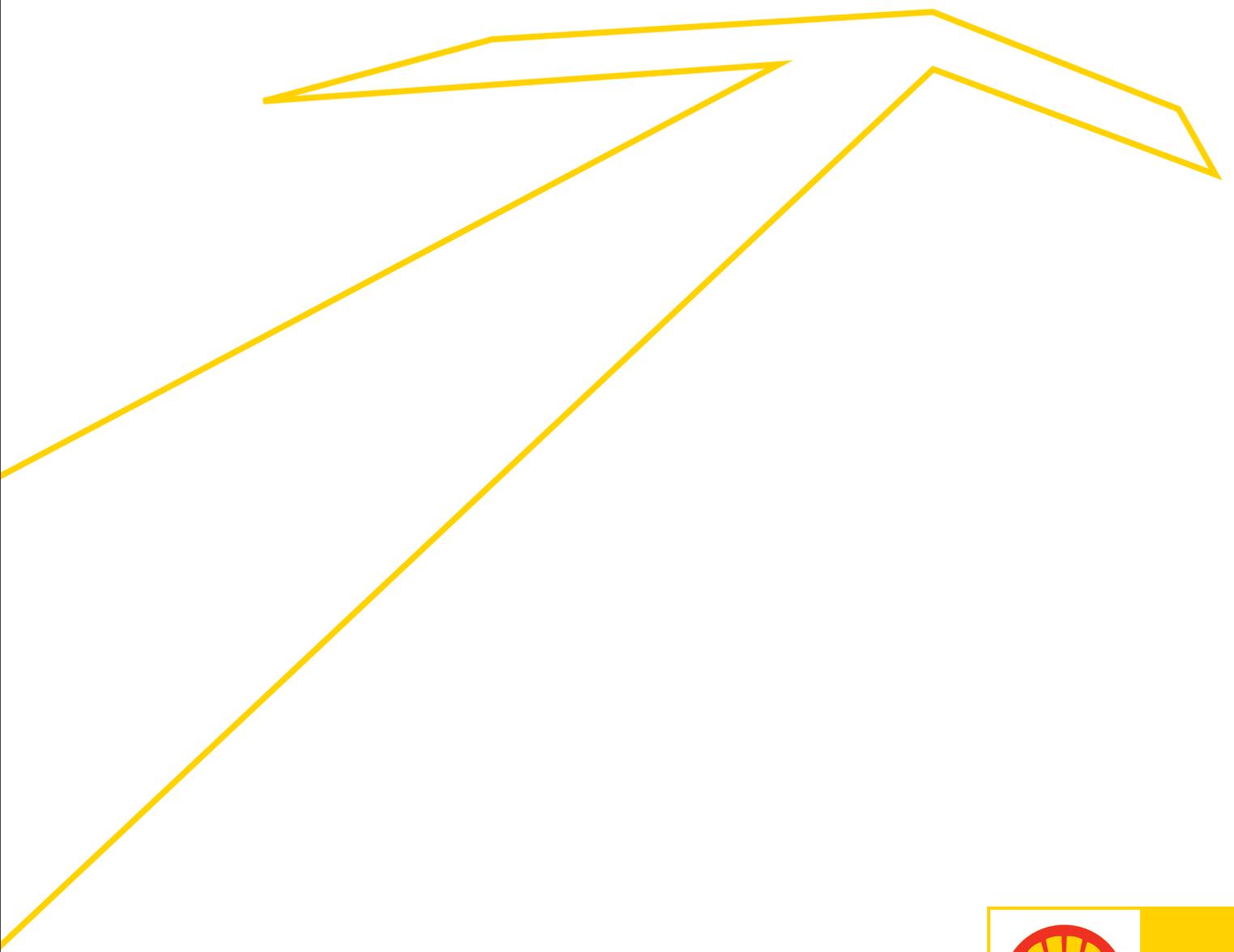


CSR Book 2015



Showa Shell Sekiyu K.K.



ENERGIZING THE FUTURE

Showa Shell's Value Creation

On April 1, 2015, Showa Shell unveiled its new Group Management Philosophy: "With our energy, we energize the future." This philosophy was chosen as it paints a clear and actionable picture of the future of the Showa Shell Group. The new philosophy is accompanied by five corporate principles: Social Responsibility, Customer Focus, Innovation, Vitality, and Sustainable Growth. These are values that we have worked under in the past and that we will continue to leverage into the future. The Showa Shell Group will unite under this new Group Management Philosophy as we help create a sustainable society by providing energy into the future.

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 2015* was made to supplement *Corporate Report 2015* 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 publication is based on corporate performance during fiscal 2014 (January 1, 2014, through December 31, 2014). In some cases, the report also describes activities conducted in fiscal 2015.

Scope of Reporting

In principle, this publication covers the 30 consolidated subsidiaries and 12 equity-method affiliates that constituted the Showa Shell Group as of December 31, 2014. 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 4.0 (G4): International guidelines on corporate sustainability reporting
- International Integrated Reporting Framework Ver. 1.0: International framework for corporate reporting processes based on "integrated thinking" released by the International Integrated Reporting Council

Inclusion in SRI Index (As of May 31, 2015)



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



Management Philosophy

“With our energy, we energize the future.”

Five Corporate Principles

Social Responsibility

We contribute to thriving social development through the steady supply of energy that society needs.

Customer Focus

We aim at being trusted and appreciated by our customers at all times, thinking and acting from their point of view.

Innovation

Through the development of innovative solutions, we constantly challenge the improvement in the quality of our products and services.

Vitality

By combining the energy of people working together, we are able to deliver a corporate culture full of vitality and motivating job opportunities.

Sustainable Growth

For all stakeholders, we manage our company with integrity and pursue sustainable development of society and the company.

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

Contents

2 Business Model

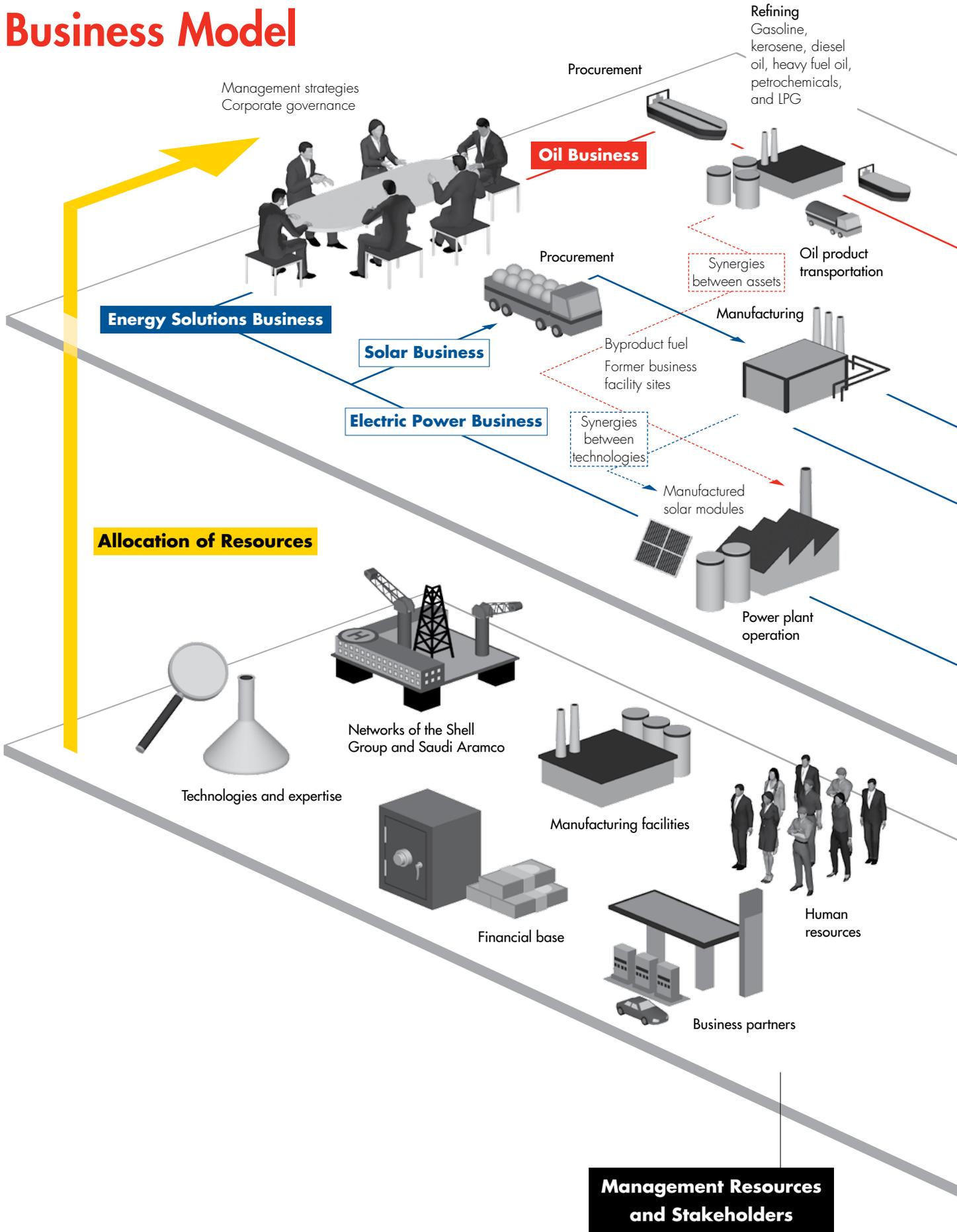
4 HSSE

- 4 HSSE Definitions
HSSE Promotion System
- 5 HSSE Management System (HSSE-MS)
Health
- 6 Safety
Security
- 7 Environment
- 14 Medium-Term Environmental Action Plan (2013–2015)
Status of ISO 9001 (Product Quality) Certification
Status of ISO 14001 (Environmental) Certification
Status of OHSAS 18001 (Occupational Health and Safety Management) Certification

16 As a Company

- 16 Together with Our Customers
 - 20 Together with Our Business Partners
 - 21 Together with Our Employees
 - 28 Together with Communities and Society
 - 31 Together with Our Shareholders and Investors
 - 32 Corporate Governance
- ### 40 ISO 26000 Comparison Table

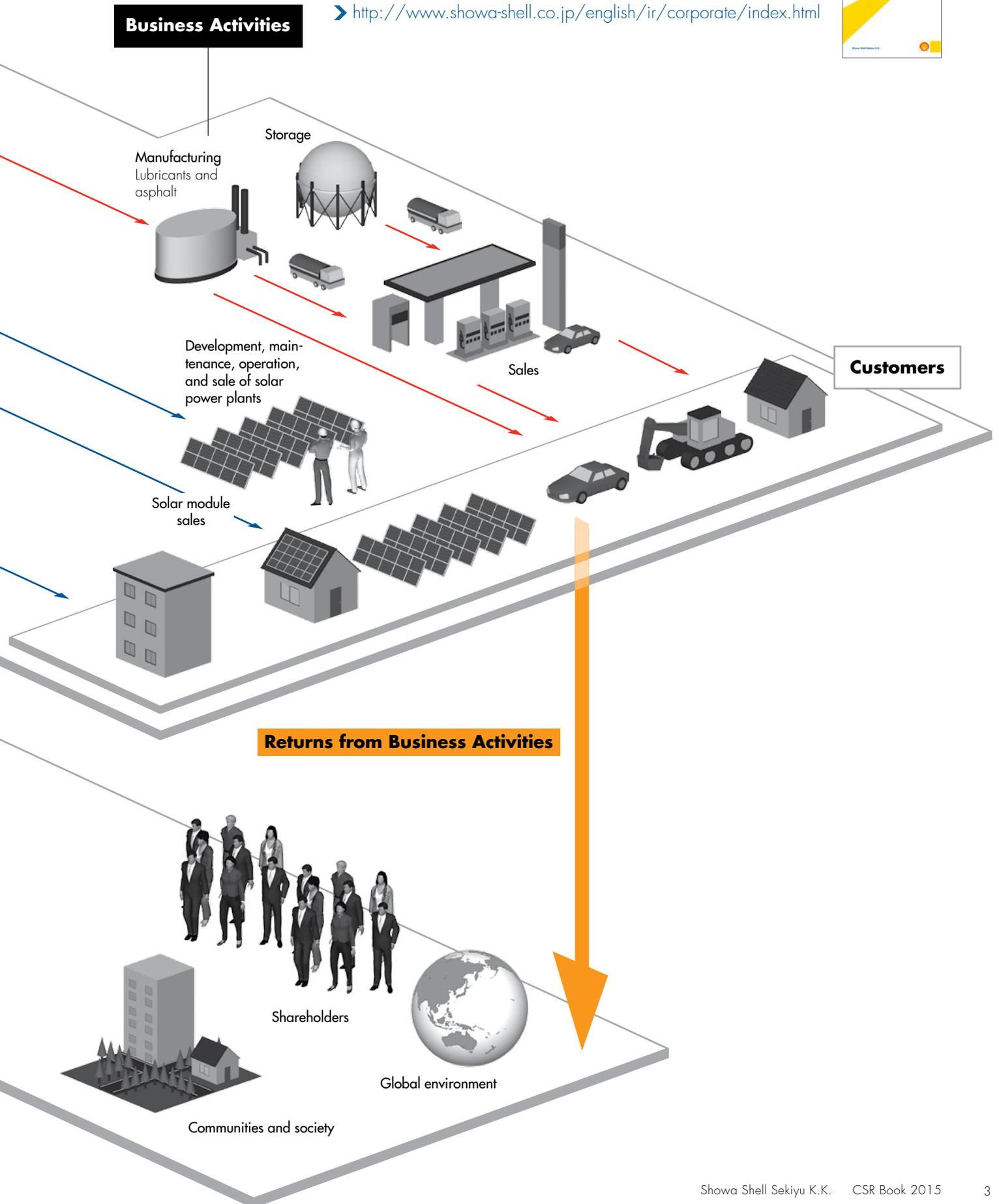
Business Model



Corporate Report 2015

Corporate Report 2015 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>



Establishing Strong Corporate Foundations

In accordance with its Management Philosophy, Showa Shell has formulated the 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.

