toward bringing CZTS solar modules to practical application.



CIS Thin-Film Solar Module Energy Conversion Improvement Roadmap





ACTIVITIES OF THE ENERGY SUSTAINABILITY FORUM

The Energy Sustainability Forum is an organization for pursuing the establishment of a long-term vision for the future of energy that will help in developing a model for a sustainable society. Today, society is faced with the need for international cooperation in addressing global warming and other environmental issues. To aid this effort, the forum holds symposiums and conducts other initiatives aimed at introducing practical renewable energy systems into society. These initiatives are conducted through partnerships between industry and academia.

Joint Research with University of Tokyo's IR3S through the Energy Sustainability Forum

In 2007, Showa Shell established the Energy Sustainability Forum in collaboration with the Integrated Research System for Sustainability Science (IR3S) operated by the University of Tokyo. The forum was created with the purpose of promoting renewable energy to help create a sustainable social system, and it is still active today.

In the first phase of its activities, which lasted up to 2009, the forum primarily focused on reporting and influencing government policy, which was done by promoting personal interactions between industry and academia and by conducting research projects to help establish a low-carbon society. For the second phase of activities, which began in 2010, the forum adopted the theme of research geared toward transitioning to a low-carbon society with solar power systems at its core. Activities are currently centered on Niigata Prefecture, where the forum is working to develop methods of installing solar power systems in agricultural areas, an attempt to introduce practical renewable energy systems into society.

Currently, the forum is advancing an integrated social engi-

neering project based in Sado City, located on Sado Island in Niigata Prefecture. This project is designed to help the region achieve energy independence by promoting energy conservation and fully utilizing renewable energy and other natural resources. The forum is conducting this research based on a contract from the Japan Science and Technology Agency (JST), an organization operating under the Ministry of Education, Culture, Sports, Science and Technology. The main parties involved in the project are the Sado City Office, the University of Tokyo and Showa Shell. Sado City will serve as a case study for energy projects in rural areas of Japan. The forum aims to establish a clear picture of the ideal energy mix for this area, which will be based on the degree of the area's access to renewable energy resources and its potential for energy conservation. To realize such an energy mix, it will be necessary to develop methods for introducing renewable energy systems without detracting from Sado's inherent beauty as well as ensuring that money spent on this project returns to the community. For this reason, the opinions of community members are being incorporated into the project.

Public Symposiums

One of the duties of the Energy Sustainability Forum is to hold public symposiums to report on research projects being conducted by IR3S and Showa Shell and share their findings. These symposiums have been held continually since 2008.

In October 2013, members of the Shell Group's scenario planning team were invited to a symposium for introducing Shell's New Lens Scenarios report (released in spring 2013). This global scenario report illustrates two potential futures that

diverge based on various political and economic factors and logical processes.

Furthermore, the Energy Sustainability Forum held its ninth public symposium in February 2014, due in part to support from Mitsubishi Estate Co., Ltd. This symposium was based on the theme of how renewable energy could change agricultural areas. Representatives from regional and national government organizations participated in this symposium, with a keynote address being provided by the Governor of Kumamoto Prefecture and a speech by a representative from the Ministry of Agriculture, Forestry and Fisheries. In addition,

Professor Kensuke Fukushi of IR3S gave a presentation about the aforementioned Sado project. The panel discussion was based on presentations by representatives from the agricultural field, such as Yoshiteru Takahashi, Head Secretariat of the Kamedagou Land Improvement District, a pioneer in the introduction of renewable energy systems. IR3S members and presenters engaged in a lively discussion about the issues and benefits of introducing renewable energy systems in agricultural regions. The discussion was structured in a manner that addressed questions prepared by symposium attendees ahead of time.

Voice (University Representative)

Sustainability science is a new field that incorporates knowledge and findings from various other academic fields to search for ways that sustainability can be achieved in individual regions and for the planet as a whole. I have helped create and advance this field together with IR3S. Through this process, I have come to realize that for sustainability to be achieved all members of society must participate. Joint research between companies and research and education institutions like universities in the sustainability science field are also important. Such research ventures serve as opportunities for ideas about sustainability to be shared between the participants so that they can then advance research to create innovations to realize a sustainable society based on shared ideals. The field of sustainability science is designed to help create models for sustainable society through such activities.

The COI STREAM project that IR3S is advancing together with Showa Shell is a bold endeavor in which we are trying to build a sustainable society on resource-poor Sado Island. When we succeed in this endeavor, I believe our success will serve as a road map for achieving sustainability for the rest of Japan.



**Professor
Kensuke Fukushi**
Integrated Research System
for Sustainability Science,
University of Tokyo

Voice (Representative from Agricultural Area Equipped with Renewable Energy Systems)

Following the government's institution of rice planting restrictions (under cultivation policies) in the 1970s, the Kamedagou Land Improvement District set about finding ways to utilize the resulting unused farming land. In the 1990s, we realized that rice and rice straw were potential biomass fuels and began seriously considering the possibility of producing alcohol to serve as an alternative to oil resources.

A quarter of a century later, we found ourselves installing a 368 kW solar power system. After completing joint verification testing with University of Tokyo's IR3S, we installed this agricultural area-use solar system on the banks of our drainage channel. We anticipate two major benefits from this system. One is the social benefits it will produce by helping prevent global warming through the reduction of greenhouse gas emissions. The other benefit comes in the form of lower financial outlays, which will help us address the ever-present issue of making sure we can continue our operations. When we resolved to undertake this project, we were met with great concern from union members, who pointed out several issues, but we chose to proceed with the hopes that the revenues from electricity sales would help reduce financial outlays. We would have welcomed even a small reduction. Installing renewable energy systems in agricultural areas can create great value in the form of contributions toward building a sustainable society. I am confident that such initiatives can help reduce outlays at the land improvement district, and thereby breathe life into the agricultural community.



Yoshiteru Takahashi
Head Secretariat of the
Kamedagou Land
Improvement District

Medium-Term Environmental Action Plan (2013–2015)

Environmental strategy	Activity themes	Medium-term objectives
COMPLIANCE	Promoting energy conservation and global warming prevention	Reduce medium-to-long term unit energy consumption of more than 1% annually on average, based on the Energy Conservation Act* Participate in the petroleum industry's Low-Carbon Society Implementation Plan until fiscal 2020 (Refinery energy saving policy (total crude oil equivalent savings of 530 megaliters per year within the industry), usage of ETBE bio-fuels (500 megaliters of crude oil equivalent for the industry in 2017)) Conserve energy and reduce consumption of resources in offices under the ECO TRY 21 campaign (Management of temperature and lighting, Cool Biz, turning off PC monitors, reduced printing)
	Preventing environmental pollution and reducing waste	Achieve zero emissions at refineries (An industrial waste output rate of 1% or less) Promote soil and groundwater contamination countermeasures (Surveys at time of change in land usage, preventive measures against groundwater pollution) Strengthen chemical substance management (Reduce usage and storage of regulated chemicals)
	Promoting environmental preservation activities and environmental communication	Present opportunities for stakeholders to think about the environment (Environmental Photo Contest, "Things to Preserve and Correct around Our Town") Promote environmental preservation projects conducted cooperatively with local communities and employees (Area clean-up activities around various work sites) Promote the environmental sciences Energy education program, Niigata Yukigunigata Megasolar Power Plant tours
BUSINESS	Offering eco-friendly products and services	Expand use and sales of CIS thin-film solar modules Popularize gas to GTL fuels which do not emit sulfur oxide (SOx)

* Act regarding the rationalized use of energy

Status of ISO 9001 (Product Quality) Certification

As of December 2013

Company / Site	Date of initial certification
Yokohama Plant of Showa Shell	December 15, 1995
Nippon Grease Co., Ltd.	December 15, 1995
Showa Shell Kobe Plant	January 10, 1996
Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd.	February 2, 1997
Yamaguchi Refinery of Seibu Oil Co., Ltd.	August 1, 1997
Shosei Kako K.K.	May 12, 2000
Shoseki Engineering & Construction Co., Ltd.	December 11, 2002
SVC Tokyo Co., Ltd.	April 2, 2006

Company / Site	Date of initial certification
Sodegaura Plant of Rekisei Kagaku Co., Ltd.	December 7, 2006
Mie Plant of Rekisei Kagaku Co., Ltd.	March 1, 2009
First Miyazaki Plant of Solar Frontier K.K.	June 12, 2009
Atsugi Research Center of Solar Frontier K.K.	June 12, 2009
Second Miyazaki Plant of Solar Frontier K.K.	December 22, 2009
Keihin Refinery of Toa Oil Co., Ltd.	December 1, 2011
Kunitomi Plant of Solar Frontier K.K.	March 9, 2012
Solar Frontier K.K. Head Office	September 9, 2012

2013 achievements

- Increased heat collection efficiency of a Group refinery's residue fluid catalytic cracker and took other steps to conserve energy, and thereby achieved unit energy consumption of 7.67 in 2013 (down 19% from 1990 levels). Implemented energy-saving initiatives at lubricant plants and other work sites including conserving electricity, decreasing peak-hour energy usage and optimizing boiler operation.
- Advanced above-mentioned energy-saving initiatives in accordance with the Low-Carbon Society Implementation Plan. Reinforced Group refineries' supply capacity for ETBE bio-fuels to expand usage of these fuels.
- Reduced power usage of offices by managing room temperatures, turning off lights during lunch breaks, installing LED lighting and other energy efficient equipment, encouraging paperless meetings, instituting no-overtime days and implementing Cool Biz initiatives whereby employees wear cooler clothes in the hot summer months to cut back on air conditioner usage. Promoted Companywide waste separation and collected 302,000 plastic bottle caps as part of recycling drive.
- Achieved a final disposal ratio of less than 0.3% at Group refineries, lower than the zero emission goal (less than 1%) defined in the environmental preservation action plan of the Petroleum Association of Japan.
- Established manual regarding the Water Pollution Control Act and groundwater contamination countermeasures in conjunction with the Ministry of the Environment.
- Instituted soil pollution prevention measures that involved improvements at approximately 100 work sites.
- Worked together with municipal governments to utilize brownfield sites for megasolar installations and other purposes.
- Integrated chemical substance management information to rapidly develop replacement materials for products and ensure performance is not compromised by quickly acquiring information regarding domestic law, such as the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. and the Poisonous and Deleterious Substances Control Act; overseas laws, such as Europe's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) regulations and the Canadian Environmental Protection Act; and the regulations of industry and industry groups. Investigated the status regarding HSSE regulation compliance and toxic and hazardous substance management at all work sites to strengthen compliance and safety management systems.
- Held the 9th Environmental Photo Contest, "Things to Preserve and Correct around Our Town," which received 5,418 entries (5,158 in the junior category and 260 in the general category). Displayed the winning entries on first floor of the head office and held a traveling exhibition to raise awareness regarding everyday environmental issues.
- Employee volunteers from all refineries and work sites participated in local greenification and beach cleanup activities. Solar Frontier employees in Miyazaki Prefecture participated in the Kiyotake River Beautification Sports Festival sponsored by the Kiyotake River Pollution Prevent Committee each year since 2009 based on employee requests. Commenced participation in *Teruha no Mori Ongaeshi* forest support project in 2013 to conduct thinning in Aya no Shoyo Jurin Forest, as this forest is the groundwater supply for a factory and has been designated as a precious UNESCO eco park.
- Jointly sponsored Energy Sustainability Forum public symposiums with the Integrated Research System for Sustainability Science (IR3S). October 2013 symposium held with theme of long-term strategies for the realization of a sustainable society formulated using scenario planning methods, Shell Group researchers gave a lecture on their New Lens Scenarios report, which uses the scenario planning method to develop a scenario for an approximately 40-year period. February 2014 symposium held with theme of how renewable energy could change agricultural areas, including lectures and panel discussions conducted on feasibility of introducing biomass energy and solar modules.
- Continued with classes addressing the topics of environmental problems and new energy, a much-discussed world issue. Classes held continually since 2004, with the aim of deepening understanding through discussion and participatory learning using familiar examples. In 2013, a total of 350 students took part from elementary, junior high and high schools in Niigata Prefecture and from elementary schools near our headquarters in Daiba. Also held energy workshops for parents and children in which a total of 67 groups took part.
- Contributed to the promotion of understanding of using solar energy in "snow country" (areas which experience heavy snow) as part of social contribution activities by giving tours of the Niigata Yukigunigata Megasolar Power Plant to a total of 71 groups comprising 1,653 individuals, explaining how stable solar power generation is possible in a variety of climates (particularly in snow country).
- Continued to construct megasolar power plants in Japan and overseas during 2013, and will further spread such plants in 2014.
- Enhanced sales channels for "Shell Heat Clean," which is now available through Internet sales and at some convenience stores.

