



18 February, 2013

Showa Shell Sekiyu K.K. Medium Term Business Action Plan

Showa Shell Sekiyu K.K. (hereafter “Showa Shell”) here created the “Medium Term Business Action Plan” in order to “become the highly competitive and sustainable Energy Solution Provider meeting the needs of customers and society” as a follow-up to our Mid Term Business Vision “EPOCH 2010” set out in 2009.

■ Key strategic pillars under “Medium Term Business Action Plan”

To deliver our “Medium Term Business Action Plan”, Showa Shell redefined its strategic pillars set out in 2009 to the following four pillars.

- ① Reinforcing profitability of the Oil Business
- ② Enhancing competitiveness of the Solar Business
- ③ Expanding the Power Business (new strategic element)
- ④ Fostering the seeds for future growth



1) Enhancing profitability of the Oil Business

➤ Growth strategy on the existent business

- Improving cost competitiveness: 20% reduction from 2012 level
- Improving efficiency at sales channels: X-index improvement (through partnership with dealers, etc.)
- Flexible marketing portfolio responding to changeable market environment
- Manufacturing & supply: optimal use of assets (keeping short supply position which makes it easier for us to balance our supply/demand, utilizing Shell trading network.)

➤ Growth strategy with structural change

- Expanding the petrochemical business (aromatics) into Asia Pacific market
- Expanding the size of business: expansion and concentration of marketing channels, taking strategic alliance into consideration..

2) Enhancing competitiveness of the Solar Business

- "To establish a leading position with regard to both production and marketing in Japanese market (mega-solar, commercial, and residential segments)."
- "To become a leader on the downstream business(BOT/EPC)"

- Marketing: We will capture the opportunities of rapid demand growth in Japan supported by new feed-in-tariff for renewable energy and establish No.1 position in Japan. We will establish our servicing capability to offer customers "full turnkey solutions" ranging from solar panel supply to system procurement, solar power plant development, maintenance, financing, and technical support in order to enhance our added-value for customers.
- Production: We will bring our production efficiency and cost competitiveness to the world-leading level on the basis of full use of Kunitomi Plant.
- Research & Development: We will develop new products that can differentiate us in the market. We will keep staying at the world-leading position in technological innovation, aiming for our global business expansion in the future.
- Global business expansion: After realizing No.1 position in Japanese market, the world-leading cost competitiveness, and new product development, we aim to offer customers "the most economical and ecological solar power system in the world".
- We expect to continue improving the business throughout the planning period and establish our robust profit bases as soon as possible.

3) Expanding the Power Business

- "To expand the power business and supply environmentally friendly and sustainable power, contributing to stable domestic power supply."
- We will expand the Power Business in its size from the current about 500kkW to about 1,000kkW. Ohgishima Power, where we own 25% of an LNG-fired turbine power source, will start operation of its newly established No.3 power plant as planned and bring it to stable run as soon as possible.
 - As part of our menu of power supply sources, we are executing new business models based on our extensive experience with solar power. We are also pursuing other business model options such as bio-mass-based power generation.

4) Fostering seeds for future growth

- "To develop new products or business models by investigating seeds of opportunity based on the long-term view of changing customer needs and social preference."
- To meet the needs of society and customers as we move toward a low carbon society, we will engage in research and development of next-generation energy technologies for products and services, such as bio fuels, electric vehicle-related opportunities, GTL fuels, and energy management services.

■ Key management targets in “Medium Term Business Action Plan”

Showa Shell aims to meet the following targets over the next 5 years.

- 1) Delivering a profitable growth strategy that provides stable and attractive dividends
- 2) Comply fully with laws and our Code of Conduct
- 3) Operate our businesses in a safe and environmentally-friendly manner, promoting our Goal Zero initiative of having no occupational accidents or product quality incidents

■ Resource allocation

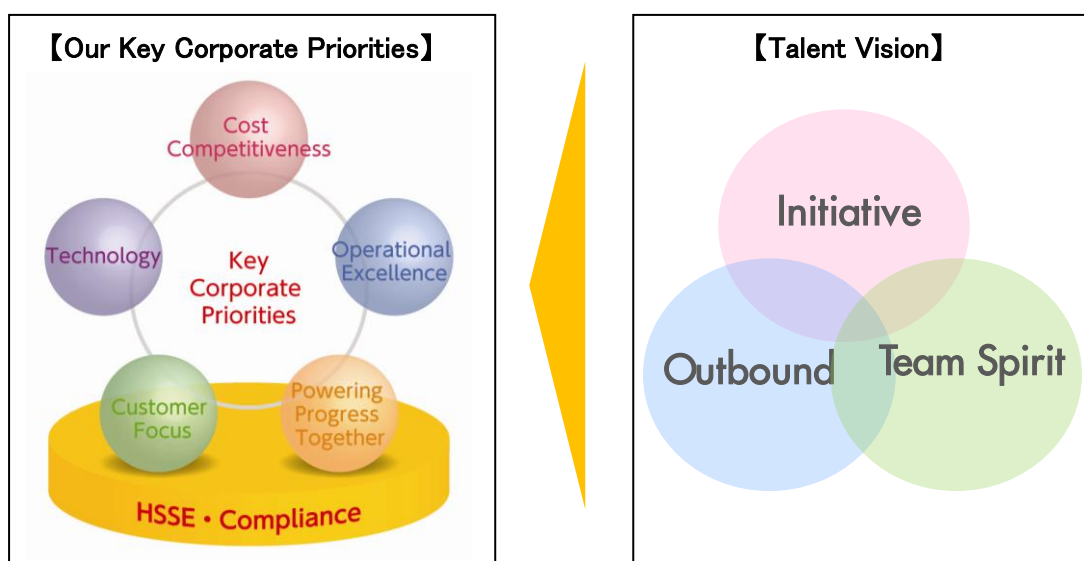
To implement and achieve the “Medium Term Business Action Plan”, Showa Shell will allocate the free cash flow we generate into the following fields.

- Investment for operational maintenance, expansion and rationalization of assets in the Oil Business and the Solar Business.
- Investment in Step Changes in the Oil Business and the Power Business for responding to changing demand structure.
- Investment into solar module factories that enhance our competitiveness by deploying new technologies and production of new types of solar modules.
- To pay dividends to shareholders and maintain a strong financial position for the company

■ Our key corporate priorities for “Medium Term Business Action Plan”

Showa Shell clearly defines that HSSE (H: Health, S: Safety, S: Security, E: Environment) management and compliance are our top priorities and we relentlessly pursue continuous improvement of this corporate competency.

We also believe that it is essential to strengthen competitiveness through thoughtful development of our people, so we have set out the following human resource vision and key corporate priorities.



(Note) What are our key corporate priorities?

① *Cost Competitiveness*

Delivering cost competitiveness and business efficiency so we are competitive in the global market

② *Operational Excellence*

Establishing high-quality operational execution in a sustainable manner

③ *Powering Progress Together*

Nurturing the spirit of teamwork, enabling the team to deliver more than the sum of individual capabilities

④ *Customer Focus*

Strengthening abilities of thinking and implementation for quick response to customer needs

⑤ *Technology*

Continuing rapid development and deployment of new products and services

■ **Reformed corporate management structures and corporate governance**

- Clear accountability
- Corporate management based on commitment
- Staffing according to skills and capabilities
- Adopting global best practice
- Promoting transparent, open board meeting

■ **Showa Shell aims to become a company group that societies can willingly accept and within which the mentality for our business value enhancement has been appropriately shared.**

END