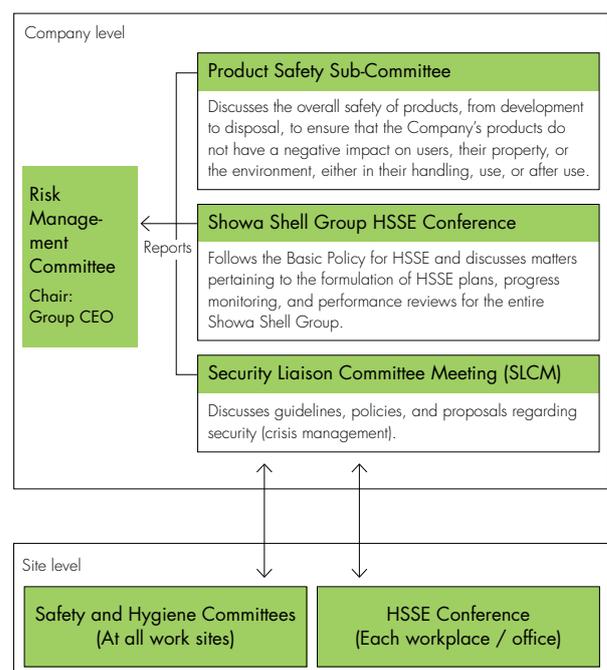
HSSE Definitions



➤ 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 Promotion System

We established the Risk Management Committee to serve as the highest HSSE decision-making body. This 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, which is why Group CEO Tsuyoshi Kameoka chairs this committee and reports important matters discussed to the Board of Directors. Under the Risk Management Committee, there are three subcommittees devoted to specific areas of discussion, and members of these subcommittees include leaders of departments in the Showa Shell head office. In addition, there are site-level teams at individual work sites and divisions.



HSSE Management System (HSSE-MS)

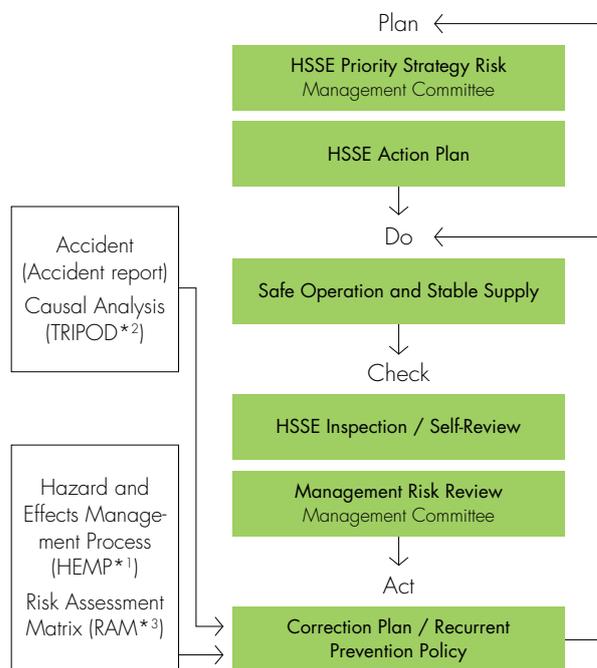
The Shell Group has developed the HSSE Management System (HSSE-MS) as a system to track and continuously improve HSSE performance. The system is also employed by the Showa Shell Group to help comprehensively manage risks related to HSSE. Investigations are conducted at individual work sites in accordance 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 Hazard 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 correction plan is formulated.

* 2. TRIPOD: An accident analysis technique used by the Shell Group.

* 3. Risk Assessment Matrix (RAM): A management table for assessing the effects and incidence probability of risks by person, capital, environment, and popularity categories.

HSSE Management System



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 those related to 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 mental or physical health with full privacy.

Safety

Maintaining safe, accident-free operations 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 Rules, 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.

Goal Zero Movement

We realize the extreme importance of preventing serious 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 both hard and soft perspectives. Hard initiatives include improving facilities and developing accident prevention guidelines and procedures. Soft initiatives include spreading safety awareness, and one initiative in this area is the Goal Zero Movement. Since its launch in 2011, we have continued to advance the Goal Zero Movement with the aim of reducing accidents that result in lost work days and other accidents to zero. In 2014, a plethora of activities were undertaken as part of this movement during the period from June to August. Activities included the distribution of safety messages from all executives and safety-related discussion forums held at all work sites. In addition, employees prepared declarations about their activities and initiatives geared toward accomplishing Goal Zero, and these declarations were displayed for view by other employees. These efforts have resulted in a decline in the total recordable case frequency for occupational accidents.

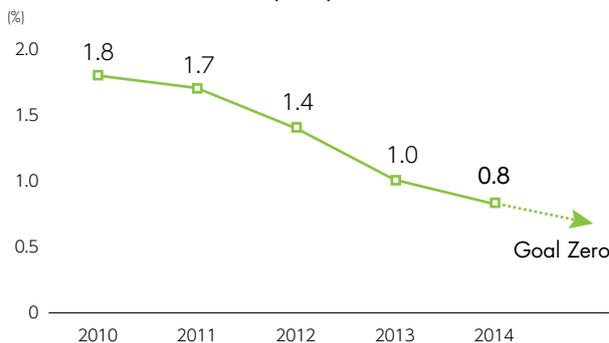
Safety Awards

Showa Shell has been holding the Safety Awards since 1992 as a means of raising safety awareness at all Group companies and increasing the overall level of safety throughout the Group. At the award ceremony held in March 2014, a total of 34 work sites were presented with the Safety Excellence Award for being free of accidents and other incidents for a whole year, while 20 work sites received the



Special Safety Award for going a specified amount of time without experiencing any incidents.

Total Recordable Case Frequency



Incident rates (%) per 1 million labor hours
 Figures include Showa Shell Group companies and business partners, and recordable cases of all occupational accidents, including those that do not result in lost work days.

HSSE Site Visits by Executives

Since 2006, all Showa Shell executives have participated in site visits to our refineries, our oil depots, and other work sites to examine working conditions, as well as exchange opinions and share awareness regarding issues with onsite staff, to improve overall HSSE performance. In 2014, these visits were focused on encouraging employees to hold “Tool Box Meetings,” onsite safety meetings conducted before the start of work to confirm what tasks need to be accomplished that day and the potential dangers that should be addressed. All executives took part in visiting a total of 62 work sites during 2014.



Group CEO Tsuyoshi Kameoka visiting Yamaguchi Refinery of Seibu 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 employees for large-scale earthquakes, tsunamis, and other disasters. In addition, oil clean-up

drills are used to train employees how to respond in the event of a major oil leak. Conducting such drills on an ongoing basis enhances employees’ response skills, and enables us to periodically revise and improve our systems to assure the safety of operations.

Comprehensive Disaster Response Drills

Showa Shell has formulated a crisis management plan (CMP) and a business continuity plan (BCP) to prepare for crises. These plans include 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 plans also provide 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 these plans.

In May 2014, we instituted a drill in which employees responded to a simulated earthquake in the Nankai Trough (magnitude 9). This drill included disruptions to the refining capabilities of Group refineries and to product shipping functions. The drill also assumed that the earthquake had damaged electricity, communications, and transportation infrastructure used by work sites in a wide-ranging area centered on the Tokai, Kinki, and Chugoku regions.

This drill was conducted twice, and none of the participants were informed of the scenario prior to training. The first drill was conducted in accordance with the Company's CMP. After the outbreak of the simulated earthquake, employees set about establishing a Disaster Control Headquarters, performing mock procedures for assessing the damage inside and outside of the Company, formulating response measures, and verifying timetables for the head office taskforce. In addition, we simultaneously tested the safety confirmation email system in which all Group employees are enrolled and drilled procedures for confirming the safety of head office staff.

The second drill tested our BCP. This drill entailed developing the procedures necessary for recovering the shipping functions of principal Group refineries and continuing oil product supply from the day following the simulated earthquake. To this end, employee representatives responsible for related manufacturing, supply, distribution, and sales functions were assembled to discuss the matter. Based on issues uncovered during both of these drills, we instituted improvements to both the CMP and the BCP.

Fire-Fighting Drills

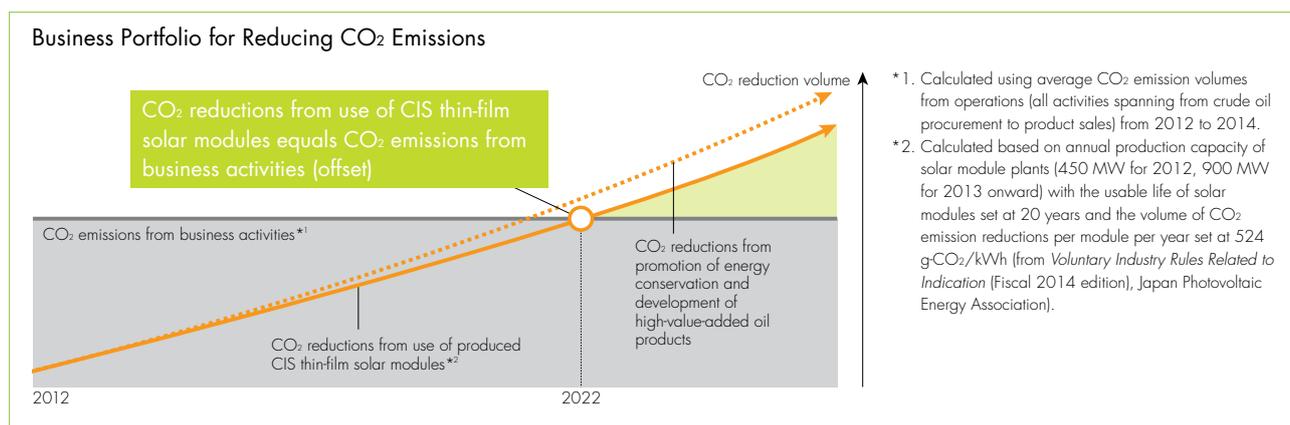
As we operate potentially hazardous facilities that face the possible risk of complex, large-scale fire incidents, employees must be able to accurately predict how a fire will react to given circumstances and how to fight fires strategically. The Niigata Disaster Control Training Center serves as a place for cultivating flexible and proficient firefighting capabilities. At this facility, trainees face actual fires, allowing them to develop an understanding of how fires act, and are included in 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 of Niigata, thereby helping Showa Shell fulfill its social responsibility by coexisting with and contributing to the community. It is also used by local firefighting brigades and schools. In addition, the center dispatched lecturers to the Tokyo Fire Department in 2014. These lecturers were highly evaluated for their specialized knowledge. In the 21 years since the center first opened, 5,805 people have undergone training there.

Environment

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

We have a particular focus on solar modules, which provide renewable energy. Spreading use of this energy source is anticipated to result in substantial reductions in CO₂ emissions. Accordingly, we forecast that in 2022 the reductions in annual CO₂ emissions realized through our provision of solar modules will equal the volume of CO₂ emissions from our business activities, thereby effectively offsetting these emissions.

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.



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. 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 environmental 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 the Medium-Term Environmental Action Plan out of recognition for the need to manage such activities in a focused and systematic manner, and have defined medium-term environmental targets based largely on ensuring compliance. In 2014, managers and employees responsible for waste management were gathered from various work sites to participate in a seminar on the Waste Management and Public Cleansing Act as part of our efforts to ensure strict compliance with this law.

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 Usage and 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 via oil separators, chemical treatment using flocculating agents, or 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.

Important Areas for Reducing Environmental Footprint

The majority of the environmental impacts from Showa Shell's business can be attributed to either the oil product manufacturing processes at Group refineries or the consumption of oil products by customers. These two areas are therefore important in reducing our environmental footprint. To lower the impact from Group refineries, we are making capital investment related to environmental preservation and instituting energy-saving measures. In regard to consumption, we are reducing the environmental impact by promoting the use of eco-friendly oil products and solar modules. In addition, we have introduced a cloud database service to help us maintain an understanding of the quantitative effects of our environmental preservation initiatives. This system enables environmental performance figures from refineries, work sites, branch offices, and other bases to be managed in an integrated manner via the Internet.

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 in-house chemical substance management regulations.

For chemical substances contained in the Company's products, we perform evaluations and management based on the Occupational Health and Safety Act, the Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (PRTR Law), and the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc. In addition, the Company conducts labelling in accordance with the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) scheme, maintains safety data sheets, and takes other appropriate measures including steps to track chemical release and transfer volumes and submit the necessary reports.

Furthermore, we quickly and appropriately respond to any 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.

Biodiversity Protection Initiatives

Showa Shell recognizes the importance of protecting biodiversity, and is taking action to this end. For example, we have defined our basic stance on the subject in the Basic Policy for Biodiversity, became a promotion partner for the "The Declaration of Biodiversity by Keidanren" issued by the Japan Business Federation (Keidanren), and provide donations to The Nature Conservation Society of Japan. In addition, we conduct environmental assessments and take other steps to protect biodiversity when utilizing or developing land, and are also instituting measures to reduce the

impact of production sites on biodiversity with regard to the amount of wastewater discharge, the quality of this water, and the release of chemicals. Furthermore, employees at the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd. frequently participate in the activities of a local organization that aims to preserve the green sea turtle (*Chelonia mydas*). This organization conducts cleanup activities around green sea turtle breeding grounds on

the Yoshizaki Coast, which serves as an estuary for the Suzuka River, which flows alongside the Yokkaichi Refinery.

At other work sites as well, employees periodically conduct cleanup activities along coasts and riversides to help preserve the natural environment. Showa Shell is also a participant in the Tokyo-Bay PP Forum, and is taking part in this organization's efforts to restore the biodiversity of the Tokyo Bay area.

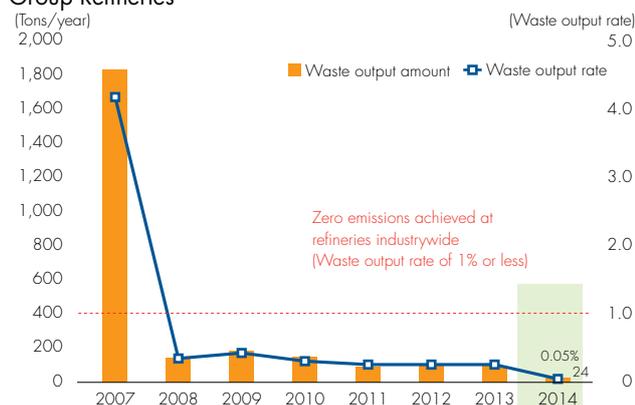
Waste Reduction Initiatives

Industrial Waste Reduction

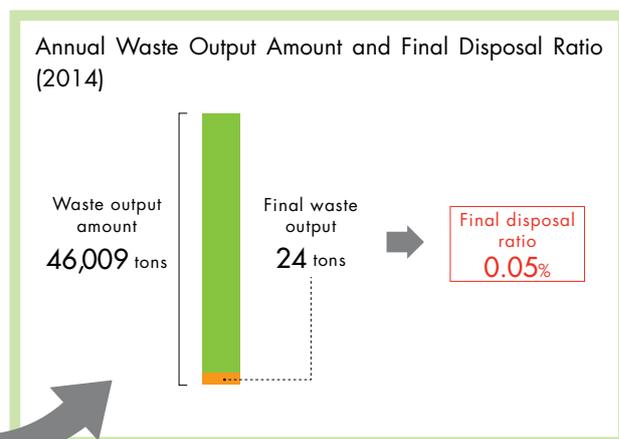
The petroleum refining process generates industrial waste, including sludge and disposable catalysts. The Group is building a Company-wide waste management system to ensure the optimum disposal of industrial waste and reuse of resources. In 2014, final waste output by refineries amounted to 0.05% of the total amount of waste generated, or 24 tons. Accordingly, the Group

has continued to meet its zero-emissions goal (emissions of 1% or less) since 2008, and also successfully achieved the goal set forth in the Petroleum Industry's Action Plan for a Low-Carbon Society released by the Petroleum Association of Japan of realizing an 89% reduction in the final output of industrial waste from the level in 2000 by 2015.