Status of ISO 14001 (Environmental) Certification

As of December 2013

Company / Site	Date of initial certification
Yamaguchi Refinery of Seibu Oil Co., Ltd.	December 10, 1998
Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd.	July 29, 1999
Toyotsu Petrotex Corporation	December 1, 2000
Japan Oil Network Co., Ltd.	December 15, 2000
SVC Tokyo Co., Ltd.	January 23, 2001
Hekinan LPG Terminal of Showa Shell	December 21, 2001
Nippon Grease Co., Ltd.	March 14, 2005
Yokoyama Plant of Showa Shell	June 28, 2005
Kobe Plant of Showa Shell	September 30, 2005
Central Research Laboratory of Showa Shell	October 27, 2006
Wakamatsu Gas K.K.	July 26, 2010
Keihin Refinery of Toa Oil Co., Ltd.	July 1, 2011
Atsugi Research Center of Solar Frontier K.K.	November 7, 2011
Kunitomi Plant of Solar Frontier K.K.	September 24, 2012

Status of OHSAS 18001 (Occupational Health and Safety Management) Certification

As of December 2013

Company / Site	Date of initial certification
Kunitomi Plant of Solar Frontier K.K.	September 24, 2012

Quest to Provide Energy that is Truly Valuable

The Showa Shell Group’s objective is to provide society with energy that is truly valuable. To aid us in accomplishing this goal, we have stipulated a Management Philosophy as well as a Code of Conduct based on our corporate creed. On this basis, we practice stringent compliance, establish optimal corporate governance structures and conduct highly transparent management. Furthermore, we are working to fulfill our responsibility to customers, shareholders and other investors, employees, business partners, local communities, the greater society and all of our other stakeholders. By fulfilling this responsibility, we will work to help the entire Group continue growing in a sustainable manner.

Corporate Governance

Corporate Governance Structure

Initiatives to Date

In order to enhance management efficiency amidst ongoing changes in the business environment, Showa Shell Sekiyu has pursued clarity regarding management accountability and authority as well as the strengthening of management supervision, decision-making and business execution efficiency. We have continuously put an emphasis on corporate governance by introducing new, effective management strategies to meet corporate objectives and address rapid environmental changes, while proactively taking in outside perspectives into management.

Efforts to Build a Corporate Governance System

1997	Number of directors reduced from 26 to 22
1999	Number of directors reduced from 18 to 11, executive officer system introduced
2003	Executive officer system revised, Management Executive Committee established, number of outside directors increased by 1
2005	Number of outside directors increased by 1
2007	Retirement allowance system for directors abolished
2009	Number of outside directors increased by 1 (4 of 8 directors became outside directors)
2013	Number of outside directors increased by 1 (5 of 8 directors became outside directors) Directors’ term shortened from 2 years to 1 year Compensation Advisory Committee established
2014	Number of outside directors increased by 1 (now 6 of 8 directors have become outside directors) Established Group Executive Committee, integrating separate management executive committees from each business segment

Forward-Thinking Initiatives

Faced with rapid change in the business environment, Showa Shell introduced a new corporate governance system in March 2014 in order to enhance corporate value and accelerate the broadening of the scope of business activities overseas.

- ▶ Increased the number of outside directors by 1 (now 6 of 8 directors are outside directors), in order to strengthen the supervisory function for management

- ▶ Appointed directors who have an international mindset as well as extensive experience in global management to accelerate business expansion overseas
- ▶ Established the Compensation Advisory Committee for objectivity and transparency in executive remuneration

We have appointed directors who have an international perspective as well as extensive experience in global management. We have increased the number of outside directors by one to strengthen supervisory functions.

Regarding operational business execution, the Group Executive Committee was established by integrating management executive committees held by each business segment in order to clarify accountability and authority to speed up decision making. The Group Executive Committee consists of the Group CEO, CFO, Oil Business COO and Energy Solution Business COO. This committee allows for quick and efficient decision making. Moreover, as the executive officer COOs hold business responsibility for the Oil Business and the Energy Solution Business, respectively, this system allows management to remain focused and act rapidly.

Showa Shell is a Company with Board of Auditors that employs an auditing system consisting of four Audit & Supervisory Board members, two of which are independent external Audit & Supervisory Board members. The Audit & Supervisory Board provides objective, independent and specialized audits for business management. In addition, the newly established Compensation Advisory Committee is chaired by an independent director and consists of outside directors and specialists to ensure objectivity and transparency in executive remuneration.

Executive and Audit & Supervisory Board Member Remuneration

In 2013, the Compensation Advisory Committee, comprised of independent officers and specialists, was established as part of revisions to executive remuneration systems. Based on reports by this committee, the objective, transparent and performance-based Basic Policy for Director Compensation was formulated. This policy was adopted following approval by the Board of Directors at a meeting held on November 5, 2011. This policy called for the portion of director remuneration linked to performance to be increased and the fixed payment portion to be reduced in order to clearly link director performance with remuneration. In accordance with this policy, the upper limit for total fixed remuneration paid to directors was reduced from ¥65 million to ¥45 million per month by the resolution of the General Shareholders' Meeting held on March 27, 2014. Within the limit of the total amount, monthly base remuneration to each director is determined using a remuneration table by rank, except for Douglas Wood, for whom base remuneration is determined by a secondment contract with the Shell Group. Performance-link bonuses for directors are to be determined each year by resolution of the General Shareholders' Meeting in consideration of the operating environment and performance during the applicable fiscal year.

The total remuneration to all Audit & Supervisory Board members decided by the resolution of the General Shareholders' Meeting held on March 28, 2008, is ¥10 million or less per month. Within the limit of the total amount, remuneration to each auditor is determined by the mutual agreement among all Audit & Supervisory Board members. Bonuses for Audit & Supervisory

Board members were abolished in fiscal 2013.

Retirement allowances to directors and Audit & Supervisory Board members were abolished as of the General Shareholders' Meeting held on March 29, 2007.

The Company has appointed PricewaterhouseCoopers Aarata as its accounting auditor, which performs audits and is paid compensation for these audits.

Director and Audit & Supervisory Board Member Remuneration (Year Ended December 31, 2013)

Executive category	Total remuneration (Yen million)	Total remuneration by category (Yen million)		Number of executives subject to bonuses (People)
		Fixed remuneration	Bonuses	
Directors (excluding outside directors)	358	303	55	4
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	72	72	—	2
Outside directors and Audit & Supervisory Board members	57	56	1	8

*The above includes remuneration paid to two directors who retired at the close of the 101st General Shareholders' Meeting held on March 28, 2013; and three directors who retired at the close of the 102nd General Shareholders' Meeting held on March 27, 2014. The number of directors and Audit & Supervisory Board members as of December 31, 2013, was eight and four, respectively.

Audit Compensation (Year Ended December 31, 2013)

	Showa Shell (Yen million)	Consolidated subsidiaries (Yen million)
Compensation based on audit certification activities	116	53
Compensation based on non-audit activities	1	0

Outside Directors and External Audit & Supervisory Board Members

To ensure management transparency, six of the Company's eight directors and two of the Company's four Audit & Supervisory Board members are outside officers. The outside officers provide objective and diverse viewpoints and request explanations from management as necessary. Furthermore, two outside directors are independent directors, ensuring that management maintains an objective perspective and that the interests of minority sharehold-

ers are protected. The outside officers engage in active deliberation at meetings of the Board of Directors and Audit & Supervisory Board based on their differing viewpoints. In fiscal 2013, the outside directors attended approximately 90% of the Board of Directors' meetings. Also, the external Audit & Supervisory Board members attended approximately 90% of the Board of Directors' and the Audit & Supervisory Board's meetings.

Outside Directors (As of March 27, 2014)

Name	Position / background	Reason for appointment
Yukio Masuda	Independent Director Advisor, Mitsubishi Corporation Outside Auditor, Tokyo Gas Co., Ltd.	With many years of experience in the energy business segment at Mitsubishi Corporation, Mr. Masuda was selected for his extensive knowledge of the energy business in Japan and overseas, with the expectation that his appointment would strengthen the management supervisory function.
Takashi Nakamura (newly appointed)	Independent Director Former Director and Deputy President, Ricoh Company, Ltd. (resigned in June 2012)	With many years of experience in managing human resources divisions as a director at Ricoh Company and his experience at European subsidiary of this company, Mr. Nakamura was selected for his extensive and all inclusive knowledge of global management efforts by a Japanese company, with the expectation that his appointment would strengthen the management supervisory function.
Minoru Takeda	President and Representative Director, Shell Japan K.K.	Mr. Takeda was selected for his deep understanding of the multinational oil business of the Shell Group and his experience at Japanese oil companies, with the expectation that his appointment would strengthen the management supervisory function.
Chiew Nguang-Yong	General Manager, Manufacturing, Shell Downstream Inc. (USA)	Mr. Chiew was selected for the knowledge he acquired through his involvement in the development of the Shell Group's globally expansive business, with the expectation that his appointment would strengthen the management supervisory function.
Ahmed M. Alkhunaini (newly appointed)	Representative Director, Aramco Asia Japan K.K.	Mr. Alkhunaini was selected for his wealth of knowledge relating to the global oil market and his management experience in terms of strategic planning and operation of oil businesses in the United States, Saudi Arabia and Japan, with the expectation that his appointment would strengthen the management supervisory function.
Nabil A. AlNuaim (newly appointed)	Director, Kingdom Economic & Energy Analysis Department, Saudi Aramco (Saudi Arabia)	Mr. AlNuaim was selected for his knowledge in a wide range of fields, including business analysis, strategic planning and operation of oil refining, power generation projects and other areas of energy businesses, as well as his expertise in managing corporate transformation projects, with the expectation that his appointment would strengthen the management supervisory function.

Audit & Supervisory Board Members (External) (As of March 27, 2014)

Name	Position / background	Reason for appointment
Midori Miyazaki	Independent Audit & Supervisory Board Member Dean, Chiba University of Commerce, Department of Policy Information	Ms. Miyazaki was selected for her multifaceted involvement as a professor at Chiba University of Commerce and her broad-ranging insight, with the expectation that her perspective of outside industry would strengthen the auditing function.
Kenji Yamagishi	Independent Audit & Supervisory Board Member Attorney President of the Japan Federation of Bar Associations	Mr. Yamagishi was selected for his experience in important posts at the Bar Association and his broad-based knowledge and deep scholarly understanding as an attorney, with the expectation that he would strengthen management supervision from the standpoints of the legality and appropriateness of business execution.