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 at the Kunitomi Plant was changed from conventional cardboard boxes to reusable packaging using corner pieces, thereby reducing waste production.



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.

Initiatives at Group Refineries

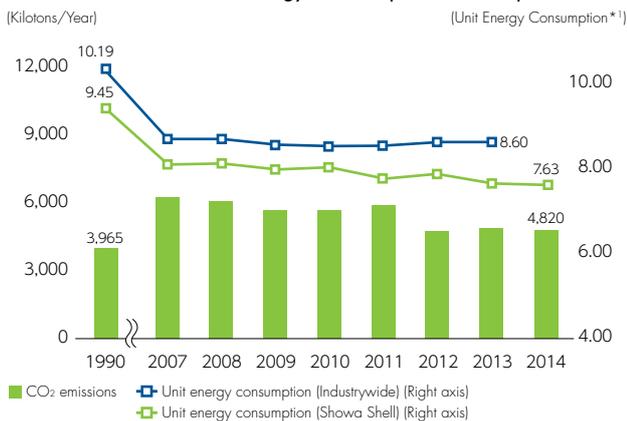
The Company conducts the in-house generation of electricity by utilizing certain intermediary products created through the refining process used to manufacture oil products, and this results in a substantial amount of greenhouse gas emissions. For this reason, it is incredibly important for us to conserve energy as a means of preventing global climate change.

In 2010, the Petroleum Association of Japan launched its "Petroleum Industry's Action Plan for a Low-Carbon Society". This plan targets a total reduction in energy use among all

companies in the association of 530,000 KL (crude oil equivalent) by fiscal 2020, and efforts to meet this goal are primarily taking the form of energy-saving measures at refineries. Group refineries are also participating in these activities. We are investing in equipment such as heat exchangers, waste heat recovery boilers, and exhaust gas recycling equipment while also pursuing the optimization of refining facility operations.

Furthermore, the Medium-Term Environmental Action Plan prescribes measures targeting reductions in unit energy consumption*¹ of more than 1% annually on average over the medium to long term, as mandated by the Act on the Rational Use of Energy. In 2014, energy consumption at Group refineries was 7.63, down 19% from 1990 levels. Improvements have been particularly pronounced at the Keihin Refinery of Toa Oil Co., Ltd., which met all of the energy benchmarks*² defined for fiscal 2013 based on the Act on the Rational Use of Energy. The refinery was therefore included in the list of benchmark-meeting facilities released by the Agency for Natural Resources and Energy.

CO₂ Emissions and Unit Energy Consumption at Group Refineries



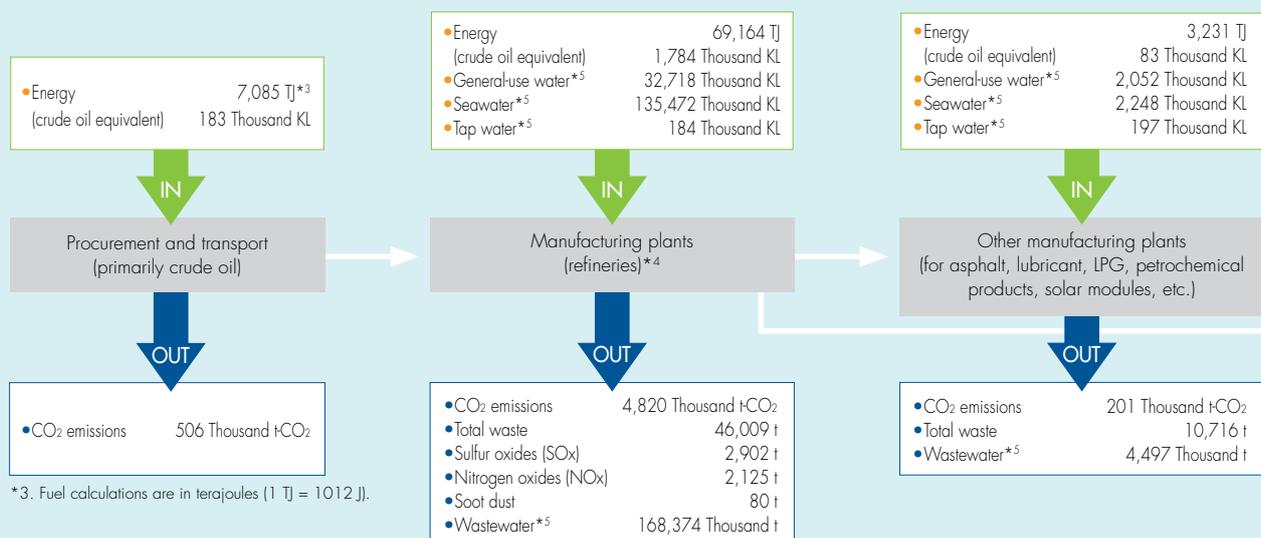
*1. Unit energy consumption: Energy consumption (kiloliters of crude oil equivalent) / refined crude oil and feedstock (megaliter)

*2. Energy benchmarks: Energy benchmarks are part of a system designed to promote energy conservation measures by publicizing lists of business operators with superior performance with regard to various benchmarks. These benchmarks are set for specific industries and fields in order to allow operators from these industries and fields to compare their energy conservation performance with that of their peers.

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

Showa Shell Total Adverse Environmental Impact for 2014



*3. Fuel calculations are in terajoules (1 TJ = 1012 J).

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

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

more-efficient transportation by changing the materials used to package solar modules. On the operations front as well, we are reducing environmental footprint 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 megasolar 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

Initiatives at Other Plants

Plants are pursuing energy savings and CO₂ emission reductions through measures that include conserving electricity, decreasing peak-hour energy usage, and optimizing boiler operation. At lubricant plants, we are conserving electricity by adjusting compressor output for different manufacturing processes and utilizing ideal blending times. In pursuit of further energy savings, we practice optimal boiler operation, and are installing LED lighting and solar panels at production plants. Through these efforts, we aim to realize an average reduction in unit energy consumption of 1% per year.

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

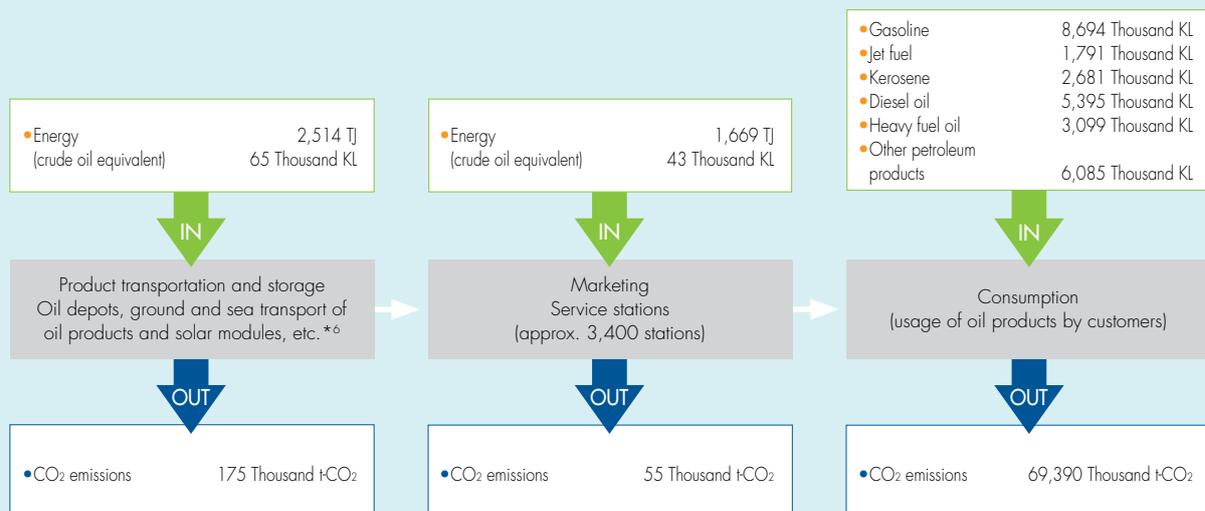
In maritime transportation, we promote the use of larger domestic vessels and endeavor to reduce CO₂ emissions by improving transportation efficiency and reducing fuel consumption. To this end, we keep two fuel-efficient electric propulsion vessels in continuous operation. In addition, we are maintaining 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, 2014, a total of 443 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 remodeling 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 and tap water heaters are removed during the summer months. 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.



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

2014 carbon offset volume of aggregate total of solar modules produced as of December 31, 2014

OFFSET
Approx. 1,400,000 tCO₂*7

*7. 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 524 gCO₂/kWh (from *Voluntary Industry Rules Related to Indication* (Fiscal 2014 edition), Japan Photovoltaic Energy Association).

Technology Development for Eco-Friendly Products

R&D Activities in the Oil Business

R&D activities in the Oil Business are based out of our Central Research Laboratory, located in Kanagawa Prefecture, where we conduct research and development geared toward creating products that match customer needs and cultivating innovation for future growth.



Central Research Laboratory

Creation of Products Matched to Customer Needs

Showa Shell is developing systems for creating cutting-edge products by exchanging human resources and conducting joint-development with Shell Group R&D centers in the United States, the Netherlands, and Germany. While pursuing coordination between refining, supply, distribution, and sales divisions, the Company is fully leveraging the technologies it has created through collaboration with the Shell Group to develop and commercialize fuel, lubricant, grease, and asphalt products that respond to customer needs and provide superior environmental performance.

COLUMN

High-Value-Added Lubricant Products

Lubricants are used in automobiles, factory machinery, and other pieces of equipment. Showa Shell has a robust line-up of high-value-added lubricant products tailored to meet customer needs. Our automobile engine lubricants utilize the Company's low-viscosity and specialty additive technologies to pursue higher levels of fuel efficiency while also lengthening the replacement cycles for engine and gear oil to reduce maintenance costs. Moreover, Showa Shell's lubricants excel at protecting the equipment in which they are used. This feature provides a response to the recently rising demand for means of extending automobile lifespans, and has won much customer acclaim for this reason. Our factory machinery lubricants, meanwhile, deliver energy-saving performance by reducing the amount of electricity required to operate lubricated equipment. Furthermore, we are developing a number of specialty products aimed at helping customers reduce factory management costs, such as high-flashpoint lubricants developed to facilitate compliance with the Fire Service Act.

The high-value-added products Showa Shell supplies to customers attain even-higher performance by utilizing a synthesized base oil for lubricants manufactured by the Shell Group using gas-to-liquids (GTL)*⁸ technologies.

*8. Gas-to-liquids (GTL) 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.

High-Value-Added Asphalt Products

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 and safety as well as environmental performance. As Japan's only integrated manufacturer of asphalt, Showa Shell is devoted to developing high-value-added asphalt products that provide the functionality required for various applications.

Showa Shell has developed an asphalt product that can be applied at lower temperatures, effectively reducing the amount of time needed to open roads and cutting CO₂ emissions during asphalt production. This asphalt is being used in expressways and other applications. We are also working to commercialize colorable asphalt, which will enable pavements to be made to better match the surrounding scenery.

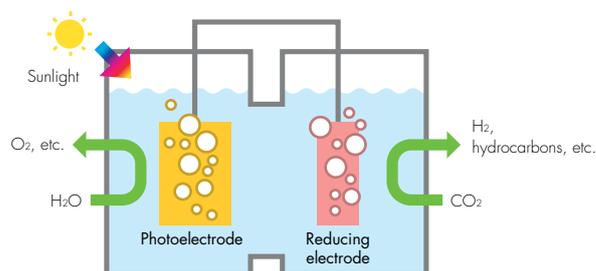
Furthermore, the Company has developed an asphalt recycling technology that can create recycled asphalt with performance equivalent to regular asphalt, and we are promoting use of this recycled asphalt on standard roads.



Pavement using colorable asphalt (Todaiji Temple)

Cultivation of New Innovation for Future Growth

We are actively allocating management resources to R&D ventures aimed at developing next-generation energy sources and new materials. In these ventures, emphasis is being placed on social issues, such as those related to the environment, and the future needs of customers. In the field of next-generation energy sources, we are collaborating with universities and exchanging information with the Shell Group with the goal of developing a technology for using nonedible biomass to manufacture low-cost biofuel that emits minimal amounts of CO₂. In regard to new materials, the Company is advancing joint research with universities in the field of artificial photosynthesis, which involves technologies for effectively utilizing CO₂. Artificial photosynthesis is a clean process that uses sunlight to create beneficial chemical substances from water and CO₂. Moving ahead, Showa Shell will push forward with the development of new materials that contribute to higher energy conversion efficiency.



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

In addition to developing technologies for existing product lines, the Atsugi Research Center is working to create CIS thin-film solar modules with increased levels of value as well as next-generation solar modules that utilize more-affordable materials.



Atsugi Research Center

High-Value-Added Products Utilizing CIS Thin-Film Solar Module Technologies

CIS thin-film solar modules differ from crystalline silicon modules in terms of their structure and production process. As a result, CIS solar module technologies can be adapted to various applications that are difficult to achieve with crystalline silicon modules.

One such application can be seen in the slim, lightweight "Solacis neo" modules launched in 2013. One of the advantages of thin-film over crystalline silicon is its flex-resistance. This enables CIS modules to be built without a metal frame. We also launched the Cross One mounting system, a new mounting method that simplifies the installation processes while ensuring durability. Combined with the Cross One mounting system, Solacis neo can be installed on roofs with strict weight or structural limitations that would otherwise have been difficult to address. Due to the benefits of these slim, lightweight modules, Solacis neo is being utilized by housing developers, and can be found embedded in newly built homes.

We are now working to develop light-permeable CIS thin-film modules as well as modules that can be installed on curved surfaces. By raising the value of solar modules in this way, we aim to expand the potential for solar power system installation to create new demand.

Highly Economical New Technology

The Company will continue to drive forward R&D ventures focused on CIS technologies in the future. At the same time, we will also develop new technologies that contribute to the further adoption of solar power from a long-term perspective.

In 2010, Solar Frontier, IBM Corporation, and Tokyo Ohka Kogyo Co., Ltd. commenced joint research and development on CZTS (copper, zinc, tin, sulfur, and selenium) thin-film solar modules. These modules do not use rare metals. Conversely, they are made from materials that are both affordable and easy to obtain. By fusing IBM's CZTS thin-film solar module technologies and Solar Frontier's thin-film solar module manufacturing technologies, we will work to develop modules with superb levels of cost competitiveness.

In August 2012, a conversion efficiency of 11.1% was successfully achieved, setting a new world record for CZTS thin-film solar panels, and this record was rewritten in December 2013 with an efficiency of 12.6%. In this manner, we are steadily generating results that are moving us forward on the path to bringing CZTS thin-film solar modules to practical application.

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))
CSR	Preventing environmental pollution and reducing waste	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)
		Achieve zero emissions at Group refineries (An industrial waste output rate of 1% or less)
		Promote soil and groundwater contamination countermeasures (Surveys at time of change in land use, preventive measures against groundwater pollution)
BUSINESS	Promoting environmental preservation activities and environmental communication	Strengthen chemical substance management (Reduce use and storage of regulated chemicals)
		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 employees and local communities (Area clean-up activities around various work sites)
		Promote the environmental sciences
		Provide energy education program, Niigata Yukigunigata Megasolar Power Plant tours
	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 2014

Company / Site	Date of certification	Certifying organization
Yokohama Plant of Showa Shell K.K.	December 1995	LRQA
Nippon Grease Co., Ltd.	December 1995	LRQA
Showa Shell Kobe Plant	January 1996	LRQA
Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd.	February 1997	LRQA
Yamaguchi Refinery of Seibu Oil Co., Ltd.	August 1997	LRQA
Shosei Kako K.K.	May 2000	JICQA
Shoseki Engineering & Construction Co., Ltd.	December 2002	KHK ISO CENTER
SVC Tokyo Co., Ltd.	April 2006	Registration Body for IS, Inc.
Sodegaura Plant of Rekisei Kagaku Co., Ltd.	December 2006	RB-ISO
Mie Plant of Rekisei Kagaku Co., Ltd.	March 2009	RB-ISO
First Miyazaki Plant of Solar Frontier K.K.	June 2009	DNV
Atsugi Research Center of Solar Frontier K.K.	June 2009	DNV
Second Miyazaki Plant of Solar Frontier K.K.	December 2009	DNV
Keihin Refinery of Toa Oil Co., Ltd.	December 2011	LRQA
Kunitomi Plant of Solar Frontier K.K.	March 2012	DNV
Solar Frontier K.K. Head Office	September 2012	DNV

Status of ISO 14001 (Environmental) Certification

As of December 2014

Company / Site	Date of certification	Certifying organization
Yamaguchi Refinery of Seibu Oil Co., Ltd.	December 1998	LRQA
Keihin Refinery of Toa Oil Co., Ltd.	June 1999	LRQA
Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd.	July 1999	LRQA
Toyotsu Petrotex Corporation	December 2000	LRQA
Japan Oil Network Co., Ltd.	December 2000	JQA-ISO CENTER
Central Research Laboratory of Showa Shell K.K. SVC Tokyo Company	January 2001	JET
Hekinan LPG Terminal of Showa Shell K.K.	December 2001	KHK ISO CENTER
Nippon Grease Co., Ltd.	March 2005	JACO
Yokohama Plant of Showa Shell K.K.	June 2005	LRQA
Kobe Plant of Showa Shell K.K.	September 2005	LRQA
Central Research Laboratory of Showa Shell K.K.	October 2006	JET
Wakamatsu Gas K.K.	July 2010	JIA-QA CENTER
Atsugi Research Center of Solar Frontier K.K.	November 2011	DNV
Kunitomi Plant of Solar Frontier K.K.	September 2012	DNV

2014 achievements

- As a specified business operator under the Act on the Rational Use of Energy, Showa Shell pursued energy savings, calculated energy consumption, and submitted the necessary reports to the Japanese government.
- Unit energy consumption of 7.63 was achieved [down 19% from 1990 levels].
- Showa Shell is participating in the Petroleum Industry's Action Plan for a Low-Carbon Society released by the Petroleum Association of Japan, and introduced highly efficient equipment primarily in refineries and optimized refinery operations to realize energy savings. In addition, we responded to the increased bio-fuel utilization requirement of the Sophisticated Methods of Energy Supply Structures Law, and produced ETBE compound bio-fuels at Group refineries. The Company worked to stably supply ETBE compound bio-fuels.
- We strove to maintain an appropriate office temperature, turn off lights during lunch breaks, have all employees participate in Cool Biz initiatives whereby employees wear cooler clothes in the hot summer months, exclusively use recycled paper, use double-sided printing for documents, conduct paperless meetings, and turn off PC monitors when unattended.
- A final disposal ratio of less than 1% (0.05%) of total waste generated at Group refineries was achieved.
- A final disposal ratio of less than 1% of total waste generated at Group refineries was achieved by reusing resources and reducing usage volumes, thereby meeting the zero emission goal defined in the action plan of the Petroleum Association of Japan.
- Soil contamination countermeasures were instituted when conducting land development that included improvements at dozens of sites and other contamination prevention measures.
- The Company worked together with the Ministry of the Environment to develop soil and groundwater contamination prevention measures that included groundwater contamination countermeasures.
- Showa Shell aided in formulating government proposals for industry measures regarding water, soil, and air pollution as well as global warming.
- The Company complied with relevant laws and regulations in Japan and abroad, and responded to environment-impacting substance inspections and chemical substance management system audits by users to ensure the reliability of Showa Shell products.
- JIS Z7253-compliant safety data sheets were completed for all products.
- Showa Shell held the 10th Environmental Photo Contest, "Things to Preserve and Correct around Our Town," which received 5,149 entries (4,940 in the junior category and 209 in the general category). We compiled a report on the area featured in the "things to correct" photo of the winning entry from the 1st contest and on the improvements conducted thereafter. The winning entries from the 10th contest were displayed on the first floor of the Company's head office together with the first-prize winning entries from the nine previous contests.
- Employee volunteers from refineries and work sites in Niigata, Kawasaki, Sodegaura, Yokkaichi, Kobe, Ube, and Miyazaki participated in local greenification and beach cleanup activities. Employees at the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd., took part in cleanup activities along the Yoshizaki Coast to help preserve the habitat of the endangered green sea turtle (*Chelonia mydas*). Employees at the Kawasaki office aided in the water quality surveys of the Tokyo-Bay PP Forum, thereby taking part in working to restore the biodiversity of the Tokyo Bay area. Solar Frontier employees in Miyazaki Prefecture participated in the Kiyotake River Beautification Sports Festival sponsored by the Kiyotake River Pollution Prevention Committee each year since 2009 based on employee requests.
- Solar Frontier has participated in the *Teruha no Mori Ongaeshi* forest preservation project since 2013 to help protect the Aya no Shoyo Jurin Forest, as this precious forest is the groundwater supply for its Kunitomi Plant and has been designated as a UNESCO eco-park. In 2014, a total of 30 people consisting of employees and their families participated in thinning trees that had been introduced into this forest.
- The Energy Sustainability Forum was established in 2007 as an industry-government-academia joint project together with the Integrated Research System for Sustainability Science (IR3S) operated by the University of Tokyo. The 10th Energy Sustainability Forum symposium was held in February 2015 based on the theme of creating an ecologically sound society by combining efforts related to energy, resources, and the environment.
- Classes addressing the topics of environmental problems and new energy, a much-discussed world issue, have been held continually since 2004. Through participatory learning, these classes aim to deepen the understanding of these issues among the children that will support the future and raise their awareness with regard to ways to help resolve issues in everyday life. In 2014, classes were held at elementary, junior high, and high schools in Niigata Prefecture and at elementary schools near our head office in Daiba (Tokyo). Also, energy workshops for parents and children were conducted together with Niigata City, as was done in 2013. A total of 403 children participated in these class.
- We contributed to the promotion of understanding about using solar energy in "snow country" (areas which experience heavy snow) as part of our social contribution activities by giving tours of the Niigata Yukigunigata Megasolar Power Plant to a total of 40 groups comprising 1,006 individuals, explaining how stable solar power generation is possible in a variety of climates (particularly in snow country).
- Megasolar project support systems were strengthened, and contributions were made to constructing megasolar power plants in Japan and overseas.
- To enhance sales channels for "Shell Heat Clean," we began accepting orders via telephone, expanding the range of purchase venues, which were previously limited to the Internet and some convenience stores.

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

As of December 2014

Company / Site	Date of certification	Certifying organization
Kunitomi Plant of Solar Frontier K.K.	September 2012	DNV

Initiatives at Group Refineries

Information regarding environmental activities conducted in 2014 by the Keihin Refinery of Toa Oil Co., Ltd.; the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd.; and the Yamaguchi Refinery of Seibu Oil Co., Ltd., can be found on the websites for each respective company (Japanese only).

AS A COMPANY

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 accomplish this objective and realize sustainable growth for the entire Showa Shell Group, we strive to fulfill our responsibility toward our customers, business partners, employees, local communities, the greater society, shareholders, other investors, and various other stakeholders. At the same time, we are practicing strict compliance and constructing highly transparent governance systems in accordance with the Management Philosophy as well as the Code of Conduct based on this philosophy.

Together with Our Customers

Showa Shell strives to continuously 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, quality, and safety, we are reinforcing our foundations for communicating with customers together with our systems for developing the products and services the meet customer needs and ensuring their quality.

Efforts at Service Stations

Showa Shell provides customers with fuels including gasoline, kerosene, and diesel oil through service stations operated by its contract dealers. In Japan's shrinking oil products market, we believe that to improve profitability we must expand our customer base by increasing the number of customers that always choose Showa Shell products. To expand our customer base in this manner, we are developing an even deeper understanding of the needs of customers, based on which we provide more-refined responses to these needs.

We respond to the needs of consumers through offering

attractive service stations, Shell V-Power and other appealing products, and a lineup of affordable and convenient services including Shell Starlex Card, *Ponta* joint point cards, Shell-*Ponta* credit cards, and Shell EasyPay. We are always working to make visits to our services stations more satisfying, and these efforts have resulted in praise from visiting customers.

Going forward, Showa Shell will continue to build stronger relationships with contract dealers and its various other business partners. Leveraging the collective human capabilities of the Group and its partners, we will provide high-value-added products and services with the aim of expanding our customer base.

COLUMN Consolidation of Call Centers

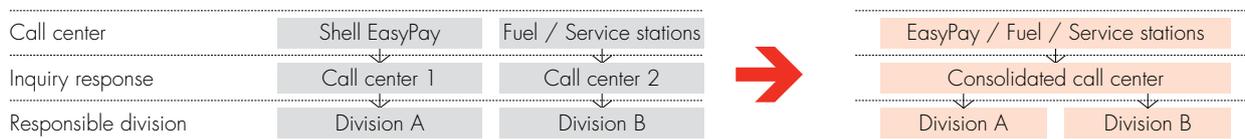
Previously, the Company positioned call centers in each business division to provide specialized responses to customer inquiries, such as those regarding Shell EasyPay and general questions related to oil products or service stations. However, as we push forward with efforts to enhance our services, we reached the conclusion that offering one single, integrated venue for inquiries about Showa Shell's products and services would contribute to improved customer convenience, and so we started a call center consolidation project.

There was a risk that consolidating call centers could result in less specific responses to specialized questions. However, by identifying

and addressing risks and issues in this regard, we succeeded in rationalizing the allocation of resources previously dispersed throughout different call centers while maintaining the same high level of service quality and boosting customer satisfaction. The results of the consolidation were impressive, with incoming call response rates, response speeds, and customer satisfaction all improving to a degree that exceeded initial targets.

After the project's completion, we have continued to pursue higher levels of customer satisfaction by entrenching an improvement cycle for addressing issues uncovered in operations.

Overview of Consolidation



Principal Retail Measures

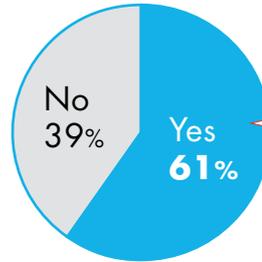
Shell V-Power

In July 2014, we launched the new premium gasoline Shell V-Power to respond to the desire of drivers to keep their highly valued vehicles running as long as possible and in top condition. Shell V-Power employs the Shell Group's unique "Clean & Protect Technology," which has been cultivated through its technical partnership with Ferrari S.p.A. This technology helps bring out the full potential of automobiles by effectively removing the deposits inside engines that cause lower performance, thereby cleaning and protecting engines the more automobiles are driven. Shell V-Power has been exceptionally well-received since its release, and its sales performance is among the best in the premium gasoline market. Moreover, Shell V-Power is now available in 46 prefectures throughout Japan, an increase from the 40 prefectures at launch.



Did you feel the difference when using Shell V-Power?

Approximately 60% of users said yes.*



Most Commonly Felt Benefits

- No. 1 Increased power **54%**
- No. 2 Higher fuel efficiency **53%**
- No. 3 Faster acceleration **51%**
- No. 4 Improved responsiveness **48%**

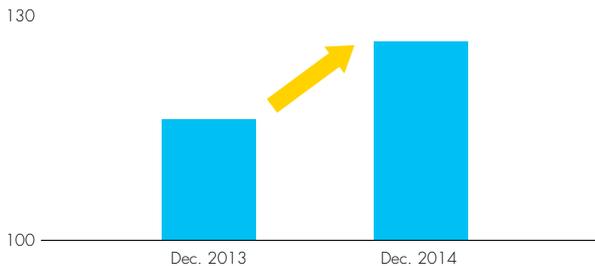
* Responses from 2014 customer feedback survey

Shell Starlex Card

The Shell Starlex Card is a credit card equipped with a cashback feature that provides returns on gasoline purchases. Currently, more than 1.2 million customers are carrying this card, and a significant number of them also tend to purchase large quantities of fuel. In April 2014, the Shell Starlex Card program was redesigned to enhance its benefits for cardholders by raising the rate of cashback to one of the highest levels in the industry, and cardholder numbers have increased rapidly as a result.

Number of Shell Starlex Cardholders

(10,000 Cardholders)



Ponta Joint Point Cards and Shell-Ponta Credit Cards

As of December 31, 2014, user numbers of the Ponta joint point card had grown to 67.4 million, meaning that roughly half of the Japanese population is carrying a Ponta card. This reward point system allows users to collect and use points at affiliated stores in a wide variety of different industries, all with just one card. Winning customer favor by offering high convenience, Ponta cards have proven incredibly effective at drawing cash-paying customers to our service stations.

In April 2015, we began issuing Shell-Ponta credit cards, which combine the convenience of credit card payments with a reward point return rate that is even higher than that of standard Ponta cards. The point return rate is one of the highest for any joint-point card, and Shell-Ponta credit cards have therefore become immensely popular among carriers of standard Ponta cards as well as new users picking up their first Ponta card.