Summary of Liability Limitation Agreement

Outside directors (Yukio Masuda, Takashi Nakamura, Minoru Takeda, Chiew Nguang-Yong, Ahmed M. Alkhunaini and Nabil A. Al-Nuaim) and external Audit & Supervisory Board members (Midori Miyazaki and Kenji Yamagishi) entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause 1, Article 423, of the Companies Act. Amounts of liability under this agreement shall be the higher amount of ¥10 million and the amount designated by the Companies Act.

Internal Control System

The Company has stipulated its Code of Conduct to provide universally applicable guidelines for the development of corporate activities. This code expects all employees to contribute to society with a high degree of ethics.

To ensure operational appropriateness, the Company has formulated a Basic Policy on Internal Control, and by instilling the policy into its business activities, an internal control system to provide autonomous monitoring has been established.

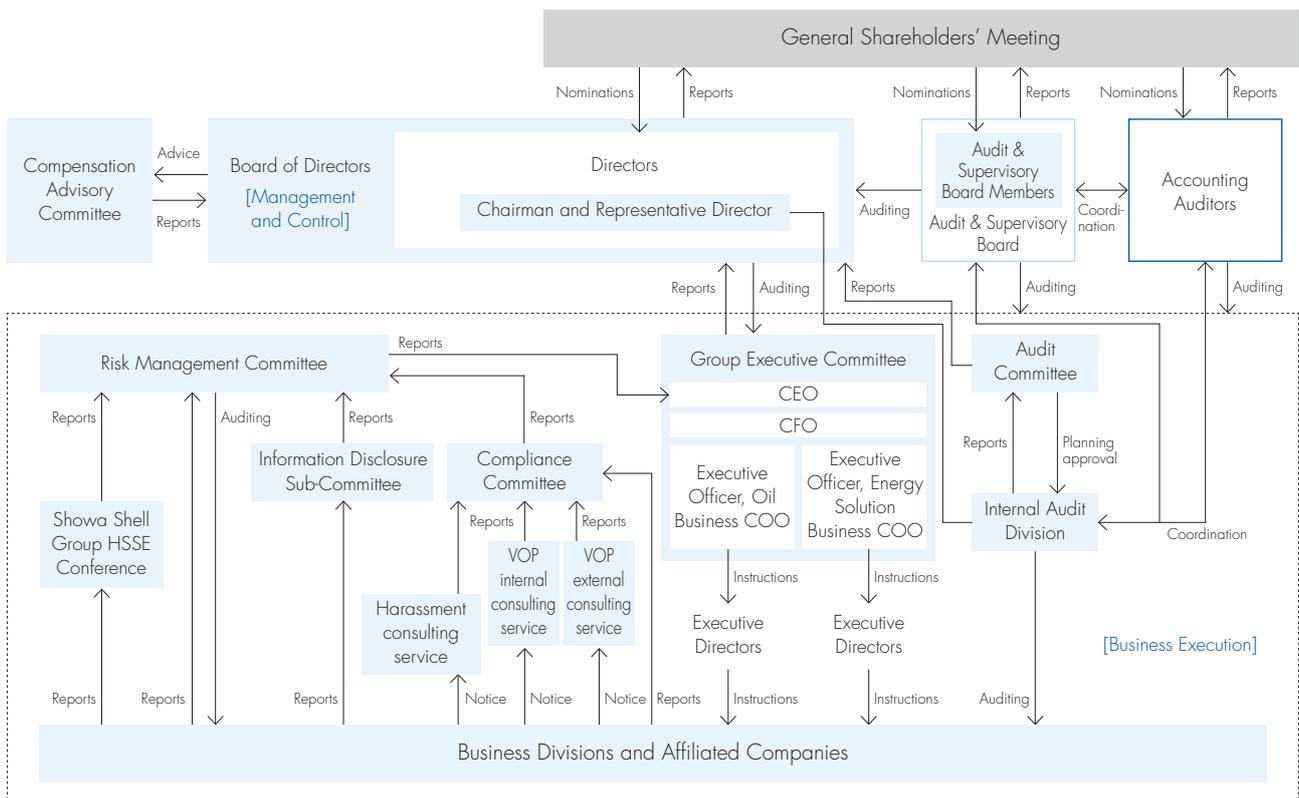
Compliance

The Showa Shell Group recognizes that compliance among all its employees is paramount to fulfilling its social responsibility as it goes about its business activities. Accordingly, the Group continues working to entrench compliance throughout all areas of the Group.

The Group has formulated a variety of compliance-related regulations, including Compliance Rules for the Antitrust Law, Government Anticorruption Rules, Insider Trading Control Rule, Environmental Preservation Guidelines and Export Control Rule. We have also established the General Rule for Procurement to ensure that our procurement activities are fair, transparent and based on consideration for social and environmental facets, including compliance with laws and corporate ethics, resource protection and environmental preservation. We also offer Procurement Guidelines to business partners to facilitate their understanding of our considerations regarding procurement.

We conduct compliance training to ensure that employees understand the importance of compliance put into practice. We distribute our Compliance Book, which explains policies on

Corporate Governance System and Internal Control System



specific actions, and also conduct e-learning programs on these policies once or more each year. In addition, we operate the Room of Compliance intranet site, which enables employees to easily search for relevant case studies and laws with regard to specific areas of compliance. This site is available to employees of both the Company and its subsidiaries. Furthermore, we conduct rank-based training for executives, managers and general employees that incorporates a curriculum employing actual case studies and includes e-learning programs. Through these efforts, we are taking a practical approach toward promoting compliance throughout the organization.

As a whistle-blowing system, we have introduced an employee consultation service, Voice of People (VOP), which encourages employees to raise ethics concerns and to offer constructive proposals for improvement measures and have created routes to receive employee input both within and outside the Company. We have formulated Rules of the Group Companies' Help Line, "Voice of People," covering the system's operation, and systems are in place to protect the confidentiality of people undergoing consultation and to prevent them from adverse impacts. We have extended the application of these systems beyond our own employees to include employees at Group companies. Showa Shell's policy with regard to criminal organizations is to handle them through a Companywide approach. The departments in charge of related matters have been designated, and contact is maintained with the police and other external specialist institutions.

Risk Management

The Company has established the Risk Management Committee as a body for governing all corporate risks the Company faces, including those related to internal control and HSSE. This committee is led by the Group CEO and helps solidify corporate risk management foundations. The results of deliberations by this committee are reported to the Board of Directors as necessary.

With regard to risks that need to be checked from a Company-wide perspective, such as the compliance and HSSE promotion structures and the business control structure, we have established business control checklists to enable comprehensive monitoring. Using these checklists, relevant executives and division heads evaluate the risk management systems of their divisions on a yearly basis, implementing improvement measures as necessary. The results of these efforts are reported to the Risk Management Committee.

For the risks specific divisions face, each year Showa Shell prepares a business control matrix. We use this matrix to identify the risks associated with business targets and ascertain the level of impact and control status of these risks. Measures are formulated in response to identified risks, and a review of measures implemented in the previous fiscal year is reported to the Risk Management Committee together with a plan for measures in the current fiscal year.

Information Disclosure

The Company has formulated a Basic Policy for Information Disclosure. Based on this policy, to promote an understanding and fair evaluation of the Group among various stakeholders, we work to ensure that important information is disclosed equitably, accurately and in a timely manner. We have set up the Information Disclosure Sub-Committee as the institution in charge of managing this process and making judgments on the handling of information to be disclosed. To comply with timely disclosure regulations, we publicize information via the system for transmitting disclosure information in a timely manner provided by the Tokyo Stock Exchange (TDnet), as well as on our website. We also work to disclose other information quickly and proactively, based on the judgment of the Information Disclosure Sub-Committee.

Our investor relations (IR) activities targeting shareholders and other investors include large meetings or telephone conferences

for securities analysts and institutional investors in Japan at every quarterly performance announcement. We distribute presentation materials for performance results and audio data from these presentations (audio data available in Japanese only) on our website. In addition to maintaining communication with institutional investors in Japan and overseas through investor visits and conferences, we provide individual investors with information, chiefly via our website. Furthermore, we distribute convocation notices for annual shareholder meetings at an early date and have in place a system whereby shareholders can exercise their voting rights over the Internet. These activities are designed to promote participation in shareholder meetings. Furthermore, we publish a business report booklet for shareholders (in Japanese only) and issue shareholder questionnaires in order to enhance communication with shareholders.

Interview with Former Outside Director Miyauchi

I believe one significant factor that led to the big decision to enter the solar business was the openness of the Board of Directors.



Yoshihiko Miyauchi

Director, Representative Executive Officer, Chairman and Chief Executive Officer, ORIX Corporation
Outside Director, ACCESS CO., LTD.
Chairman, Japan Association of Corporate Directors
Outside Director of Showa Shell Sekiyu K.K. (March 2003 to March 2014)

We asked Yoshihiko Miyauchi, who served as an outside director at Showa Shell for 11 years, what he thought about the Company's corporate governance systems.

Q. Looking back at your time at Showa Shell, what were your impressions of Showa Shell Sekiyu's corporate governance systems and how would you evaluate them?

Thinking back to 11 years ago, I remember having the feeling that the Company needed to strengthen its governance systems, and I felt that the appointment of an outside director, myself, was the first step toward tackling this issue. When I assumed the position, I felt Showa Shell was a difficult company to govern. This difficulty still remains today. Although improvement in the Company's performance is a shared interest of its shareholders, there is a possibility that the interests of Showa Shell's major shareholders may differ from those of general shareholders, as these major shareholders hold combined stake of 50% in the Company and they are business partners as well. Until the end of my term, I tried to fulfill my role, realizing that my role was to act as an independent outside director by representing the general shareholders.

In this situation, the major decision to enter the solar business was made, which involved a significant amount of investment. I think it was challenging for these major shareholders, who were oil companies, to enter a new business that was unrelated to oil business. No other Japanese oil company has made the decision to change direction so dramatically. I would like to give tribute to the management team that made this decision.

Discussions at meetings of the Board of Directors were very active. Each of the directors expressed their honest opinions. I believe one significant factor that led to the big decision to enter the solar business was the openness of the Board of Directors.

Q. Has there been any improvement in the Company's governance systems?

It is important to have more transparency in order to improve governance. I feel that by establishing the Compensation Advisory Committee in 2013, discussions regarding executive remuneration became more transparent. Executive remuneration is decided by listening to outside opinions and considering the

work done by each director to improve business performance. I think this was a step forward, and if I may further express my thoughts, I would like to see the Company establish a committee like an executive nomination committee in the future.

Q. What governance issues do you think Showa Shell Sekiyu faces now?

The difficulty in governance at Showa Shell will continue. Based on the recognition of this fact, it is important for management to keep responding to the ever-changing business environment. Increasing the number of independent outside directors is also an effective way to strengthen corporate governance.

Showa Shell is currently attempting to establish a two-pillar business structure comprised of the Oil Business and the Energy

Solution Business. The decision to enter the solar business is now producing good results. Important from now on will be to sustain ongoing business growth. In the future, management may once again need to invest large amounts in research and development or factories. Should such a need appear, management must be able to make decisions quickly to fully capture the benefits of the timing. This is a significant challenge.

Q. What do Showa Shell and its employees need to do to ensure continued growth?

The Oil Business previously benefited from less intensive competition within the oil industry, but the business environment and the businesses that the Company runs are changing. But if Showa Shell responds to these changes with quick manage-

ment decisions and a new mindset toward business development, I am sure that success will follow. I look forward to witnessing the continuation of Showa Shell's story from the outside.

Interview with External Audit & Supervisory Board Member Miyazaki

To enhance corporate value, by a broad definition that includes social acceptance, it will be more important than ever for Showa Shell to disclose more information about its vision and action plans at the right timing in the future.



Midori Miyazaki

Audit & Supervisory Board Member (External)
Professor, Chiba University of Commerce, Department of Policy Information
Audit & Supervisory Board Member (External) of
Showa Shell Sekiyu K.K. (March 2006 to present)

We asked Midori Miyazaki, who has been an external Audit & Supervisory Board member at Showa Shell since March 2006, what she thought about the Company's corporate governance systems.

Q. What has your evaluation of Showa Shell's corporate governance systems been over your eight years with the Company?

I think that Showa Shell's business environment and governance systems have changed greatly over these eight years. I highly evaluate its efforts to develop governance systems that allow decision making to address such uncontrollable factors as crude oil price by capitalizing on a wide range of information and expertise. In particular, having appointed independent directors is an invaluable asset to management.

I realized the value of these independent directors when Showa Shell Sekiyu entered the solar business. It is exceptionally rare to see a company with a long history in the oil business expand into a field that is not related to fossil fuels, particularly on a global scale. I think management did a great

job with this decision, especially when considering the difficulties at the early stages of this business. Also, I believe that the presence of the two independent directors, Mr. Miyauchi and Mr. Masuda, played a substantial role in paving the way for this decision. Both of these individuals have the scope and perspective needed to view matters on a global scale. Moreover, they utilized their own management experience without becoming wrapped up in it. I still remember today watching the two directors tap their wisdom to make the decision that was best for Showa Shell. I think this is a prime example of "decisive governance."

Q. What do you focus on in your duties as an external Audit & Supervisory Board member?

I realize that I provide a perspective from outside of the oil industry, and therefore try to represent public opinion and expectations of society. I also try to provide a view from the standpoint of the international community, fully capitalizing on my area of expertise, international politics. It is not too much to

say that oil and other energy sources will determine humanity's future. Showa Shell is widely involved in energy, and I believe that it has a mission of paving the path for the future of society. Based on this belief, I provide suggestions to Showa Shell Sekiyu to guide management and strategies.

Q. Do you see any issues with the Company's management structure at this time?

The decision-making speed and business principles are different between the Oil Business and the Energy Solution Business, especially the solar business, so I do not believe that these businesses can be treated in the same manner. Under the current system, business responsibilities are divided between the COOs of both core businesses, who act under the guidance of the Group CEO. Given the fact that the solar business has just become profitable, I feel that the current system is

appropriate. In the future, it will be important to delegate further authority to the COOs and otherwise alter systems in a flexible manner to ensure that the appropriate decision-making process can be established to reflect progress in the business.

Pursuing efficiencies to boost competitiveness is important. However, in addition to cost reductions and other direct rationalization measures, motivating employees to create a cycle for improving productivity is also an effective approach.

Q. If Showa Shell is to continue growing, what will be needed of the Company and its employees?

I believe corporate value is not determined only by economic value, but the company's ability to shape society, or, in other words, the extent to which they help change the world. From this perspective, I feel that the decision to enter the solar business was an excellent move. Going forward, to enhance corporate value, by a broad definition that includes social

acceptance, it will be more important than ever for Showa Shell to disclose more information about its vision and action plans at the right timing in the future.

If Showa Shell Sekiyu's employees go about their daily work with the realization that they are playing a part in creating history, I believe a spectacular corporate culture will be created.

Board of Directors and Audit & Supervisory Board Members

(As of March 27, 2014)



**Chairman, Representative Director,
Chief Executive Officer**
A Shigeya Kato

**Representative Director,
Chief Financial Officer**
B Douglas Wood
Group Functions
(Finance & Control, Credit & Financial Risk Management,
Procurement, IT Planning and
Corporate Planning (including Corporate Governance))

Outside Directors
C Yukio Masuda
D Takashi Nakamura
E Minoru Takeda
F Chiew Nguang-Yong
G Ahmed M. Alkhunaini
H Nabil A. AlNuaim

Audit & Supervisory Board Members
I Kiyotaka Yamada
J Misao Hamamoto

Audit & Supervisory Board Members (External)
K Midori Miyazaki
L Kenji Yamagishi

Executive Officer COOs
Oil Business COO
Tsuyoshi Kameoka
Oil Business

Energy Solution Business COO
Hiroto Tamai
Energy Solution Business (Electric Power)
(President, Representative Director
of Solar Frontier K.K.)

Senior Executive Officer
Atsuhiko Hirano
Energy Solution Business
(Director of Solar Frontier K.K.)

Corporate Executive Officers
Tomoaki Itou
Energy Solution Business
(Director of Solar Frontier K.K.)

Yuri Inoue
Group Functions
(Legal (including Personal Data Protection))

Katsuaki Shindome
Oil Business (HSSE)
Group Functions
(Secretariat, Human Resources,
Internal Control Promotion and General Affairs)

Brooks Herring
Reporting to CEO, Transformation
and Energy Solution Business
(Solar Frontier K.K.)
Group Functions (Public Affairs)

Executive Officers
Masayuki Kobayashi
Oil Business
(Distributions & Operations, Oil Products,
Crude Oil & Marine, Marine and Import Terminal)

Tsutomu Yoshioka
Group Functions
(Finance & Control and Credit
& Financial Risk Management)

Kenichi Morishita
Oil Business
(Sales, Marketing Planning, Retail Sales,
Retail EPOCH Project Team and Branch Offices)

Tatsuya Suzuki
Oil Business
(Manager in Metropolitan Branch)

Satoru Kuriyagawa
Energy Solution Business
(Overseas Intellectual Property Strategy)
(Director of Solar Frontier K.K.)

Makoto Abe
Oil Business
(R&D, New Business Promotion, Commercial
Sales, Lubricants & Bitumen and Home Solution)

Hiroshi Watanabe
Group Functions
(Corporate Planning
(including Corporate Governance))

Satoshi Handa
Oil Business
(Petro Chemical Business Promotion,
Manufacturing and Supply)

The Chief Executive Officer directly supervises Internal Audit and takes charge in General Business Principles.

Together with Our Customers

Showa Shell strives to improve customer satisfaction by providing the energy solutions that society and our customers require. In addition to providing products and services that offer customers value from all perspectives, including the environment, price, quality and safety, we are reinforcing our foundations for communicating with customers together with our systems for developing the products and services customers need and ensuring their quality.

Efforts at Service Stations

Showa Shell's service stations display the Shell Group's trademark symbol, the "Pecten" scallop shell emblem. They also employ the new design for Shell-brand service stations, which creates a comfortable environment that makes for greater ease of use. As of December 31, 2013, this design was used at 930 service stations in more than 100 countries worldwide.

To help boost service quality at affiliated service stations, the Shell Group has developed the SPAT Global program as a tool for supporting improvements in store service quality through human resources education. This program is being promoted on a worldwide scale, and the Showa Shell Group is one of its users. The program consists of a comprehensive support program for improving store service quality, including cleaning programs and customer questionnaires. It even contains a reward program for providing recognition to service stations that have created noteworthy results. Showa Shell is employing both the international version of the SPAT Global program and one tailored for the Japanese market. Through this program, we are able to share the Shell Group's globally recognized best practices with affiliated service stations while increasing motivation and thereby improving quality at all service stations associated with the Group.

In addition, we introduced the "Shell EasyPay" service in 2012 with the aim of further enhancing the convenience of our service stations. Shell EasyPay employs an IC-mounted keyholder to allow fueling and payment to be conducted simply by placing the keyholder next to specialized readers on gas pumps and pressing the "confirm" button. In this manner, Shell EasyPay makes fueling at self-service stations substantially quicker and more efficient. Furthermore, if customers use a "Shell Starlex Card" to make credit purchases, they can receive cash-back rewards based on



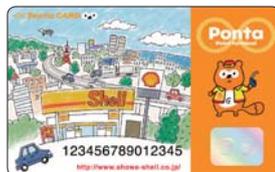
the purchase amount. Customers paying with cash can accumulate helpful reward points usable at Lawson, Inc.'s convenience stores chain or various other affiliated stores if they use the *Ponta* joint point card. In this manner, we provide different cards to reward customers based on their payment method.

Expanding Construction of Disaster-Proof Service Stations

Showa Shell's service stations play an important role in responding to large-scale natural disasters by supplying fuel to emergency response vehicles and other means. To ensure that these duties can be performed, Showa Shell is constructing disaster-proof service stations. These facilities have their own backup power generation equipment and water tanks, so that they can supply oil products and water for residential use if infrastructure services are disabled by disaster. As of December 31, 2013, Showa Shell had a total of 44 disaster-proof stations throughout Japan.



"Shell EasyPay" payment system that employs a keyholder-like device containing a contactless IC chip



Ponta joint point card



New Shell Starlex Card



Disaster-proof service station

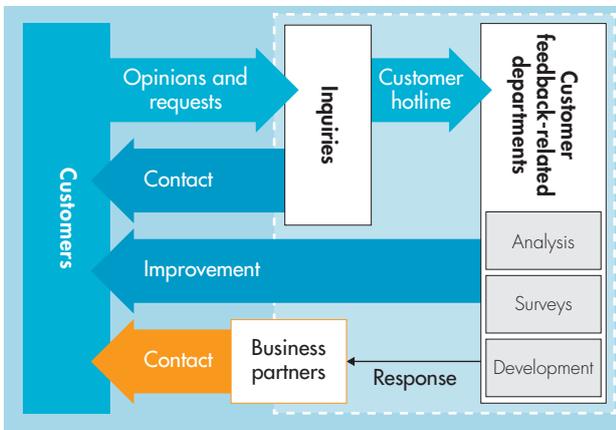
Responding to Customer Feedback

Recognizing the importance of promoting interactive communication with customers, Showa Shell has established a customer hotline to respond to queries involving service stations, fuel oils, cards and other topics. In 2013, this hotline received more than 11,000 telephone queries, 85% of which were related to cards. For the highly specialized fields of lubricants and solar modules, we have established separate hotlines staffed by employees that are well versed in these subjects. In 2012, over 21,000 calls were received with regard to lubricants and more than 31,000 calls were received in relation to solar modules. In particular, the number of calls related to solar modules showed a significant increase from 2011.

Opinions and requests are shared internally to help us reevaluate and improve our business operations. In addition, we perform regular checks on response levels and conduct training to ensure that hotline staff members are able to respond to queries promptly and accurately.

Furthermore, on the Company's website, we have established a specialized form that enables users to submit opinions or requests regarding website content. Submissions warranting improvement or response are quickly communicated throughout relevant divisions.

Flow of Information from Customers



Conducting Responsible Manufacturing and Ensuring the Quality of Oil Products

Targeting higher levels of customer satisfaction, Showa Shell is constructing quality management systems that allow it to conduct uniform quality management across the entire supply chain, from the moment crude oil is received to the point when it is finally turned over to the customer in product form. Information on the chemical substances contained in our oil products is managed in compliance with both domestic and international regulations, and safety data sheets are updated as appropriate. Through these efforts, we ensure that customers always have access to accurate information.

Our Manufacturing Division has acquired certification under the ISO 9001 international quality management standard, and we are improving our quality management systems accordingly. In addition, we employ the unique and advanced quality management methods of the Shell Group. In this manner, we are working to supply products with levels of quality that satisfy customers to an even greater extent.

As a Groupwide measure, the Product Safety Sub-Committee meets quarterly to discuss initiatives for improving product safety and ensuring product quality. This committee utilizes examples of quality management initiatives from within the Group as well as related insight from the Shell Group to strengthen quality management systems.