Shell-Ponta credit card

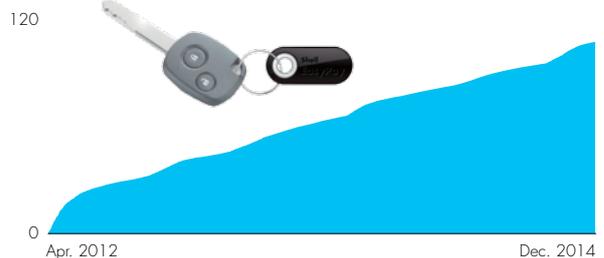
Shell EasyPay

Shell EasyPay is a system launched in response to customer requests for a means of making fueling and credit card payments at service stations quicker and easier. This system employs a device that fits on a key ring and is equipped with a contactless IC chip containing information on fueling patterns and payment methods. Fueling and payment can be completed simply by touching this device to specialized readers at service stations.

In addition to the Shell Starlex Card and Shell-Ponta credit cards, this system is also compatible with other types of credit cards. With Shell EasyPay, customers only have to grab their car key, get out of their car, and touch the device to the reader. This convenience is appealing to customers, and the number of customers using this system is growing rapidly.

Number of Shell EasyPay Registrations

(10,000 Registrations)



Initiatives to Improve Human Capabilities at Service Stations

The declining oil products demand in the domestic market has resulted in intensified competition for service stations. As such, improving the human capabilities of service stations, which serve as direct points of contact with customers, is growing more important in achieving ongoing growth for both Showa Shell and the contract dealers that operate these stations. The Company has introduced the Sales Promotion Advertisement & Training (SPAT) Global program as well as a variety of certification programs, and is utilizing these training and education tools to heighten human capabilities. By leverage both these capabilities in conjunction with our retail measures, we aim to make our service stations the first choice of consumers.



Training Initiatives Conducted Together with Contract Dealers

Sales Promotion Advertisement & Training Global Program

To improve the human capabilities and thereby competitiveness of service stations, we are utilizing the SPAT Global program, a comprehensive package of programs for sales promotion campaigns, advertising activities, and training and education initiatives. For example, SPAT includes a cleanliness improvement program that entails determining whether or not service stations are providing an attractive and sanitary environment from the perspective of customers as well as professionals. As such, this program helps make service stations more appealing to customers by raising staff awareness with regard to cleanli-

ness. SPAT also contains a wide variety of other support programs, which will be employed to guarantee that Showa Shell service stations stand unrivaled.

Another program provided as part of SPAT is a training tour for service station employees that has produced proven results. These tours enable such talented individuals to learn from one another and further polish their skills in order to help make their service stations even more competitive. At the same time, the tours serve as opportunities to share best practices among service stations and boost motivation, and thereby heighten the quality of service provided at Showa Shell service stations.

Certification Programs

Showa Shell Royal Manager Certification Program

As one of Showa Shell's principal certification programs, the Showa Shell Royal Manager (SRM) certification program aims to develop storefronts that earn the trust of customers, and to cultivate leaders who will be able to manage Showa Shell's service station network. After more than 30 years since its launch in 1979, the first class of this 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.

Showa Shell Oil Meister Certification Program

Nationally certified auto mechanics can become certified Oil Meisters once they show they have acquired in-depth knowledge of automotive oils by completing this internal training and testing program.

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.

Lubricant Expert Program

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

Number of Certified Individuals

(People)

	Non-certified employees as of Dec. 31, 2014 (currently employed)	Individuals certified in 2014
SRM		
1st class	300	11
2nd class	1,832	85
3rd class	7,209	444
Oil Meisters	1,381	108
Car Life Advisors	414	29
Lubricant Experts		
1st class	141	5
2nd class	502	38

Disaster Response Measures at 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 functioning as lifelines for supporting the lives of people living in the affected areas. The Great East Japan Earthquake caused society to re-acknowledge the importance of oil products supply, particular in devastated regions. To ensure that supply is not interrupted in the event of a natural disaster, Showa Shell has developed an earthquake response manual, which covers topics including first-response measures to be instituted at the outbreak of an earthquake as well as autonomous equipment inspection procedures. This manual has been distributed to all service stations to guarantee disaster readiness. In addition, Showa Shell is constructing disaster-proof service stations. These facilities have their own backup power generation equipment and water tanks so that they can continue to supply oil products and water even in the event of a natural disaster. As of December 31, 2014, Showa Shell had a total of 45 disaster-proof stations throughout Japan. The Company has also positioned 161 core service stations across the nation. These stations are equipped with power generation equipment, water storage facilities, and telecommunication systems. Applicable under the "core service station" government assistance scheme, these stations may be called upon to serve the nation during a major natural disaster by providing priority fueling to emergency response vehicles and otherwise help respond to the crisis.

Renewal of Corporate Website

In December 2014, Showa Shell renewed its corporate website, completely overhauling it to incorporate the global design standards of the Shell Group. In this undertaking, we strove to create a website that not only did a better job at promoting our brand, but also gave site visitors easy access to the service, product, and corporate information they seek. This was accomplished by revising the page organization and system environment.

Specifically, we utilized a common template for all pages to improve accessibility and convenience for visitors. In addition, we employed responsive web design techniques to make the site automatically match page layout based on the screen size of the visitor's terminal (browser width). Now visitors can view our corporate website easily on a variety of devices, including PCs and smartphones.

The website is also equipped with systems and frameworks that allow information to be provided and website content to be updated even in the event of a major natural disaster, thereby improving responsiveness to emergency situations.

Going forward, we will continue to make our corporate website easier to use, with emphasis placed on pursuing higher levels of visitor convenience and service quality.



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. 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 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 ways, 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 partners, 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 health, safety, security and environment (HSSE) issues, and before commencing dealings with new business partners we ask them to agree to adhere to relevant laws and regulations as well as the Code of Conduct, the General Rules for Procurement, and the Procurement Guidelines.

▶ <http://www.showa-shell.co.jp/profile/purchase/>
(Japanese only)



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 also play an important role in providing products and services through direct communication with customers.

In each business field, we have a "Showa Shell Dealers' Association" consisting of contract dealers. Through these associations, we raise awareness about and insight into 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 its contract dealers, as well as between contract dealers themselves.

We are actively enhancing our training systems for the contract dealer employees that have an important role in supporting our brand in their position on the frontlines of retail operations. These employees 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 and asphalt.

Showa Shell is working in partnership with contract dealers to provide a stable supply of value-added products and services to help us to continue to grow together.



Together with Our Employees

The people that implement management strategies 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.

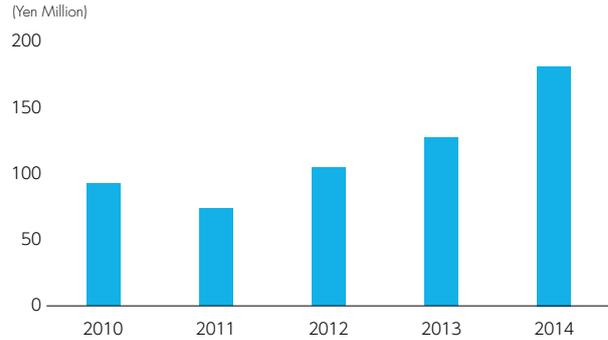
Talent Vision and Education Systems

Showa Shell established the Talent Vision in 2011, which defines the type of human resources needed by Showa Shell, and we are constantly working to strengthen human resources in accordance with this vision. Specifically, we have restructured our employee education systems and revised employee evaluation frameworks.

The three pillars of the Talent Vision are Initiative, Outbound, and Team Spirit. These are the characteristics we intend for our employees to share, regardless of age, qualifications, 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: development of competency and way of thinking, development of professional talent, and improvement of adaptability to a global business environment. The education systems contain a variety of programs designed to help employees more actively work to acquire the skills that will be necessary for their individual career paths. Programs include seminars for specific business fields, such as crude oil procurement, refining, logistics, legal affairs, and IT, which are held on a Groupwide basis, spreading across division boundaries to allow

Investment in Training (Non-Consolidated Basis)



any employee to develop specialized skills. We also offer training arranged based on the number of years worked and current position, such as junior employees in their first three years, mid-level employees, and managers, as well as voluntary training. Furthermore, in 2014, we launched a new training program designed to improve the leadership capabilities of managers. This program aims to instill an understanding with regard to Showa Shell's leadership model into all managers, and help them to develop and display consistent leadership behaviour.

Talent Vision



	Development of Competency and Way of Thinking		Development of Professional Talent			Improvement of Adaptability to Global Business Environment		Other
	HR Division		Business Segments			HR Division & Business Segments	Test	Support for Self-Education
GMs	Training Programs of General Managers							
Managers	Training Programs of New Managers, MBO, and Managers	Elective Domestic Off-Site Training	Advanced Courses by Business Segment	Specialized Skill Development Courses by Business Segment	Support for Specialized Skill Development Courses Outside of the Company	Shell Overseas Training	Elective Overseas Off-Site Training	TOEIC Test (Offered Companywide)
	Basic Management Training							Correspondence Education / English Training by Schooling
Mid-Level Employees	Leadership Training							
	Basic Leadership Training							
Junior Employees (1-3 Years)	Training Programs of New Graduates and Based on Number of Years at the Company		Basic Courses by HR Division				Studying Abroad Program	
Pre-Employment	Training before Joining							

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 employees 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 and 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.

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 results of such discussions are emailed to all employees, and these results can also be viewed 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 2014, 85% of employees that retired after reaching the regular retirement age of 60 expressed the desire for reemployment.

Employment Statistics (Non-Consolidated Basis)

As of December 31, 2014	
Number of employees	862
Percentage of employees that are female	22.7%
Percentage of employees with disabilities	2.02%
Number of managers (including executives)	207
Percentage of managers that are female	2.9%
Average age	44.1 years old
Average length of employment	19.9 years

Hiring Statistics (Non-Consolidated Basis)

As of December 31, 2014	
Number of new graduates hired in 2014	25
Women among new graduates hired over past 5 years	32.8%
Non-Japanese among new graduates hired over past 5 years	6.0%
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 2014	4

Employment of Differently Abled People

We are actively developing a workplace environment in which differently abled people can work to their fullest. As of December 31, 2014, differently abled employees represented more than 2.0% of employees (non-consolidated), a level that satisfies the minimal legally mandated requirement. Going forward, we will continue to provide employment opportunities for a diverse range of individuals.

Empowerment of Female Employees

In October 2014, we conducted a survey targeting female employees to help us determine ways of assisting such individuals in developing their careers over the medium to long term. Based on the results of this survey, we plan to develop specific measures to empower female employees, with possible options being considered including discussion forums for these employees.

Systems to Promote a Work-Life Balance

The Company is committed to establishing a workplace environment that enables all employees to fully utilize their skills, and we supply a range of support programs that exceeds legally required levels. In 2008, we introduced a telecommuting system. In 2014, we expanded the scope of our flextime system to make it available to employees working shortened hours for childcare or nursing care purposes in addition to standard employees. The goal of this change was to provide an environment that facilitates more-flexible work styles. To promote the usage of under-used programs going forward, we will continue to improve the programs themselves while also cultivating a corporate culture that is conducive to their use.

Showa Shell also aims to empower female employees. To this end, we conducted a survey of female employees in October 2014, and 95.3% of applicable employees responded. Based on the results of this survey, we plan to develop measures to

support female employees in their medium- to long-term career development efforts and in establishing a good work-life balance, with possible measures being considered including discussion forums for female employees.

Work-Life Balance Support Systems and Usage Numbers

Figures in parentheses indicate number of men

	2012	2013	2014
Childcare or nursing care leave	11 (1)	23 (3)	20 (2)
Shortened working hours for childcare or nursing care	3 (0)	9 (1)	13 (1)
Leave to care for a sick child	27 (16)	35 (19)	41 (22)
Family care leave of absence	15 (8)	23 (11)	20 (13)
Telecommuting	5 (1)	4 (0)	4 (0)
Self-development leave of absence	2 (1)	3 (0)	2 (0)

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).
Flex time	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 duties.
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.
Child-care leave	Employees can take child-care leave until their child's second birthday.
Shortened-work hours	Employees can shorten their daily work hours by a maximum of two hours per day (until their child starts 4th grade).
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 hours	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).



Roundtable Employee Discussion

The Showa Shell Group's Human Resources and Spirit of Innovation

Shindome: To quote Showa Shell's senior management, "A company can only grow as much as its employees." Taking this message to heart, we believe human resources are our most important asset. We therefore hope to reflect the input of employees in

our human resource systems—and into the operation of these systems—to the greatest degree possible. For this reason, I would like to ask for your honest opinions.

Over the five years since the establishment of the Talent Vision and the restructuring of education systems, what have been the benefits of these measures?

Suzuki: Showa Shell's operating environment has changed substantially, as evidenced by the decline in domestic oil demand following the peak in 2009 and appearance of new refineries overseas. These circumstances mean we must think and act differently from the way we have done in the past. It is therefore now crucial for companies to tell their employees in plain terms what type of human resources are needed, and action must be taken to ensure that this information is thoroughly communicated throughout the organization. It was for this reason that we established the Talent Vision—consisting of the three pillars of Initiative, Outbound, and Team Spirit—in 2011, and restructured education systems to give form to this vision.

Iwamatsu: In the past, it seemed that on-the-job training was the main form of education, and that each employee was somehow expected to act in a leadership role. With the establishment of the Talent Vision, however, I think it has become easier for employees to know what type of professional they should strive to become.

Sakamoto: I was recently transferred to a new department. Charged with different duties, the clarity of the Talent Vision was most helpful. The clarity of this vision has fostered a shared understanding among

employees from all positions and divisions. For this reason, there is no fear of employees losing focus or not having the appropriate mindset.

Ootsu: Employee evaluation frameworks have also been revised based on the Talent Vision. With evaluation categories like, "How is the employee taking the initiative?" and "Does the employee exhibit team spirit?," it is much easier to perform such evaluations.

Suzuki: As the Talent Vision has become a common thread binding us together as Showa Shell, many people have started expressing the vision in their own words. I think this is a success in and of itself. Rank-based training was previously conducted mainly for employees in their first three years at the Company, meaning that the next opportunity for formal training was new manager training. The gap was filled by on-site education initiatives aimed at developing specialized skills. However, this meant there was no program for teaching the type of conduct and thought processes that were expected of new and mid-level employees. Conversely, the new education systems clearly define the expectations for each employee rank with regard to the ideals of the Talent Vision. This has led to a rise in systematic training programs for mid-level employees designed to get employees up to the expected

level. The aim of education programs instituted by human resource divisions, meanwhile, is to spread and entrench understanding of the Talent Vision. For this reason, these programs include training for improving logical thinking and problem solving skills in addition to leadership trainings. We have also developed a range of courses conducted by specific business segments, made possible by the cooperation of people in these segments.