Conducting Responsible Manufacturing and Ensuring the Quality of CIS Thin-Film Solar Modules

As part of its production and quality management efforts, subsidiary Solar Frontier K.K. has adopted an automated management system developed in accordance with the procedures stipulated by ISO 9001. This system allows solar modules to be tracked throughout all the stages they pass through before reaching the customer by means of a serial number displayed on the module in the form of a 2D bar code. In addition, Solar Frontier guarantees the output of solar modules installed on residences in Japan for 20 years. With this guarantee, in the event that the electricity output of installed solar modules falls below a certain predetermined level, Solar Frontier agrees to install additional modules, repair them or replace them free of charge. In 2012, Solar Frontier acquired the JETPVm certification mark (JIS Q 8901) for reliability assurance systems. This new certification is granted by the Japan Electrical Safety & Environment Technology Laboratories (JET) to solar module manufacturers that have developed appropriate systems for ensuring the long-term reliability and quality of solar modules. We also provide a 10-year guarantee on peripheral equipment, such as power conditioners and connection boxes.



Together with Our Shareholders and Investors

Showa Shell provides timely and accurate disclosure of information for shareholders and other investors. In addition, we conduct proactive investor relations (IR) activities to practice reciprocal communication.

Delivering Information for Shareholders and Investors

We explain our business environment and performance to securities analysts and institutional investors at quarterly presentation meetings (including telephone conferences) for performance announcements as well as at individual meetings. Also, in 2013 we held the Top Seminar at which the Company's senior management explained its management strategies. Furthermore, in 2014 we began distributing audio data from presentation meetings (audio data available in Japanese only) on our website.

For individual shareholders and investors, management explained financial performance in fiscal 2013 and business strategies at the 102nd General Shareholders' Meeting held on March 27, 2014. In addition, we publish a business report booklet for shareholders (in Japanese only), which is released every six months and contains an overview of our performance and business activities. Furthermore, as we hope to incorporate the opinions of shareholders into our management and IR activities, we issue shareholder questionnaires that can be submitted either by mail or through the Company's website. In 2013, more than 5,200 shareholders, representing 11% of the total number of shareholders, responded to these questionnaires.

In 2012, the results of shareholder questionnaires indicated shareholders' strong desire for more-robust information disclosure through our website. For this reason, we have been improving our website. We revised our "Investor Relations" section of our website to provide easier access to pages that shareholders and other investors are particularly interested in, such as those containing financial results and related presentation materials. In addition, we began delivering a new "Market Update" page that provides continually updated information on the Company's business environment as well as audio data from presentation meetings (audio data available in Japanese only).

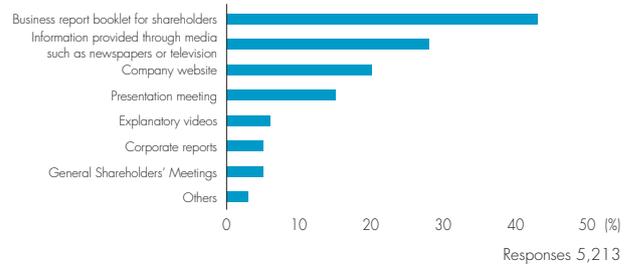
<http://www.showa-shell.co.jp/english/ir/index.html>



2013 Shareholder Questionnaire Responses

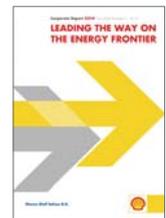
In 2013, we received requests to provide information regarding a wider range of topics. The Company will work to provide more-timely and accurate disclosure of information regarding the changing market environment and measures to improve corporate value in this environment.

Which information provision tool or opportunity would you most like to see enhanced? (Check all that apply)



Publication of Corporate Reports

The Showa Shell Group began publishing corporate reports in 2012 with the aim of providing stakeholders with a more comprehensive view of its management strategies and the initiatives based thereon. In addition to information on business activities and financial performance, these reports contain information on the management resources that support the Company's sustainable growth—namely its human resource, technologies and health, safety, security and environment (HSSE) promotion systems. Detailed CSR-related information is contained in the Company's CSR books, which are made available on its website.



Inclusion in SRI Indexes

In January 2014, the Company was newly chosen for inclusion in the Morningstar Socially Responsible Investment Index, a socially responsible investment (SRI) index. In addition, the Company has been selected for the FTSE4Good Index, another SRI index, for 10 consecutive years starting in 2004. Both indexes chose companies for inclusion based on the extent to which their business complies with certain international SRI standards, thereby encouraging SRI-minded investors to invest in these companies.



Together with Our Employees

The people that implement management strategies and formulate visions of the ideal energy industry are an invaluable resource in Showa Shell's ongoing quest to respond to society's energy needs as a pioneer in its field.

Showa Shell's Talent Vision defines the credo and behavioral guidelines to which we expect employees to adhere. Based on this vision, we are fostering human resources and developing a comfortable workplace environment with the aim of maximizing the potential of all employees, who possess a diverse range of skills and capabilities.

Message from Corporate Executive Officer in Charge of Human Resources

Society has long depended on oil for its energy, but this is all beginning to change as a result of environmental issues and technological progress. Aiming to respond to this change, Showa Shell is branching out from its traditional supply base focused on oil products to transform into an energy supply company that can provide solar modules, electricity and solutions in other new energy fields. Our search for new power supplies is leading us to ally and compete with companies from other domestic industries, and simultaneously forcing us to take part in the unprecedented competition that is spreading across the global stage and involving companies from around the world. In this harsh environment, achieving the goals of our management strategies will depend greatly on the human resources responsible for implementing these strategies. We therefore realize that our ability to grow and develop as a company will not exceed the extent to which our human resources are able to grow and develop.

Based on this realization, we established the Talent Vision in 2011. This vision defines the type of human resources needed by Showa Shell, and we have devoted significant effort to strengthening human resources in accordance with this vision. Specifically, we have restructured our employee education systems and revised company-wide employee evaluation frameworks. As a result, systems for providing voluntary career development opportunities to all employees, regardless of nationality, gender or age, are steadily taking root in the Company, as are systems for helping these employees realize their full potential and for accurately evaluating their efforts.

We also recognize the importance of developing a workplace environment and welfare systems that can support a diverse range of human resources and draw out their potential. To this end, we are revising our various work-life balance support systems to help all employees find a flexible and efficient work style that matches their lifestyle. To reiterate, human resources will be crucial for the Company to create value over the medium to long term. Going forward, we will continue to refine our education and support systems to build a strong team capable of surmounting the challenges to come.



Katsuaki Shindome
Corporate Executive Officer

Talent Vision and Education Systems

Our Talent Vision defines the credo and behavioral guidelines that we expect employees to adhere to as we strive toward sustainable growth and development to realize Showa Shell's medium-term management vision. The three pillars of this vision are Initiative, Outbound and Team Spirit. These are the characteristics we intend for our employees to share, regardless of age, qualification or position.

Aiming to cultivate the type of employees described by the Talent Vision, we have developed education systems based on the following three development areas. We also provide opportunities for employees to pursue skill development of their own volition.

Development of competency and way of thinking:

Training in this area is designed to cultivate the traits we expect of employees based on rank. Posttraining development is emphasized, and employee education is pursued through coordination

with supervisors and the human resource division.

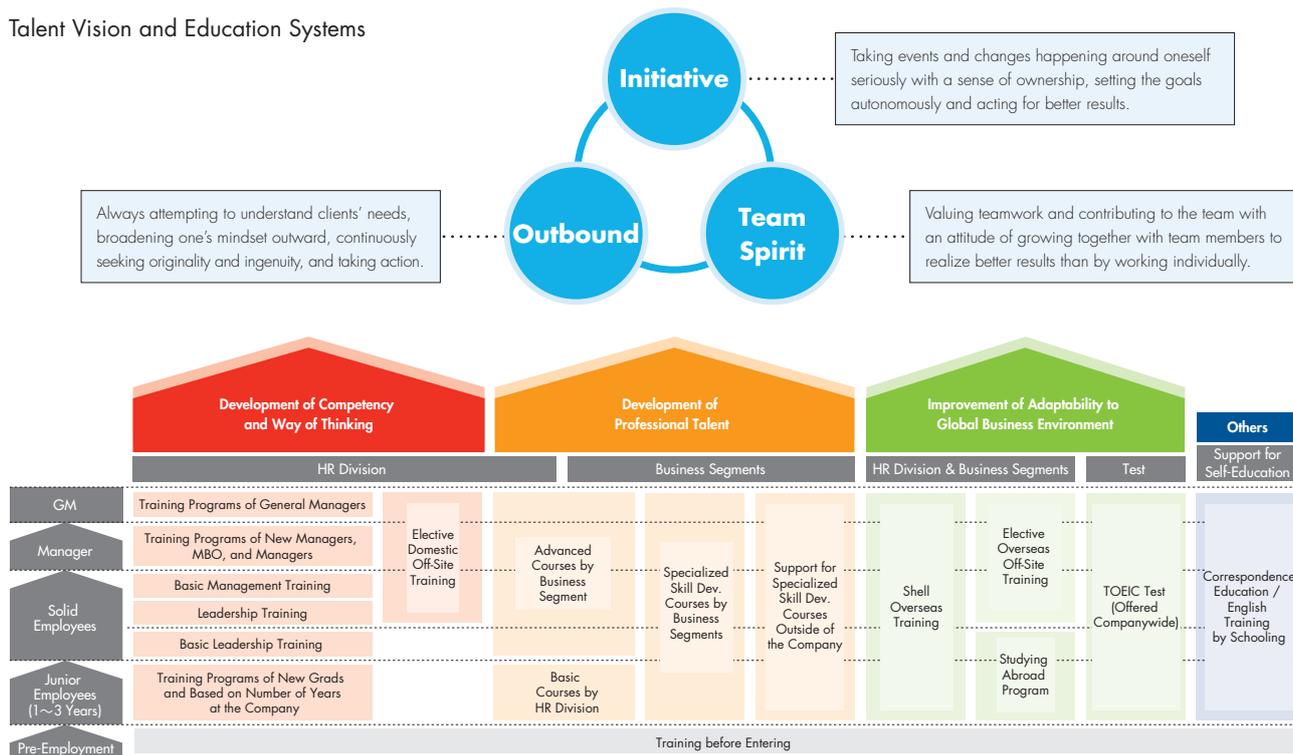
Development of professional talent:

Training in this area is meant to help employees view their work from a wider perspective. These programs endow employees with basic knowledge of the energy business as well as specialized expertise regarding areas such as crude oil procurement, refining, and legal affairs.

Improvement of adaptability to an ever increasing global business environment:

Training in this area is geared toward cultivating employees that can generate impressive results even overseas. Initiatives include personnel exchanges with the Shell Group as well as enrollment in overseas universities and language programs.

Talent Vision and Education Systems



Creation of a Worker-Friendly Environment

Respect for Human Rights

Showa Shell's Code of Conduct requires us to conduct business as a responsible member of society, observe laws and respect fundamental human rights. We respect the human rights of our workers and of all our other stakeholders. We adhere to international labor standards, such as those forbidding child labor, and promote initiatives to create opportunities for fair and impartial treatment eliminating discrimination, on many fronts: from hiring, transfers, treatment and educational opportunities to retirement.

As a hiring initiative, we employ a Fair Hiring and Human Rights Director year-round. Furthermore, in accordance with the Policy for Diversity and Inclusiveness, we hire employees based on their compatibility with the Talent Vision, regardless of their nationality, gender or disability status.

Systems to Promote a Work-Life Balance

The Company is committed to establishing a workplace environment that enables all employees to fully exercise their skills, and we supply a range of support programs that exceeds legally required levels. We have a flex-time system in which work hours are balanced monthly, and we introduced a telecommuting system in 2008. Both of these programs are being actively utilized by employees raising children. In addition, we have a shortened work hour system targeted at employees raising children or nursing family members, and are enabling employees to work flexibly in accordance with their individual circumstances

Employment Statistics

(Showa Shell on a non-consolidated basis)

* As of December 31, 2013

Number of employees	953
Percent of employees that are female	22.4%
Number of managers (including executives)	223
Percent of managers that are female	2.2%
Average age	44.5 years old
Average length of employment	20.5 years

Hiring Statistics

(Showa Shell on a non-consolidated basis)

* As of December 31, 2013

Number of new graduates hired in 2013	21
Women among new graduates hired over past 5 years	40.1%
Non-Japanese among new graduates hired over past 5 years	3.3%
New graduate retention rate (percentage of new graduates hired in April 2011 that were still employed in April 2014)	95.7%
Number of mid-career personnel hired in 2013	15

and lifestyles. For these efforts, Showa Shell has received the next-generation certification mark known as "Kurumin" that is awarded by Japan's Ministry of Health, Labour and Welfare to companies that are supportive of child rearing. We have received this certification every year since 2007, including 2013. To further encourage the use of these programs going forward, we will continue to improve the programs themselves while also cultivating a corporate culture that is conducive to their use. We will do this while maintaining an accurate understanding of social expectations and employee needs.

Key Systems that Promote Work-Life Balance

All employees	
Annual paid vacation	Employees are awarded paid vacation every year, based on their length of service (max. 21 days/year). Paid vacation can be taken in half-day increments.
Annual carried over paid vacation	Employees can carry over the unused portion of their annual paid vacation to the following year (max. 31 days/year).
Flextime	Employees are allowed to flexibly determine the number of hours they will work each day.
Self-development leave of absence	Employees can take a maximum of two years off to develop their professional skills.
Community service leave of absence	Employees can take a maximum of two years off to engage in volunteer activities.
Community service leave	Employees can take special paid leave to engage in volunteer activities (max. 3 days/year).
Lay judge and prosecution councilor leave	Employees are given as many days of paid leave as necessary to perform lay judge or prosecution councilor duty.
Employees giving birth or caring for children	
Maternity leave	Employees can take special leave to give birth starting six weeks prior to their due date (14 weeks in the case of multiple births) and continuing until eight weeks after delivery.
Paternity leave	Employees can take two days of special paid leave when their spouse gives birth.
Childcare leave	Employees can take childcare leave until their child's second birthday.
Shortened-work hour	Employees can shorten their daily work hours by a maximum of two hours per day (until their child starts elementary school).
Telecommuting	Employees can work from home one day per week (until their child starts 4th grade).
Leave to care for a sick child	Employees can take 10 days per year of special paid leave to care for a sick child (until the child starts elementary school). The leave can be taken in full-day, half-day or one-hour increments.
Employees caring for family members	
Family care leave of absence	Employees can take leave for a maximum of one year per family member requiring care (can be taken in separate blocks of time).
Family care leave	Employees can take 10 days per year of special paid leave to care for a family member. The leave can be taken in full-day, half-day or one-hour increments.
Shortened-work hour	Employees can shorten their daily work hours by a maximum of two hours per day (for a maximum of three years).
Telecommuting	Employees can work from home one day per week (while providing care for a family member).

Work-Life Balance Support Systems and Usage Numbers

* Figures in parentheses indicate number of men

	2011	2012	2013		2011	2012	2013
Childcare or nursing care leave	5 (1)	11 (1)	23 (3)	Telecommuting	4 (1)	5 (1)	4 (0)
Shortened working hours for childcare or nursing care	4 (1)	3 (0)	9 (1)	Self-development leave of absence	1 (1)	2 (1)	3 (0)
Leave to care for a sick child	27(17)	27(16)	35(19)	Community service leave	2 (2)	0	0
Family care leave of absence	14 (6)	15 (8)	23(11)				

Discussions with Labor Unions

We engage in discussions with our labor unions on a regular basis. These discussions are held on a variety of themes, including management issues, workplace culture, workflow improvement and work-life balance. Through intensive discussions, we exchange opinions regarding issues faced by management and employees, consider possible solutions and otherwise seek out ways of creating a workplace environment in which all employees can utilize their skills to the fullest extent. The Integrated Human Resources Division emails the results of such discussions to all employees, and these results are also posted on our intranet.

Reemployment of People Retiring at Retirement Age

We have in place a reemployment system for reemploying ambitious and capable people aged 60 and over, putting the knowledge and expertise they have accumulated over the course of their careers to good use. In 2013, 67% of employees that retired after reaching the normal retirement age of 60 expressed the desire for reemployment.

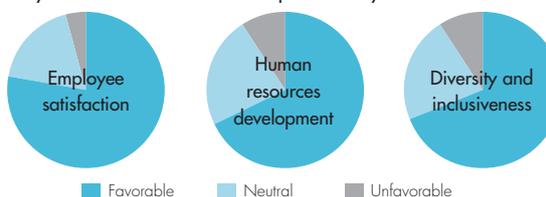
Employing Differently Abled People

We are actively developing a workplace environment in which differently abled people can work to their fullest. Going forward, we will continue to advance initiatives for the utilization of a diverse range of human resources.

Employee Opinion Surveys

Employee opinion surveys are instituted each year. The questions presented in these surveys are the same for the Shell Group, and include questions related to issues with management or particular divisions and improving workplace environments. In 2013, 96.0% of employees responded to these surveys. Division-specific issues discovered through responses are discussed at related operating sites under the guidance of division heads, and improvements are pursued thereafter.

Key Results of the Shell People Survey



Together with Our Business Partners

Showa Shell aims to build strong relationships with its contract dealers, retailers, affiliate companies and other business partners. To this end, we have established regulations and guidelines for socially responsible procurement. In addition, we share insight about the business environment and our business vision with business partners and support these partners in educating their employees. In these manners, we are working to practice CSR with the cooperation of our business partners throughout the supply chain.

CSR- and HSSE-Minded Procurement

Working together with its business partners, Showa Shell is committed to contributing to the realization of sustainable growth for itself and the whole of society. To this end, we conduct fair procurement practices and strive to build stronger trust and deeper relationships with business partners while seeking mutual improvements in cost competitiveness. By growing together with our business associates, we hope to form lasting partnerships.

The Company conducts all of its business activities in accordance with its Code of Conduct. Accordingly, this code guides procurement activities. Furthermore, we practice strict compliance to relevant laws and regulations as well as internal rules when conducting procurement, and due consideration is paid to CSR and HSSE concerns. We also expect business partners to consider CSR and HSSE issues, and before commencing dealings with new business partners we ask them to agree to adhere to relevant laws and regulations as well the Company's Code of Conduct, General Rule for Procurement and Procurement Guidelines.

Partnership with Contract Dealers

Providing a stable supply of petroleum products requires cooperation with numerous business partners. Showa Shell's contract dealers are particularly important partners, as they spearhead our brand and maintain close ties with local communities. They play an important role in providing products and services through direct communication with customers.

In each business field, such as fuel oil, lubricants, asphalt and LPG, we have a "Showa Shell Dealers' Association," consisting of the contract dealers. Through this association, we raise awareness and insight about the business environment and share our sales strategies. We also hold training sessions and sales skills competitions to facilitate information sharing and reciprocal development between Showa Shell and our contract dealers, as well as between contract dealers themselves.

We also recognize that the contract dealer employees who are in sales and talk with customers have an important role in supporting our brand. These include staff at service stations, who contribute to a safe and convenient motoring environment for our customers, and staff involved in the sale of lubricants, asphalt and LPG to various industries. The Showa Shell Group understands that gaining more trust from customers for its technologies and services is an important way to boost value and garner customer support, as is the provision of timely product proposals that address customer needs. To improve capabilities in these areas, we have in place internal qualification and training programs that are designed to enhance staff expertise as well as their technical knowledge.

Showa Shell is working in partnership with contract dealers to provide a stable supply of value-added products and services so we remain our customers' first choice and grow together.



Certification Programs for Showa Shell's Contract Dealers

Showa Shell Royal Manager Certification Program

As one of Showa Shell's principal certification programs, this program aims to develop storefronts to earn the trust of customers, and to cultivate leaders who will be able to manage Showa Shell's service station network. With more than 30 years since its launch in 1979, the first class of the Showa Shell Royal Manager (SRM) certification program has earned a strong reputation as one of the toughest programs offered in the industry. Every year, SRM-certified managers come together at the National SRM Meeting, which is designed to help participants further develop their skills through the sharing of information and opinions.



Number of managers certified in fiscal 2013

1st class: 12 2nd class: 114 3rd class: 434

Number of certificate holders as of December 31, 2013

1st class: 299 2nd class: 1,869 3rd class: 6,959

Showa Shell Oil Meister Certification Program

Nationally certified auto mechanics can become certified oil experts once they show they have acquired in-depth knowledge of automotive oils by completing Showa Shell's internal training program and through their prior experience.

Number of managers certified in fiscal 2013

152

Number of certificate holders as of December 31, 2013

1,298

Service Driver Certification Program

Certificate holders are primarily staff that are involved in liquefied petroleum gas (LPG) delivery, and who have excellent LPG knowledge, accurate safety knowledge, and strong customer service skills.

Number of managers certified in fiscal 2013

13

Number of certificate holders as of December 31, 2013

114

Showa Shell Car Life Advisor Certification Program

This program offers additional certification to those who have already been certified as Oil Meisters and who also possess automotive knowledge and repair skills, as well as excellent customer communication skills.

Number of managers certified in fiscal 2013

39

Number of certificate holders as of December 31, 2013

387

Sales Manager Certification Program

This program certifies staff members that possess knowledge of the home solutions business, including LPG, are equipped with capabilities to present product and service proposals that meet customer needs and demonstrate excellent leadership skills.

Number of managers certified in fiscal 2013

1st class sales managers: 0

2nd class sales managers: 14

Number of certificate holders as of December 31, 2013

1st class sales managers: 20

2nd class sales managers: 148

Lubricant Expert Program

This program was launched in 1970 to cultivate employees that are able to respond to customer needs for lubricating oils and grease.

Number of managers certified in fiscal 2013

1st class lubricant experts: 7

2nd class lubricant experts: 38

Number of certificate holders as of December 31, 2013

1st class lubricant experts: 136

2nd class lubricant experts: 464

Together with Communities and Society

Showa Shell conducts environmental preservation and international community support activities with an emphasis on supporting the education of the children and young people that will be directly responsible for shaping the future of society. Through these efforts, we are working as an energy solution provider to provide a different type of “energy” to local communities and society as a whole. In this report, we would like to focus on one of these various activities: our environmental photo contest.



Ninth Environmental Photo Contest “Things to Preserve and Correct around Our Town”

In Showa Shell’s environmental photo contest, participants are asked to take pictures of the close-to-home scenery they want to preserve as well as scenes that represent issues they want to correct as soon as possible. These pictures are then submitted together with their comments. Thanks to the support of the Ministry of the Environment and several companies and organizations that also agree with the ideals embodied in the contest, we successfully held our 9th environmental photo contest in 2013. This contest attracted a total of 5,418 participants (5,158 entries in the junior category and 260 in the general category), ranging from first grade elementary school students to adults, with the eldest participant being 84 years old. Furthermore, we have established a school category in which we present awards to entire schools. This branch of the contest has been incorporated into the environmental education curriculum of several schools,

and approximately 200 schools entered this category in 2013. Showa Shell aims to develop this contest into an opportunity for ordinary citizens to look at the scenery around them, become aware of the environmental issues present therein and think of how to resolve these issues. We will therefore continue this initiative going forward.



Winning Submission in the Junior Category of the 9th Environmental Photo Contest

Title: Preciousness of Life



Satoshi Ozaki (14), Okayama Prefecture

Comment: What I would like to preserve is the sight of rhinoceros beetles living happily in the forest, amidst nature’s bounty. What I would like to correct is the sight of their precious lives being given a price tag by humans. Humans abduct these beetles from their home, stuff them in cramped manmade cages and force them to eat artificially created jelly. Humans trap these beetles in this alien environment, only to quickly tire of them. The beetles are then simply discarded after their inevitable death. Am I the only one that thinks this is irresponsible?