Shindome: In 2011, Showa Shell began to rapidly increase the amount of investment it conducted in training. This shift in focus was a result of the Company adopting a basic stance of incorporating whatever new innovations were needed for its business. The environment around us is always changing. As a company, we have to be able to determine the best way to respond to such changes at any given time, and this means that all employees should be able to think and act of their own accord. At the moment, Showa Shell is in the process of incorporating training designed to make this type of autonomy common place in everyday operations and then utilize it for further business development. With regard to training participants, it is important to gain the understanding of their supervisors, and then work to facilitate the development of ambitious employees as an entire company.

Ootsu: In the past, it was often the case that employees had to be selected to participate in training. Today, however, Showa Shell has more training programs than employees can participate in of their own volition. Moreover, the training sessions themselves are stimulating, and it is becoming more common to hear employees recommend certain training to their colleagues.

Iwamatsu: I participated in Leadership Training in 2014. During this training, I was told that I had room for improvement when it comes to taking the initiative to address issues. This inspired me to play a more central role in my workplace, encouraging other employees to follow my lead. The training served as a good opportunity for me to think about whether or not I was acting in accordance with the spirit of initiative defined as a pillar of the Talent Vision.

Sakamoto: Previously, I had the opportunity to study at a business school in the United States for two years through the Company's open application study abroad program. In addition to the curriculum I studied over these two years, I also had the opportunity to work in



Yoriko Sakamoto
Lubricants & Bitumen Division



Katsuki Shindome
Corporate Executive Officer

“

The clarity of the Talent Vision was most helpful. The clarity of this vision has fostered a shared understanding among employees from all positions and divisions. For this reason, there is no fear of employees losing focus or not having the appropriate mindset.

”

teams with various non-Japanese colleagues. Forced to keep pace with these highly ambitious individuals, who all had different sensibilities, I became mentally stronger, and was able to install a wider-ranging perspective into my own sense of values. I am putting this new sense of scope to good use in the workplace.

Ide: In the past, I have taken part in holding a business segment course. In determining the content of the course, senior employees in the segment sat down with newer employees to discuss the matter, taking a different perspective from their normal work. In these discussions, it became clear just to what extent the knowledge of the older employees was being replaced with that of the new. This experience also made me feel that there could be a real advantage to transmitting my knowledge as an instructor.

Suzuki: I think that Mr. Ide's experience with the business segment course is characteristic of these courses. Rather than management-rank employees, it is usually mid-level or younger employees that teach these courses. As such, these courses are also helping cultivate a corporate culture in which employees are encouraged to actively teach and train the employees that joined after them.

Kondo: Last year, there was a training I wanted to participate in, but it took place at an external facility, and would have required several nights staying at a hotel. Unfortunately, I had to give up on attending the training. For employees raising young children, the hurdle for participating in trainings can be high. It would be helpful if, in the future, such trainings could be held at the Showa Shell head office or perhaps split over several days.

Shindome: Ms. Kondo brings up an incredibly good point. In the future, we will try to develop more-flexible training programs to make these learning opportunities available to all employees.



Mai Ootsu
Manager, Public Affairs Division



Toshifumi Iwamatsu
Employee seconded to Showa Shell Business & IT Solutions Ltd. from the Integrated Finance & Control Division

Has Showa Shell Sekiyu's spirit of innovation taken root in its employees, and how is innovation being pursued?



Nobuhiro Okabe
Manager, Research & Development Division



Hiroaki Ide
Supply Division

Okabe: In the Oil Business, we are advancing the Dantotsu Project with the aim of achieving structural improvements in cost competitiveness over the medium term. I took part in cutting costs by reorganizing our line-up of fuels as part of this project. The Dantotsu Project spreads across the entire supply chain to link divisions throughout the Oil Business. Each division has its own desires and a different perspective. It was by turning my ear toward the front lines of operations that I was able to understand the actual condition of operations and the needs of operating sites, and thereby help find resolutions to the issues they faced. In this process, a lot of different ideas were presented by the various divisions, including the Sales Division, Supply Division, Manufacturing Division, and Distribution & Operations Division. By shifting the focus of conversation from what is best for individual divisions to what is best for the entire Company, I was able to gain the understanding needed to complete my part of the project.

Ide: I was involved in a similar project, this one aimed at improving the profitability of refineries. Looking at refineries, there were a lot of areas in which operations were still continuing in the same manner as always, despite changes in the operating environment. At the same time, there were cases when we had good ideas for improvement, but were unable to move into action. I set about advancing reforms in areas where these two issues had been preventing us from even taking the first step forward. In the project team in which these reforms were studied and conducted, the specialized knowledge of the team members assembled from various divisions was incredibly helpful in this undertaking. To achieve the goals of our project, we formulated and implemented plans for crude oil selection, refinery operations, and other factors. In overseeing this process, I honestly felt that the members involved were functioning as an effective team, which had a comfortable and unrestrained atmosphere, despite the members being from different divisions.

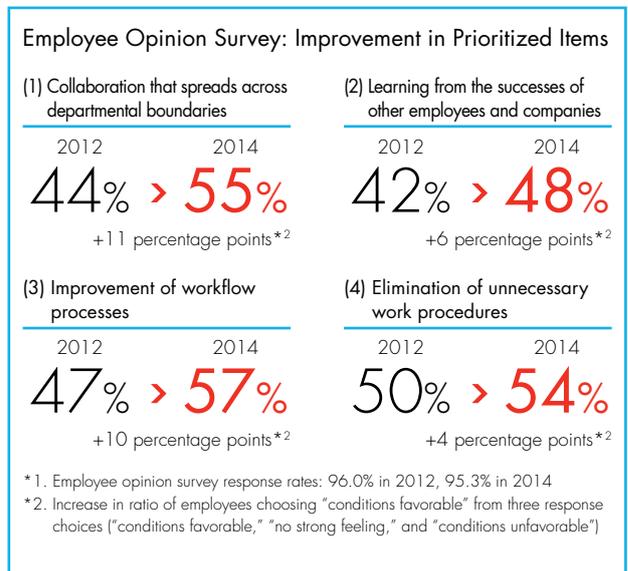
Kondo: In my division, we hold quarterly meetings that are attended by representatives from all departments under the jurisdiction of the managing executive officer. These serve as an opportunity to share information regarding the initiatives being implemented in each department. Last year, representatives from the electric power business and the solar business of the Energy Solutions Business were given the

opportunity to explain their operations. In response, employees from other departments offered suggestions about where solar modules could be installed or how electricity proposals could be made and presented other business ideas, making the meeting into a synergy-building event.

Yamaguchi: Business conditions for Solar Frontier are always changing, and, for us too, a spirit of innovation is imperative to success. To cultivate such a spirit, it is crucial to establish a shared focus on employee initiative. Based on this recognition, we undertook a branding project in 2014, and we were engaged in the process of redefining our corporate vision and code of conduct up until April 2015. The design elements of our brand were reinvented as part of this process. At a recent sales division summit, the president as well as senior managers from technology and production divisions expressed that they too shared the same focus, and I truly felt that we were all aligned along a common vector with a sense of unity throughout the Company and beyond divisional boundaries.

Ootsu: Ms. Yamaguchi spoke of a common vector. Showa Shell also is working to align employees along a common vector. The Town Hall Meetings designed to provide employees with an opportunity to communicate directly with the Company's senior management team are playing a role in establishing this vector. These meetings now take place periodically, and include sessions for all employees and those for managers and are even held at various operating sites.

Suzuki: I think you are right about that. We have recently been prioritizing improvements with regard to the following four items on annual employee opinion surveys: (1) collaboration that spreads across departmental boundaries, (2) learning from the successes of other employees and companies, (3) improvement of workflow processes, and (4) elimination of unnecessary work procedures. In the 2014 survey, all of these items showed improvement over the 2012 survey, when they were identified as needing improvement. For example, items (1) and (3) improved 11 percentage points and 10 percentage points, respectively. However, only about half of the Company responded that conditions were favorable in relation to any of the items, and it is clear that we must pursue further improvements in these areas.



Has Showa Shell been successful in improving the workplace environment in order to leverage a diverse range of human resources and allow individual employees to realize their full potential?

Shindome: Our basic human resource policy is to offer all employees equal opportunities to develop their skills and provide fair and impartial evaluations of their performance. In addition, we realize that empowering female employees is also necessary to live up to the expectations of society, and that clear and objective numerical goals must be defined in this regard. We plan to step up efforts to address this matter going forward.

Suzuki: To define its view on diversity, Showa Shell established the Policy for Diversity and Inclusiveness in 2004. The Company has pushed forward with training related to this policy since its introduction in addition to other measures geared toward raising awareness. In hiring, as well, our policy is to select capable individuals regardless of gender, nationality, or other factors. In addition, Showa Shell has long been active in the advancement of work-life balance measures. Expanding upon these measures, we instituted our first Company-wide survey of female employees in 2014 as one facet of our efforts to further empower these employees. We are in the process of developing specific initiatives based on the results of this survey.

Kondo: I have two children, a nine-year-old and a two-year-old. Between childbirth and childcare leave, I took two years off from work for each child. Upon my return, balancing my work and childcare was a struggle. Today, I am able to take advantage of Showa Shell's superior work-life balance support systems, such as the one that provides leave to care for sick children. However, the biggest support came in the form of the understanding and cooperation of my supervisors and coworkers. The conditions relating to one's family and work differ from person to person, and the situation waiting for them when they return from leave is also, of course, different. Being able to sit down with one's supervisor immediately after coming back to work to discuss the future course of one's career is a form of aid that is of monumental importance to employees using leave systems.

Yamaguchi: For me, the period after returning from childcare leave was a time of searching for a way of balancing my work life with my home life. To support people also seeking their own answer to this quandary, I think it would be most helpful if there was a framework for introducing such employees to a network of other working mothers that had previously found themselves

in the same position. Furthermore, my husband works at the same Group company as me. Using the flextime system, he is able to take our child to the nursery, and he is able to manage his work in a way that allows him to return home at a reasonable hour to help with raising our child. Understanding and supporting men's involvement in childrearing is the same as giving support to women, and this recognition is incredibly important.



Dan Suzuki
Manager, Integrated Human Resources Division



Hitomi Kondo
Commercial Sales Division



Yuri Yamaguchi
Solar Frontier K.K.
Seconded from the Energy Solutions Business Center

Iwamatsu: Just as you say, it is important to create a corporate culture in which it is natural for people to help colleagues that find themselves struggling after returning from childcare leave or when taking care of sick children, and this support must be provided regardless of gender. At the same time, however, employees raising young children must not come to rely on this support, but rather should focus on generating the greatest results possible in their limited time at work.

Ide: I once took three months off from work for childcare leave. I, of course, realized the importance of working even more efficiently than before after returning to work. However, at the same time I believe that if more people become more aware of the fact, like women, men also have various different ways of taking part in childrearing, I think it will be even easier for employees raising children to make greater contributions in the workplace.

Shindome: In the future, it will be more important than ever to realize that raising children, caring for family members, and other life events affect both men and women. As a company, we must create a workplace environment in which people striving to balance their work and home lives can still use their skills to the fullest at work. Today, a number of important issues were brought up in various areas, and I hope to use the knowledge gained today to further entrench Showa Shell's Talent Vision and improve the workplace environment. With an ambitious spirit for pursuing higher goals and a forward-looking perspective, I plan to advance further innovation in response to future changes. In closing, I would like to thank you all for participating today.

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 section, we would like to focus on one of these various activities: our environmental photo contest.



Shell Art Award 2014

In 1956, there were almost no independent art awards aside from those associated with group exhibitions. At that time, a non-Japanese 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. The spirit of this award lives on today, as we continue to accept applications from aspiring artists aged up to 40.

Shell Art Award 2014 was the 43rd time this event has been held since its inception, and a total of 815 works were submitted by 654 artists. Of these, 52 works were selected for awards, and these works were displayed at the Shell Art Award 2014 exhibition at the National Art Center, Tokyo in Roppongi. A total of 6,109 people visited the exhibition over its 13-day run during December 2014.

To offer ongoing support to aspiring artists, in conjunction with the standard exhibition, we also displayed the Showa Shell Art Award Artist Selection, which featured several works from four previous award winners. In addition, a number of new initiatives are being implemented with the hopes of increasing connections between artists and potential patrons, such as providing an area at exhibitions where visitors can view the art portfolios of award winners. Furthermore, in 2014, we presented a special Audience Award chosen based on votes from people attending the exhibition.

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



2014 grand prize winning submission: “Omnitemporal”

Energy Education Program for Children

As one effort to support the education of the next generation of children, we hold Energy Education Programs for elementary school students. Through this educational program we help deepen children’s understanding of global climate change issues, the importance of energy conservation, and renewable energy. These classes are held at elementary schools near our head office in Daiba, Tokyo, and at a training facility neighboring the Niigata



Yukigunigata Megasolar Power Plant in Niigata Prefecture. In 2014, a total of 403 students participated in this program.

In addition, we now hold Energy Education Programs at other Showa Shell Group facilities, such as those of Solar Frontier and the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd. Going forward, the Showa Shell Group will continue to conduct unique energy-related classes and otherwise utilize our resources to provide children with opportunities to think about the environment and the energy that surrounds their daily lives.

10th Environmental Photo Contest “Things to Preserve and Correct around Our Town”

In Showa Shell’s annual environmental photo contest, participants are asked to take photos 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 images are then submitted together with comments from the entrant. 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 10th environmental photo contest in 2014. This contest attracted a total of 5,149 participants (4,940 entries in the junior category and 209 in the general category) for various age groups.

The contest has been incorporated into the environmental education curriculum of several schools, and we have established a school category in which we present awards to entire schools. Approximately 200 schools entered this category in 2014.

The winning entries were displayed in the Shell Museum on the first floor of our head office in Daiba (Tokyo) over a period of approximately two months. In commemoration of the 10th

holding of this contest, this year’s winners were displayed alongside the first-prize winning entries from the junior category of the previous nine contests, giving visitors a chance to view works submitted throughout the contest’s history.

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.



First-Prize Winning Submission in the Junior Category of the 10th Environmental Photo Contest

Title: True Value



Ayana Hata (14), Okayama Prefecture

Comment

The photograph representing what I would like to correct is colorful and appealing at first sight. However, all of these “beautiful” vegetables were grown out of season and imported from overseas. Is that truly beautiful? The photograph representing what I would like to preserve shows a seasonally grown goya bitter melon and the blue sky above it. So-called green curtains, such as the one in this photograph, help protect us from global warming while providing us with highly nutritious vegetables. I believe it is this type of vegetable that is truly valuable for our town, our country, and our planet.