Shell Art Award 2013

In 1956, there were almost no independent art awards aside from those associated with group exhibitions. At that time, a foreign Showa Shell executive expressed their desire to provide young artists with the opportunity to display their works. This led to the development of the Shell Art Award, which is offered through a fully open application system.



Support education for the next generation

After being halted on two occasions, the Shell Art Award was recommenced in 2003, and it continues on today. In 2013, we received 1,001 works submitted by 698 artists. These works were evaluated with scrutiny by the discerning eyes of three prominent judges in the art world. In the end, the Grand Prix of Shell Art Award 2013 was presented to Koichi Muto for his



The winner of the grand prize, the artwork "A Scarcity of ..."

submission, *A Scarcity of ...* All 52 award winners were featured at The National Art Center in Tokyo, which received 6,815 visitors during the December 2013 exhibition period.

We hope to continue holding this annual event to contribute to the development of cultural arts in Japan.

Energy Education Program for Children

As an effort to support the education of the next-generation of children, we hold Energy Education Programs for elementary school and junior high school students. Through this educational program we help deepen children's understanding of global warming issues and the importance of energy conservation in preventing this phenomenon as well as of renewable energy.



Support education for the next generation

Environmental preservation activities

These classes are held at elementary schools nearby our headquarters in Daiba and at a training facility neighboring the Niigata Yukigunigata Megasolar Power Plant in Niigata Prefecture. In 2013, a total of 350 students participated in this program. In addition, an Energy Education Program for Family was held at the Niigata Yukigunigata Megasolar in 2013 in conjunction with Niigata City. This event served as an opportunity for families to learn about energy together, and a total of 67 groups consisting of 155 people attended this class. Going forward, this Energy Education Program will be continued as part of our efforts to promote environmental education.

Program Enabling Students from Special-Needs Schools to Experience Our Workplaces

Showa Shell's Kinki Branch has continued to sponsor a workplace experience program in Osaka since 2010. For five-day periods in February and October 2013, special-needs students from a high school participated in a workplace experience program at the branch.



Support education for the next generation

This program primarily focused on administrative activities and inputting information into PCs in the branch's planning section. In addition to deskwork, we gave participants the opportunity to see the dynamic aspects of activities that an oil company undertakes. Through the cooperation of our Kobe Plant and the Suma Self-Service Station of Daiei Oil Co., Ltd., students were able to observe processes for producing and distributing lubricants, unloading from tankers, loading product onto piers and into trucks and sales activities at the service station. Including 2013, the Kinki Branch has hosted special-need students a total of four times. The program once again provided a good opportunity to reaffirm the importance of growing and learning together with the community, and we plan to continue these activities into the future.

Sponsorship for Christmas Lectures

In 2013, Showa Shell helped sponsor the "Christmas Lecture" with the Royal Institution of Great Britain as one of its efforts to support education for the next generation. This yearly Christmas event involves holding science lectures for youths in London, England, and similar lectures are held in Japan each summer. The 2013 lecture was conducted by Dr. Peter Wothers of University of Cambridge and chairman of the International Chemistry Olympiad's Steering Committee. Dr. Wothers personally visited Japan to conduct lectures at two locations, the Tokyo University of Science and Nagoya University, over a period of two days. The experiments he performed thrilled the aspiring scientists in attendance with startling noises and pyrotechnics.



Support education for the next generation

Teruha no Mori Ongaeshi Forest Support Project

Aya no Shoyo Jurin Forest is located in Miyazaki Prefecture, northwest of the Kunitomi Plant, the flagship solar module manufacturing plant of Solar Frontier K.K. In July 11, 2012, this lush evergreen forest was registered as the fifth UNESCO eco-park in Japan. The Kunitomi Plant benefits from the rich natural bounty of this forest by using its groundwater.



Environmental preservation activities



The Kunitomi Plant entails thinning trees that have been introduced into the forest, such as Japanese cedar (*Cryptomeria japonica*) and Japanese cypress (*Chamaecyparis obtusa*). This thinning enables more sunlight to reach the indigenous fauna, and is thereby anticipated to facilitate the natural development of the evergreen forest and allow it to grow even more majestic. In 2013, Solar Frontier employees participated in this project for the first time, and a total of 31 volunteers were assembled. Going forward, these activities will be continued as part of the Company's contributions to local communities and the greater society.

Participation in TABLE FOR TWO Cafeteria Charity Program

Showa Shell has introduced the TABLE FOR TWO program into its employee cafeterias. When employees order a healthy dish from the TABLE FOR TWO menu, a portion of their meal price will be donated to fund school lunch programs for children in developing countries through NPO TABLE FOR TWO International.



International community support activities

Support education for the next generation

This program places social contribution close-at-home for employees, making it easier for them to lend aid, and also helps them improve their own health through the provision of healthy food.

This program was started in December 2013 in the cafeteria of Showa Shell's Daiba headquarters building. We continue to conduct the TABLE FOR TWO to provide Showa Shell and its employees an opportunity to take part in social contribution together.

* Photograph provided by TABLE FOR TWO International

Provision of Office Space for Refugees International Japan

Showa Shell and Shell Chemicals Japan have been providing support in the form of free office space to Refugees International Japan (RIJ), a nonprofit organization (NPO) dedicated to raising funds to assist refugees, since its inception in 1979. RIJ raises money through the sales of greeting cards and crafts and through other fundraising campaigns, and provides emergency food and medical support and education support for refugees to find a path toward self-sufficiency. Showa Shell endorses the activities of RIJ, and intends to support them into the future.



International community support activities

RESULTS AND REVIEW OF CSR ACTIVITIES IN 2013

Listed below are the fiscal 2013 CSR achievements and our future objectives, divided under the headings of “HSSE and Compliance” and “Stakeholder Communications.” Showa Shell will continue to work toward achieving its objectives.

Future objectives	Objectives	Rating
Corporate governance and internal control systems	Identify and consolidate risks for the whole Company, clarify risks inherent to particular departments, organize and integrate individual risks, and conduct reviews focused on risks with potentially greater impact.	★★★
	As a strategy to increase usage of the intranet in order to further promote compliance, aim for a synergistic effect through links to web-based learning, regularly updating such features as non-compliance case studies and providing information effectively and efficiently. Set up usable sites at affiliate companies and work to increase understanding and awareness of compliance.	★★
HSSE and Compliance	H : Hold consultations with clinical psychologists and conduct HSSE seminars to help prevent mental health problems.	★★★
	S : Adopt and ensure adherence to the Shell Group's Life-Saving Rules in addition to current measures and make a Companywide effort to achieve zero accidents.	★★★
	S : Test and continuously improve effectiveness of the crisis management plan (CMP) and each division's business continuity plan (BCP) through comprehensive crisis management drills and other activities.	★★★
	E : Maintain zero emissions at refineries and continue to promote ECO TRY 21 activities, which include the conservation of energy in offices and reduced usage of resources.	★★★
Fostering of human resources and development of a comfortable workplace environment	Implement the Fourth Action Plan for General Business Owners from April 2013, and under this plan aim to increase the percentage of people using systems that support a work-life balance and further invigorate the workplace.	★★★
	Continue to attract diverse human resources (new graduates, mid-career professionals, non-Japanese workers, workers with disabilities) in order to ensure lasting corporate growth and development in a continually changing environment.	★★★
	Increase employee awareness and realize objectives of the Talent Vision through training and measures that provide opportunities for growth.	★★★
	Cultivate global human resources by promoting exchanges of personnel within the Shell Group and providing opportunities for overseas training and English-language improvement.	★★★
	Conduct 10th Shell People Survey, define actions on the issues that the Group needs to work together to surmount and strive to realize a worker-friendly environment.	★★★
Contribution to local communities	Raise environmental awareness among children through the Environmental Photo Contest, and broaden the environmental movement by holding a traveling exhibition.	★★★
	Raise the value of the Shell Art Award display as an entrance point into the art world for young artists and continue to make contributions to art.	★★
	Continue jointly sponsoring research with IR3S.	★★★
	Expand number of opportunities for supporting education of the next generation.	★★★
Together with our customers	Conduct nationwide <i>Ponta</i> campaign in 2013. We also plan to boost convenience of use and increase our number of customers by continuing to focus efforts on measures to encourage new customers to visit <i>Ponta</i> member stores.	★★★
	Begin service which allows customers to apply for the “Shell EasyPay” service at the same time as applying for our credit card, “Shell Starlex Card.” We also plan to launch “Shell EasyPay” in 2013 at service stations that offer full service, further solidifying our customer base.	★★★
	Convert 43 service stations to make them disaster-proof with emergency power and water storage facilities, so they can continue to supply fuel even if a disaster occurs. In 2013, we will continue to actively support contract dealers that make use of the “core service station” government assistance scheme.	★★★
Together with our business partners	Strive to promote close communication with contract dealers through quality assurance activities and meetings for specific fields of business. Promote staff training and improve services to customers by implementing human resource development programs and holding competitions for contract dealer employees.	★★★
	Continue to proactively operate certification and training systems to build contract dealer staff expertise and technical skills and contribute to enhancing customer satisfaction through solid human resources.	★★★
	Have all executives perform HSSE visits to workplaces, continue to promote the Safety & Quality First (SQF) Campaign throughout the Group, adopt and ensure adherence to the Group's Life-Saving Rules and thoroughly eliminate occupational accidents and quality failures.	★★★
Together with our shareholders and investors	Improve delivery of information to and communication with shareholders and investors in various ways, including further enhancement of published materials and our website.	★★★

Summary of achievements in 2013

- Held hearings with each individual division to identify current risks needing to be addressed, categorized risks into shared risks pertaining to the whole company and compliance risks, and thereby clarified and reviewed risks for all divisions.
- Posted participant numbers for web-based learning program, held twice a year, and results of related questionnaires on "Compliance Room" intranet site together with past issues to generate synergies by sharing information throughout the Company. Set up similar sites usable at affiliate companies through which information is provided efficiently and effectively by posting monthly news articles, legal revisions and non-compliance case studies as well as educational materials.

H: Occupational illnesses in 2013: 0

- Number of employees taking days off or extended leave due to illness decreased.
- Conducted mental health training in 2013, lectures conducted on how to approach people judged to be in bad mental health by clinical psychologists and people returning from extended illness leave.

S: Introduced the Shell Group's Life-Saving Rules in January 2013, and promoted Groupwide awareness in conjunction with Goal Zero movement and HSSE site visits by executives.

Total recordable case frequency (Incidence rates (%) are per 1 million labor hours)

- 2012: 1.4
- 2013: 1.0

S: Conducted comprehensive disaster response drill simulating an earthquake striking directly below the Tokyo metropolitan area to test and continuously improve effectiveness of the CMP and each division's BCP.

E: Achieved zero emissions (final disposal ratio of less than 1%) by selling disposable catalysts at Group refineries and work sites, recycling plastics and conducting other ongoing industrial waste reduction activities. Reduced electricity and water usage volumes at offices and promoted electricity conservation by reducing the number of copy machines and applying insulating films to office building windows.

- Provided opportunities to deepen understanding of work-life balance systems in 2013. Also reviewed employee work patterns, and re-disseminated information on rules regarding overtime and working on holidays to create a workplace environment at which all employees understand and adhere to Company rules.
- Hired a diverse range of employees with differing skills without regard to nationality, gender or disability status in order to boost competitiveness of human resources.
- Conducted training programs through coordination between employees, their supervisors and human resource division to cultivate human resources based on the three pillars of the Talent Vision: Initiative, Outbound and Team Spirit. Enhanced range of voluntary application training programs to create a corporate culture in which employees develop their skills of their own volition.
- Conducted personnel exchanges with the Shell Group and Saudi Aramco, enrolled employees in overseas graduate programs and held voluntary application English education programs. Held new voluntary application seminars utilizing the Shell Group's energy scenarios to cultivate employees capable of viewing matters from a broad perspective and competing on the global stage.
- Achieved response rate of 96.0% in 10th Shell People Survey. Held labor-management discussions to address issues elicited through survey in order to pursue improvements, promote Companywide, cross-divisional communication and achieve operational excellence.

- Held the 9th Environmental Photo Contest, "Things to Preserve and Correct around Our Town," which received 5,418 entries (5,158 in the junior category and 260 in the general category). Displayed winning entries on first floor of the head office and held a traveling exhibition.
- Held Shell Art Award 2013, which received 1,001 entries from 698 artists. Displayed winning works at the Shell Art Award 2013 exhibition in The National Art Center in Tokyo, which received 6,815 visitors during the exhibition period in December 2013.
- Jointly sponsored Energy Sustainability Forum public symposium with IR3S. Conducted integrated social engineering research on achieving energy independence at Sado Island through joint industry-government-academia project.
- Conducted energy classes for a total of 350 students, from elementary, junior high and high schools in Niigata Prefecture and from elementary schools near our headquarters in Daiba. Also held energy workshops for parents and children in which a total of 67 people took part.

- Expanded *Ponta* joint point card compatibility to 2,300 service stations as of December 31, 2013, increasing the range of outlets for customers to use cards. Holders of Showa Shell-issued *Ponta* cards reached 1.7 million, and this number continues to increase.
- Issued "Shell EasyPay" cards to aggregate total of 770,000 users as of December 31, 2013, and this number continues to increase.
- Converted 44 service stations to make them disaster-proof and applied the core service station scheme to 43 service stations (including 35 expressway service stations) as of December 31, 2013.

- Held "Showa Shell Dealers' Association" meetings throughout Japan to strengthen relationships with contract dealers.
- Utilize the SPAT Global Award event as an opportunity to learn from Shell Group retailers and strengthen human resources in order to boost service station competitiveness.
- Strengthened and cultivated human resources through various education systems, programs and tools, including certification systems and training programs.
- Conducted HSSE site visits by executives in 2013 focusing on the Life-Saving Rules as a safety measure. Executives visited 70 sites to share understanding of issues with on-site employees and raise HSSE-related performance.

- Expanded information disclosure of supporting materials for the quarterly results available on the Company's website. Bolstered contents of and published the corporate report and business report booklets for shareholders.
- Created "Market update" page on our website and update it continually to reinforce information delivery.

ISO 26000 COMPARISON TABLE

Pages addressing issues core to ISO 26000	Issue	Pages
Organizational Control	<p>Issue 1: Organizational Control and Corporate Governance</p>	<p>Corporate Governance</p> <ul style="list-style-type: none"> • Corporate Governance Structure ⇒Page 20 Initiatives to Date Forward-Thinking Initiatives • Executive and Audit & Supervisory Board Member Remuneration ⇒Page 21 • Outside Directors and External Audit & Supervisory Board Members ⇒Pages 21 and 22 • Internal Control System ⇒Pages 22 and 23 Compliance Risk Management • Information Disclosure ⇒Page 23 • Interviews with Former Outside Director and External Audit & Supervisory Board Member ⇒Pages 24 and 25 <p>HSSE</p> <ul style="list-style-type: none"> • HSSE Definitions ⇒Page 4 • HSSE Measures to Ensure Safe Operations and Stable Supply ⇒Page 4 • HSSE Promotion System ⇒Page 5 • HSSE Management System (HSSE-MS) ⇒Page 5 • Security ⇒Page 8 Disaster Drills at Refineries Crisis Management Measures Fire-Fighting Drills
Human Rights	<p>Issue 1: Due Diligence</p> <p>Issue 2: Crisis Conditions related to Human Rights</p> <p>Issue 3: Preventing Complicity</p> <p>Issue 4: Resolving Complaints</p> <p>Issue 5: Discrimination and the Socially Vulnerable</p> <p>Issue 6: Citizenship and Political Rights</p> <p>Issue 7: Economic, Social and Cultural Rights</p> <p>Issue 8: Fundamental Principles and Rights of Labour</p>	<p>HSSE</p> <ul style="list-style-type: none"> • Health ⇒Page 6 Safety and Hygiene Committees Employee Health Management and Mental Health Health Counseling Desk Status of OHSAS 18001 Certification • Safety ⇒Page 6 HSSE Site Visits by Executives • Safety & Quality First (SQF) ⇒Page 7 <p>Corporate Governance</p> <ul style="list-style-type: none"> • Corporate Governance Structure ⇒Pages 22 and 23 Compliance Risk Management <p>Together with Our Employees</p> <ul style="list-style-type: none"> • Talent Vision and Education Systems ⇒Pages 30 and 31 • Creation of a Worker-Friendly Environment ⇒Pages 31 and 32 Respect for Human Rights Systems to Promote a Work-Life Balance Discussions with Labor Unions Reemployment of People Retiring at Retirement Age Employing Differently Abled People Employee Opinion Surveys
Labour Practices	<p>Issue 1: Employment and Employment Relationship</p> <p>Issue 2: Working Conditions and Social Protection</p> <p>Issue 3: Dialogue with Society</p> <p>Issue 4: Work and Labour Practices</p> <p>Issue 5: Human Resource Cultivation and Training in the Workplace</p>	<p>HSSE</p> <ul style="list-style-type: none"> • Health ⇒Pages 6 and 19 Safety and Hygiene Committees Employee Health Management and Mental Health Health Counseling Desk Status of OHSAS 18001 Certification • Safety ⇒Page 6 HSSE Site Visits by Executives • Safety & Quality First (SQF) ⇒Page 7 <p>Corporate Governance</p> <ul style="list-style-type: none"> • Corporate Governance Structure ⇒Pages 22 and 23 Compliance Risk Management <p>Together with Our Employees</p> <ul style="list-style-type: none"> • Talent Vision and Education Systems ⇒Pages 30 and 31 • Creation of a Worker-Friendly Environment ⇒Pages 31 and 32 Respect for Human Rights Systems to Promote a Work-Life Balance Discussions with Labor Unions Reemployment of People Retiring at Retirement Age Employing Differently Abled People Employee Opinion Surveys
Environment	<p>Issue 1: Preventing Pollution</p> <p>Issue 2: Using Sustainable Resources</p> <p>Issue 3: Mitigating and Responding to Climate Change</p> <p>Issue 4: Environmental Conservation, Biodiversity, and Restoring Natural Habitats</p>	<p>HSSE</p> <ul style="list-style-type: none"> • Environment ⇒Pages 9-17 CO₂ Emission Reductions Realized Through Business Activities Structure for Promoting Environmental Preservation and Medium-Term Environmental Action Plan Important Areas for Reducing Environmental Footprint Preventing Environmental Pollution Waste Reduction Initiatives Preventing Environmental Pollution and Reducing Waste Showa Shell Total Adverse Environmental Impact for 2013 Technology Development for Eco-Friendly Products Activities of the Energy Sustainability Forum Medium-Term Environmental Action Plan (2013-2015) • Status of ISO 14001 (Environmental) Certification ⇒Page 19 <p>Together with Our Business Partners</p> <ul style="list-style-type: none"> • CSR- and HSSE-Minded Procurement ⇒Page 33

Pages addressing issues core to ISO 26000	Issue	Pages
Fair Business Practices	<p>Issue 1: Preventing Corruption</p> <p>Issue 2: Responsible Political Contributions</p> <p>Issue 3: Fair Competition</p> <p>Issue 4: Promoting Social Responsibility throughout the Value Chain</p> <p>Issue 5: Respecting Property Rights</p>	<p>Corporate Governance</p> <ul style="list-style-type: none"> • Corporate Governance Structure ⇒Page 20 Initiatives to Date Forward-Thinking Initiatives • Executive and Audit & Supervisory Board Member Remuneration ⇒Page 21 • Outside Directors and External Audit & Supervisory Board Members ⇒Pages 21 and 22 • Internal Control System ⇒Pages 22 and 23 Compliance Risk Management • Information Disclosure ⇒Page 23 • Interviews with Former Outside Director and External Audit & Supervisory Board Member ⇒Pages 24 and 25 <p>Together with Our Customers ⇒Page 28</p> <ul style="list-style-type: none"> • Responding to Customer Feedback • Conducting Responsible Manufacturing and Ensuring the Quality of Oil Products • Conducting Responsible Manufacturing and Ensuring the Quality of CIS Thin-Film Solar Modules <p>Together with Our Business Partners ⇒Page 33</p> <ul style="list-style-type: none"> • CSR- and HSSE-Minded Procurement • Partnership with Contract Dealers <p>Together with Our Shareholders and Investors ⇒Page 29</p> <ul style="list-style-type: none"> • Delivering Information for Shareholders and Investors
Consumer Issues	<p>Issue 1: Fair Marketing, Unbiased Information and Fair Contractual Practices</p> <p>Issue 2: Protecting Consumer Safety and Health</p> <p>Issue 3: Sustainable Consumption</p> <p>Issue 4: Consumer Services, Support and Complaint and Dispute Resolution</p> <p>Issue 5: Protection of Consumer Data and Privacy</p> <p>Issue 6: Access to Indispensable Services</p> <p>Issue 7: Education and Awareness Building</p>	<p>HSSE</p> <ul style="list-style-type: none"> • Status of ISO 9001 (Product Quality) Certification ⇒Page 18 <p>Together with Our Customers ⇒Pages 27 and 28</p> <ul style="list-style-type: none"> • Efforts at Service Stations • Expanding Construction of Disaster-Proof Service Stations • Responding to Customer Feedback • Conducting Responsible Manufacturing and Ensuring the Quality of Oil Products • Conducting Responsible Manufacturing and Ensuring the Quality of CIS Thin-Film Solar Modules <p>Together with Our Shareholders and Investors ⇒Page 29</p> <ul style="list-style-type: none"> • Delivering Information for Shareholders and Investors • 2013 Shareholder Questionnaire Responses • Publication of Corporate Reports <p>Together with Our Business Partners ⇒Page 34</p> <ul style="list-style-type: none"> • Showa Shell Royal Manager Certification Program • Showa Shell Oil Meister Certification Program • Showa Shell Car Life Advisor Certification Program • Lubricant Expert Program • Service Driver Certification Program • Sales Manager Certification Program
Community Involvement and Development	<p>Issue 1: Community Involvement</p> <p>Issue 2: Education and Culture</p> <p>Issue 3: Creating Employment and Developing Skills</p> <p>Issue 4: Technological Development and Access</p> <p>Issue 5: Creating Prosperity and Income</p> <p>Issue 6: Health</p> <p>Issue 7: Social Investment</p>	<p>Together with Communities and Society ⇒Pages 35-37</p> <ul style="list-style-type: none"> • Ninth Environmental Photo Contest "Things to Preserve and Correct around Our Town" • Shell Art Award 2013 • Energy Education Program for Children • Program Enabling Students from Special-Needs Schools to Experience Our Workplaces • Sponsorship for Christmas Lectures • <i>Teruha no Mori Ongaeshi</i> Forest Support Project • Participation in TABLE FOR TWO Cafeteria Charity Program • Provision of Office Space for Refugees International Japan <p>Together with Our Customers ⇒Page 27</p> <ul style="list-style-type: none"> • Expanding Construction of Disaster-Proof Service Stations

Corporate Report 2014

Corporate Report 2014 contains more-detailed information on the Showa Shell Group's management strategies and business activities.

➤ <http://www.showa-shell.co.jp/english/ir/corporate/index.html>

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