➤ Other winning submissions can be found on the Company’s website (Japanese only). <http://www.showa-shell.co.jp/enjoy/photo/>

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 a four-day period in October 2014, special-needs students from a high school participated in a workplace experience program at the branch. This was the fifth holding of this initiative.

This year primarily focused on administrative activities and inputting information into PCs in the branch’s planning section. Placed in an office environment very different from their regular school environment, the students seemed quite nervous at first. However, by the second day, they had grown accustomed to the new environment and their duties, and went about their work with

enthusiasm thereafter.

While exceptionally short, this program always serves as 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.



10th Energy Sustainability Forum Public Symposium

Together with the Integrated Research System for Sustainability Science (IR3S) operated by the University of Tokyo, Showa Shell held its 10th Energy Sustainability Forum public symposium based on the theme of creating an ecologically sound society by combining efforts related to energy, resources, and the environment.



Environmental preservation activities

At the symposium, this theme was discussed from a variety of perspectives and standpoints. The deputy director-general of a government agency as well as university professors gave presentations on topics including examples of specific activities in communities and Showa Shell's initiatives to contribute to the creation of an ecologically sound society. Another theme discussed was fueling regional development through the construction of ecologically sound areas. This theme was examined through a panel discussion by presenters in which a variety of opinions and suggestions were raised as to how various energy technologies can be incorporated into activities tailored to the characteristics of specific regions.

Teruha no Mori Ongaeshi Forest Preservation 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 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 the groundwater it produces.

The *Teruha no Mori Ongaeshi* forest preservation project entails thinning trees that have been introduced into this natural 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 natural evergreen forest and allow it to grow even more majestic. Solar Frontier employees began participating in this project during 2013 and a total of 30 employees took part in these thinning activities during 2014. Going forward, these activities will be continued as part of the Company's contributions to local communities and society.



Environmental preservation activities



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 the nonprofit organization (NPO) TABLE FOR TWO International. 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.



International community support activities

Support education for next generation

This program was started in December 2013 in the cafeteria of Showa Shell's Daiba (Tokyo) head office building, and as of May 31, 2015, this program had collected enough donations to purchase 5,000 school lunches for children in need. We continue to conduct the TABLE FOR TWO program to provide Showa Shell and its employees with the 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), an 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.



International community support activities

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 interactive communication.

Information Disclosure for Shareholders and Other Investors

In 2015, we once again provided domestic securities analysts and institutional investors with information via quarterly performance announcement presentation meetings as well as the Top Seminar, at which the Company's senior management explained its management strategies. Individual meetings were also held to offer explanations about the business environment and our performance.

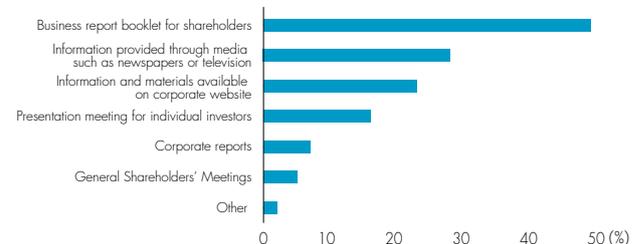
For individual shareholders and investors, management explained the financial performance in fiscal 2014 and the business strategies at the 103rd General Shareholders' Meeting held on March 26, 2015. In addition, we began distributing audio recordings from presentation meetings (in Japanese only) through our corporate website in 2014, and we also 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 response to the question "Which information provision tool or opportunity would you most like to see enhanced?" a number of shareholders have required more variety of information and materials available on the Company's website. Aiming to address this feedback, we posted a short slide presentation providing simple and easy to understand explanations of Showa Shell's characteristics (in Japanese only), on the Investor Relations section of our website in 2014. The Company also provided information through presentation meetings for individual investors held by securities companies.

For overseas investors, we provide timely information disclosure by posting English-language versions of our financial results summaries, related presentation materials, data books, and other materials at the same time as the Japanese-language versions are made available.

Our efforts resulted in being awarded in the 2014 Awards for Excellence in Corporate Disclosure for having improved substantially in terms of corporate stance and satisfactory disclosure. These awards are held by the Securities Analysts Association of Japan, and are designed to evaluate a company's overall effort in IR activities. Going forward, we will continue to communicate with shareholders and other investors in a timely, appropriate manner.

2014 Shareholder Questionnaire Results

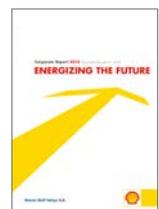
Which information provision tool or opportunity would you most like to see enhanced? (Check all that apply)



Survey period: September–October 2014
Responses: 4,854

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 non-financial information and information on initiatives targeting all stakeholders is contained in the Company's CSR books, which are made available on its website.



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

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

Corporate Governance

Corporate Governance Structure

Basic Policy

Showa Shell aims to realize sustained growth and maximize corporate value by promoting the separation of management oversight and business execution functions to improve the transparency and efficiency of management as well as by practicing the timely disclosure of accurate information. We also aim to earn trust from our shareholders by treating them fairly and impartially. We actively incorporate objectivity into management decisions through outside opinions, while developing the optimal governance systems matched to the Company's goals and attributes as well as to the changing social and legal environments. We also regularly verify that these systems work in practice, and make improvements if necessary.

Directors and Board of Directors

In June 2015, the Company introduced a new, more sophisticated operating framework for the Board of Directors by separating the position of Group CEO, the highest authority for business execution, from the position of chairman of the Board of Directors, which entails responsibility for supervising management. This change will allow for more-effective oversight coupled with more-timely business execution. Recognizing the role the chairman of the Board of Directors must play in supervising management, Minoru Takeda was selected for this position because, as an outside director, he does not take part in business execution. In addition, as part of its efforts to further strengthen corporate governance systems, the Company began examining the possibility of establishing a nominating committee to function alongside the Compensation Advisory Committee formed in 2013.

The Board of Directors currently has eight members, including five outside directors as well as one internal director that does not have business execution responsibilities. The five outside directors and one non-executive director effectively fulfil their role of providing supervisory functions for management. In addition, these directors offer suggestions and advice for maximizing

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
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
2015	Positions of chief executive officer (Group CEO) and chairman of the Board of Directors separated

corporate value from their varied and objective standpoints. Grounded in rich global experience and expertise in a variety of fields, the global perspective of the outside directors provides invaluable guidance as we develop the Oil Business and the Energy Solutions Business. Furthermore, two of the five outside directors are independent directors, ensuring that management remains objective and that the interests of general shareholders are protected.

To ensure that outside directors and other directors can fully participate in discussions at meetings of the Board of Directors, materials used at these meetings are distributed in advance and pre-meeting briefings conducted.

Attendance of Outside Directors at Board of Directors Meetings (2014)

Yukio Masuda	9 of 9
Takashi Nakamura	8 of 8 (since March 2014 appointment)
Minoru Takeda	9 of 9
Chiew Nguang-Yong*	9 of 9
Ahmed M. Alkhunaini	7 of 8 (since March 2014 appointment)
Nabil A. Al-Nuaim	7 of 8 (since March 2014 appointment)

* Chiew Nguang-Yong resigned from his position in March 2015.

Director and Audit & Supervisory Board Member Remuneration

The Compensation Advisory Committee*, comprised of independent officers and specialists, and others, was established in 2013. Based on reports by this committee, the objective, transparent, and performance-based Basic Policy for Directors Compensation was formulated. This policy was adopted following approval by the Board of Directors at a meeting held on November 5, 2013. This policy called for the portion of director remuneration linked to business 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 basic policy, the upper limit for total fixed remuneration paid to directors was reduced from ¥65 million to ¥45 million per month by a resolution at 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-linked bonuses for directors are to be determined each year by resolution at 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, was ¥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 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, 2014)

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)	315	241	74	3
Audit & Supervisory Board members (excluding external Audit & Supervisory Board members)	72	72	—	3
Outside directors and Audit & Supervisory Board members	59	58	1	10

* Compensation Advisory Committee: The Compensation Advisory Committee consists of a majority of external specialists and outside directors and external Audit & Supervisory Board members, including independent directors and auditors. The committee meets four times a year to discuss all matters regarding performance-linked remuneration, and issues needing improvement are reported to the Board of Directors. Executive directors do not take part in deciding the content of reports.

Audit Compensation (Year Ended December 31, 2014)

	Showa Shell (Yen million)	Consolidated subsidiaries (Yen million)
Compensation based on audit certification activities	120	53
Compensation based on non-audit activities	3	—

Outside Directors and External Audit & Supervisory Board Members

The Company has not developed any particular standards or policies with regard to the independence of outside directors or external Audit & Supervisory Board members. However, we do

make reference to the independence-related items for which the Tokyo Stock Exchange requires disclosure.

Outside Directors (As of June 1, 2015)

Name	Position / background	Reason for appointment
Minoru Takeda	Resigned from positions of president and representative director of Shell Japan K.K. and representative director of Shell Chemicals Japan Ltd. in May 2015	Mr. Takeda was selected for the wealth of knowledge and the extensive network he developed when working at oil companies in Japan and around the world, with the expectation that his appointment would strengthen the management supervisory function.
Yukio Masuda	Independent Director Advisor, Mitsubishi Corporation	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	Independent Director Former Director and Deputy President, Ricoh Company, Ltd. (resigned in June 2012)	With many years of experience in managing human resource divisions as a director at Ricoh Company and experience managing a European subsidiary of this company, Mr. Nakamura was selected for his extensive knowledge of global management efforts of a Japanese company, with the expectation that his appointment would strengthen the management supervisory function.
Ahmed M. Alkhunaini	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. Al-Nuaim	Manager, Environmental Protection Department, Saudi Arabian Oil Co. (Saudi Arabia)	Mr. Al-Nuaim 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 June 1, 2015)

Name	Position / background	Reason for appointment
Midori Miyazaki	Independent Auditor Professor and Dean Faculty of Global Studies, Chiba University of Commerce	Ms. Miyazaki was selected for her multifaceted involvement at Chiba University of Commerce as a professor and in policy making as a member of a tax system research commission as well as for her broad-ranging insight, with the expectation that her perspective from outside of the oil industry would help strengthen the auditing function.
Kenji Yamagishi	Independent Audit & Supervisory Board Member Attorney	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 (Minoru Takeda, Yukio Masuda, Takashi Nakamura, 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.

In May 2015, a partial revision was instituted to the Companies Act of Japan. Based on the revision, the Company revised the Basic Policy on Internal Control to strengthen management of subsidiaries and improve the effectiveness of audits. In accordance with the revised policy, we developed a Group internal control system for subsidiaries, and this system is being operated effectively to enhance governance at both the Company and its subsidiaries.

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 the 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 the 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 and put into practice. We distribute our Compliance Book, which explains policies on specific actions, and also conduct e-learning programs on these policies two times 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 new employees, 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 compliance concerns and to offer constructive proposals for improvement measures; this system enables 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. In October 2014, we began posting overviews of compliance violations occurring within the Group on the Room of Compliance intranet site to raise awareness and prevent reoccurrence.

Showa Shell's policy with regard to criminal organizations is to handle them through a Company-wide 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 needed.

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 that specific divisions face, and on an overall

corporate level, 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.

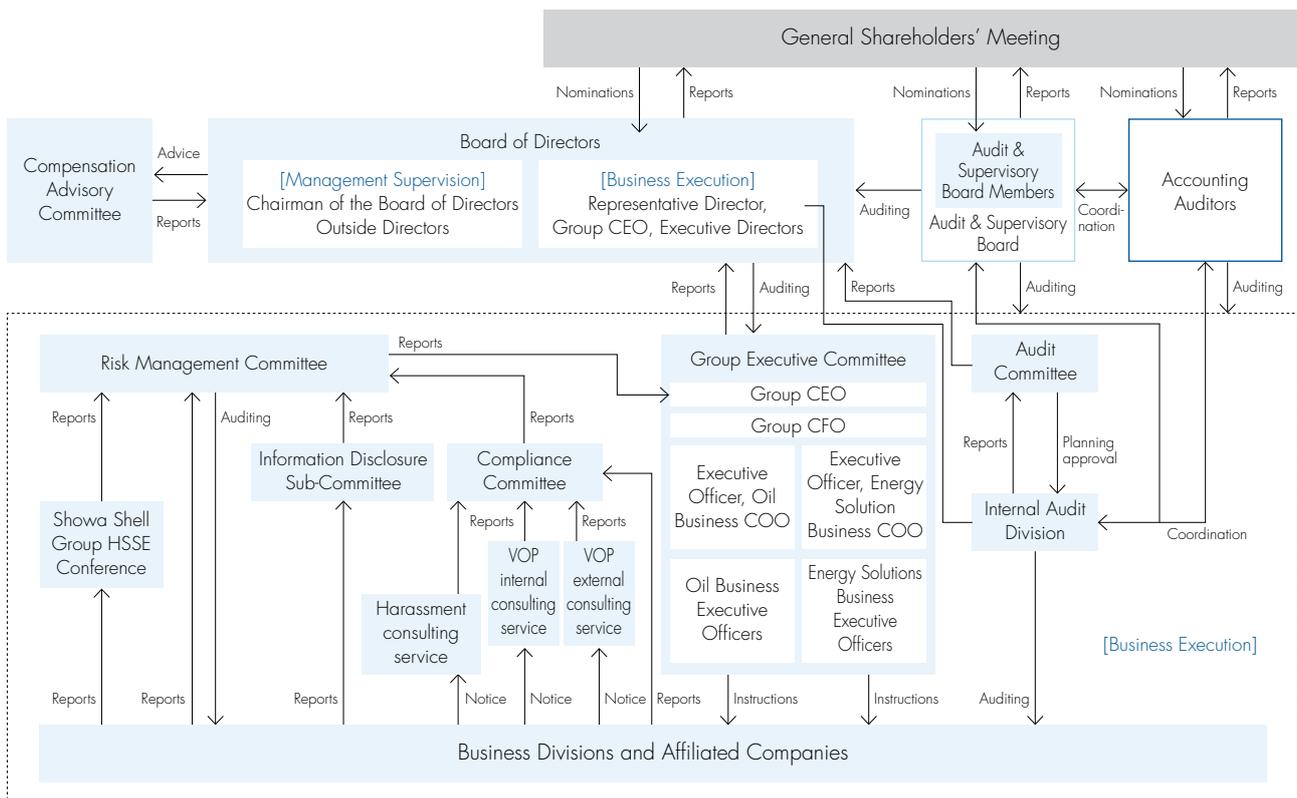
Information Disclosure

The Company has formulated the 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 body 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 as we aim to enhance the range of information available with regard to our business and business environment. For shareholders, 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. We also launched a voting rights exercise platform for institutional investors in 2015, further improving convenience. Furthermore, we publish a business report booklet for shareholders (in Japanese only) and issue shareholder questionnaires in order to enhance communication with shareholders.

Corporate Governance System and Internal Control System



Interview with Takashi Nakamura, Outside Director

We asked Takashi Nakamura, who has been serving as an outside director (independent director) since March 2014, what he thought of Showa Shell's corporate governance systems and what further improvements can be made.



Takashi Nakamura

Appointed to the position of outside director in March 2014 Mr. Nakamura worked for many years as a director at Ricoh Company, Ltd., where he was responsible for HR, and also served as president of one of its European subsidiaries.



Looking back at your first year as an outside director, what has been your impression of Showa Shell and its governance systems ?

When I first assumed this position, I was very impressed with Showa Shell's dedication toward providing a stable supply of energy, and how the Company was attempting to evolve into a comprehensive energy provider that deals in renewable energy in addition to oil. I believe that for a company to grow sustainably, rather than simply pursuing higher earnings, it must provide value to a diverse range of stakeholders, including shareholders, customers, employees, and society as a whole. Showa Shell is the type of company that can grow in this way.

Showa Shell's corporate governance systems rank among the best at listed Japanese companies. The Company was quick to appoint several outside directors, including independent directors, and has also adopted an executive officer system and established a Compensation Advisory Committee. This is representative of a well-thought-out and highly advanced governance system. Furthermore, discussions at meetings of the Board of Directors are quite active, with both directors and Audit & Supervisory Board members voicing opinions from their unique standpoints.



How do you think Showa Shell should improve its corporate governance systems in light of Japan's new Corporate Governance Code ?

I believe that the Corporate Governance Code is not what a company must respond to, but what it should make the best use of an effective tool for improving upon its own corporate governance systems, as well as for communicating information about a company's management policies and strategies.

From this perspective, I felt that Showa Shell needed to more clearly separate the authority and responsibility for management supervision and business execution. In June 2015, the role of Group CEO was split from that of chairman of the Board of Directors, and I believe that this was a great step forward. The Company has also begun examining the possibility of establishing a nominating committee, and I think such a committee should be created as soon as possible. Right now, a large amount of time at meetings of the Board of Directors is being used to discuss detailed business-level execution matters. However, I believe that a greater quantity of time should be devoted to discussing fundamental management policies and long-term management strategies. Showa Shell will be able to further increase management efficiency by delegating business execution decisions to operating divisions, encouraging quicker decisions, and rapidly putting those decisions into practice.



What do you think Showa Shell needs to do to improve corporate value ?

The oil industry has a long history of regulation, and you could say that this has protected the entire industry from the type of fierce competition seen in other industries. In the future, however, Showa Shell will have to win out in the energy industry, under increasingly fierce competition. To stand as a winner in this arena, the Company will need to continue creating new value, and this will require it to create more innovation while also efficiently implementing strategies and utilizing management resources.

In this endeavor, it will be important for Showa Shell to pay even more attention to its customers, while also promoting diversity in human resources, particularly in empowering female employees. Currently, Showa Shell has child-care-related work-life balance support systems in place, and I feel that female employees are playing an active role in the Company's business. In the future, more women will need to be promoted to management and executive management positions. For this reason, I think Showa Shell should strive to develop a better understanding of the opinions and perspectives of its female employees, and create a workplace environment in which these employees can continue to fully utilize their skills. At the same time, the Company needs to cultivate more employees capable of competing on the global stage in English. My own experience has made it clear how potent English is as a business communication tool. Going forward, Showa Shell will start dealing in a wider range of energy types while serving more regions and a broader scope of customers. With such expansion, improvements in the areas I spoke of will come to play an important part in boosting corporate value.

As the new management structure comes into effect, it will be more important than ever to communicate about management policies and other matters across the Group. It is my hope that Showa Shell will become an even stronger company that is capable of leading the energy industry and at which all employees go about their tasks with a sense of doing it "for the Company." I will work to fulfill my capacity as an outside director and as a member of the Showa Shell Group.

Interview with Kenji Yamagishi, External Audit & Supervisory Board Member

We asked Kenji Yamagishi, who has served as an external Audit & Supervisory Board member (independent auditor) since March 2008, what he thought of Showa Shell's corporate governance systems and what further improvements can be made.

Kenji Yamagishi

Appointed to the position of external Audit & Supervisory Board member in March 2008
Mr. Yamagishi is a lawyer employed at the Risolute Law Office, and served as President of the Japan Federation of Bar Associations from May 2012 to March 2014.



Q

How do you assess Showa Shell's corporate governance systems ?

In my seven years with Showa Shell, the business environment for energy, including oil, has changed substantially. At the same time, Showa Shell's business has broadened into new fields, such as solar modules and electricity, and has become more global. In considering how to make its corporate governance systems responsive to such changes, the Company has worked to incorporate outside perspectives and values. This led to the appointment of independent outside directors with substantial professional experience, expertise, and networks. These directors have proven to be a great asset, particularly when taking new steps that carry risks. The support from outside directors, particularly independent directors, has been important not just in monitoring and supervising management, but also in ensuring the validity and speediness of management decisions. These directors have helped ensure that opportunities for improving corporate value are not missed and that the Company's business operations are taking advantage of the times.

Q

The operating environment for Showa Shell is undergoing even greater change. What issues do you think this environment presents for Showa Shell?

Energy is extremely important to Japan and its people and therefore receives a great deal of attention. Showa Shell deals in oil, which is essential to our everyday lives, and renewable energy, which will be crucial in resolving environmental issues in the future. For this reason, it would not be too much to say that Showa Shell bears a great responsibility for the future of Japan.

It is important to carefully monitor global trends related to energy resources and changes in government energy policy around the world. At the same time, the Company must turn its attention toward various other issues, such as the need to advance technologies or boost profitability, and it will need to make appropriate decisions on these fronts while conquering the challenges placed before it. The oil industry in particular requires concrete measures for rationalizing and reorganizing operations. We are currently at a turning point that will determine the future, not only of the Company but also the energy industry as a whole. For this reason, the Board of Directors will need to conduct even-more in-depth discussions in order to properly function and fulfill its role. Forums that complement the Board of Directors, such as pre-meeting briefings and discussions outside of Board of Directors meetings, can help to install this extra element of depth into discussions. I believe that expanding the range of issues handled at these forums would be most effective.

Q

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

I focus on installing internal controls and promoting thorough compliance. But beyond that I also am well aware of my monitoring and supervisory role. In this respect, I pay particular attention to making sure that decisions made at meetings of the Board of Directors—through frank exchanges of opinion between directors with diverse backgrounds—are in the best interests of the Company in terms of strengthening competitiveness.

When reducing costs, for example, it is important to strike a balance among cost cuts, safety, and employee motivation. I try to make sure these factors are considered. In the future, I hope to continue supporting the rapid progress of management by limiting exposure to unforeseen risks.

Q

What do you think Showa Shell needs to do to improve its corporate value?

The business environment is currently challenging, and shows potential for dynamic changes, such as rationalization measures or industry reorganization. It is therefore important that Showa Shell's employees work together more closely with contract dealers and other business partners to improve corporate value. To accomplish this, Showa Shell will need to communicate its vision for the future in an easy-to-understand way. It will also have to periodically review its corporate governance systems to ensure that management can always make the best decisions to enhance corporate value.

Furthermore, as the Company enters into new business fields and expands its operations into new regions, it will become more exposed to new legal risks. Accordingly, accuracy and timing will be more important than ever in collecting, sharing, and analyzing information, and deciding responses based on this information.

Board of Directors and Audit & Supervisory Board Members

(As of June 1, 2015)



**Representative Director,
President, Group CEO
Energy Solutions Business COO**
A Tsuyoshi Kameoka

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

**Executive Officers
Oil Business COO**
Masayuki Kobayashi
Oil Business Center and Oil Business
Center (Crude Oil & Marine and
Marine)

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

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

Directors
C Minoru Takeda *1
(Chairman of the Board of Directors)
D Yukio Masuda *1 *2
E Takashi Nakamura *1 *2
F Ahmed M. Alkhunaini *1
G Nabil A. Al-Nuaim *1
H Christopher K. Gunner
*1. Outside director
*2. Independent director/Audit & Supervisory
Board member

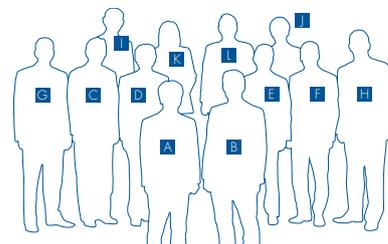
Katsuaki Shindome
Oil Business (HSSE)
Group Functions
(Public Affairs, Human Resources,
Internal Control Promotion, General
Affairs)

Brooks Herring
Reporting to CEO, Transformation

Kenichi Morishita
Oil Business
(Sales, Marketing Planning, Retail Sales,
Retail EPOCH Project and Branch
Offices, Distributions & Operations and
Import Terminal)

Audit & Supervisory Board Members
I Kiyotaka Yamada
J Misao Hamamoto
K Midori Miyazaki *2 *3
L Kenji Yamagishi *2 *3
*3. External Audit & Supervisory Board member

The CEO directly supervises the Internal Audit Division and
takes charge in general business principles.



Executive Officers
Tutomu Yoshioka
Oil Business
(Manager in Metropolitan Branch)

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

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

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

Minoru Yagyuuda
Energy Solutions Business
(Power Business)

Takashi Sakata
Group Functions (Finance & Control,
Credit & Finance Risk Management)

ISO 26000 COMPARISON TABLE

Pages addressing issues core to ISO 26000	Issue	Pages
Organizational Control	Issue 1: Organizational Control and Corporate Governance	<p>Corporate Governance</p> <ul style="list-style-type: none"> • Corporate Governance Structure ⇒P.32 Basic Policy for Corporate Governance Directors and Board of Directors • Director and Audit & Supervisory Board Member Remuneration ⇒P.33 • Outside Directors and External Audit & Supervisory Board Members ⇒P.33 and 34 • Internal Control System ⇒P.34 and 35 Compliance Risk Management • Information Disclosure ⇒P.34 and 35 • Interviews with Former Outside Director and External Audit & Supervisory Board Member ⇒P.36 and 37 <p>HSSE</p> <ul style="list-style-type: none"> • HSSE Definitions ⇒P.4 • HSSE Promotion System ⇒P.4 • HSSE Management System (HSSE-MS) ⇒P.5 • Security ⇒P.6 and 7 Disaster Drills at Refineries Comprehensive Disaster Response Drills 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 ⇒P.5 Safety and Hygiene Committees Employee Health Management and Mental Health Health Counseling Desk • Safety ⇒P.6 Goal Zero Movement Safety Awards HSSE Site Visits by Executives <p>Corporate Governance</p> <ul style="list-style-type: none"> • Internal Control System ⇒P.34 and 35 Compliance Risk Management <p>Together with Our Employees</p> <ul style="list-style-type: none"> • Talent Vision and Education Systems ⇒P.21 • Creation of a Worker-Friendly Environment ⇒P.22 and 23 Respect for Human Rights Discussions with Labor Unions Reemployment of People Retiring at Retirement Age Employing Differently Abled People Empowerment of Female Employees Systems to Promote a Work-Life Balance • Roundtable Employee Discussion ⇒P.24-27
Labor 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 Labor Practices</p> <p>Issue 5: Human Resource Cultivation and Training in the Workplace</p>	<p>HSSE</p> <ul style="list-style-type: none"> • Health ⇒P.5 and 15 Safety and Hygiene Committees Employee Health Management and Mental Health Health Counseling Desk Status of OHSAS 18001 (Occupational Health and Safety Management) Certification • Safety ⇒P.6 Goal Zero Movement Safety Awards HSSE Site Visits by Executives <p>Corporate Governance</p> <ul style="list-style-type: none"> • Internal Control System ⇒P.34 and 35 Compliance Risk Management <p>Together with Our Employees</p> <ul style="list-style-type: none"> • Talent Vision and Education Systems ⇒P.21 • Creation of a Worker-Friendly Environment ⇒P.22 and 23 Respect for Human Rights Discussions with Labor Unions Reemployment of People Retiring at Retirement Age Employing Differently Abled People Empowerment of Female Employees Systems to Promote a Work-Life Balance • Roundtable Employee Discussion ⇒P.24-27
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 ⇒P.7-13 Business Portfolio for Reducing CO₂ Emissions 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 2014 Technology Development for Eco-Friendly Products Medium-Term Environmental Action Plan (2013-2015) • Status of ISO 14001 (Environmental) Certification ⇒P.14 <p>Together with Our Business Partners ⇒P.20</p> <ul style="list-style-type: none"> • CSR- and HSSE-Minded Procurement

ISO 26000 COMPARISON TABLE

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 ⇒P.32 <ul style="list-style-type: none"> Basic Policy for Corporate Governance Directors and Board of Directors • Director and Audit & Supervisory Board Member Remuneration ⇒P.33 • Outside Directors and External Audit & Supervisory Board Members ⇒P.33 and 34 • Internal Control System ⇒P.34 and 35 <ul style="list-style-type: none"> Compliance Risk Management • Information Disclosure ⇒P.34 and 35 • Interviews with Former Outside Director and External Audit & Supervisory Board Member ⇒P.36 and 37 <p>Together with Our Customers ⇒P.19</p> <ul style="list-style-type: none"> • Renewal of Corporate Website • 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 ⇒P.20</p> <ul style="list-style-type: none"> • CSR and HSSE-Minded Procurement • Partnership with Contract Dealers <p>Together with Our Shareholders and Investors ⇒P.31</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 ⇒P.14 <p>Together with Our Customers ⇒P.16-19</p> <ul style="list-style-type: none"> • Efforts at Service Stations • Disaster Response Measures at Service Stations • Renewal of Corporate Website • 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 ⇒P.31</p> <ul style="list-style-type: none"> • Delivering Information for Shareholders and Investors • 2014 Shareholder Questionnaire Responses • Publication of Corporate Reports <p>Together with Our Customers ⇒P.18</p> <ul style="list-style-type: none"> • Initiatives to Improve Human Capabilities at Service Stations • Sales Promotion Advertisement & Training Program • Showa Shell Royal Manager Certification Program • Showa Shell Oil Meister Certification Program • Showa Shell Car Life Advisor Certification Program • Lubricant Expert 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 ⇒P.28-30</p> <ul style="list-style-type: none"> • Shell Art Award 2014 • Energy Education Program for Children • 10th Environmental Photo Contest “Things to Preserve and Correct around Our Town” • Program Enabling Students from Special-Needs Schools to Experience Our Workplaces • 10th Energy Sustainability Forum Public Symposium • <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 ⇒P.19</p> <ul style="list-style-type: none"> • Disaster Response Measures at Service Stations

Corporate Report 2015

Corporate Report 2015 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>

Showa Shell Sekiyu K.K.

Daiba Frontier Bldg., 2-3-2, Daiba, Minato-ku,
Tokyo 135-8074, Japan
Tel: +81-3-5531-5793

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



