

To Our Shareholders

2-3-2, Daiba, Minato-ku, Tokyo
Showa Shell Sekiyu K.K.
Chairman and Representative Director
Group Chief Executive Officer: Shigeya Kato

Notice of the 103rd Annual General Meeting of Shareholders

Dear Shareholders,

We would like to hereby inform you that the Company's 103rd Annual General Meeting of Shareholders will be held as described below. You are cordially invited to attend the meeting.

If you are unable to attend the meeting, we would like to ask you to review the attached reference materials and exercise your voting right in writing or by electromagnetic means (the internet or other means). In that case, please review the **“Notes on the execution of votes”** on the next page and exercise your voting rights by 5:30pm (Japan standard time) on Wednesday, 25th March, 2015.

Date and Time: 10:00 a.m. on Thursday, 26th March, 2015
Place: Hotel Nikko Tokyo (1st Floor, Pegasus Room)
9-1, Daiba 1-chome, Minato-ku, Tokyo.

AGENDA

Items to Report

1. To report on the contents of the Business Report and the Consolidated Financial Statements for the 103rd Period (from 1st January to 31st December, 2014) with Audit Reports submitted by Accounting Auditors and Audit & Supervisory Board.
2. To report on the contents of the Nonconsolidated Financial Statements for the 103rd Period (from 1st January to 31st December, 2014).

Items for Resolution

1. To approve the Appropriation of Profit for the 103rd Period.
2. To appoint eight (8) Directors of the Company.
3. To appoint a Substitute Audit & Supervisory Board Member.
4. To approve the Provision of a Bonus for Directors.

Notes on the execution of votes:

1. If you plan to attend the meeting, please bring your mail ballot form with you and submit it at the front desk.
2. If you plan to exercise your voting right by mail, please send the enclosed mail ballot form with the indication of your approval or disapproval so that the mail ballot form reaches us by 5:30 p.m. on Wednesday, 25th March 2015.
3. If you plan to exercise your voting right by internet, please access the web site (<http://www.web54.net>) with the voting code and password printed on the enclosed mail ballot form and exercise your voting right on the screen in accordance with the guidance (English NOT available).
4. When institutional investors have made prior application for use of the platform for the electronic exercise of votes operated by ICJ, Inc., they may, as an alternative to exercising voting rights over the Internet as detailed above, use such a platform as another way of electronically exercising voting rights at the Company's Annual General Meeting of Shareholders.

Notes on the handling of votes:

1. Your vote by mail or by internet will be valid, if it reaches to the Company by 5:30 p.m. on Wednesday, 25th March 2015.
2. If no indication is made in the yes-no column on the mail ballot form submitted to the Company, the vote shall be deemed as in favor of the Company's proposal.
3. If you exercise your vote both by mail and by electromagnetic means (the internet or other means), the vote exercised by electromagnetic means (the internet or other means) shall be deemed valid.
4. If you exercise your vote by electromagnetic means (the internet or other means) more than once, the last vote shall be deemed valid.

Notes on proxy appointment:

1. You may exercise your vote by appointing a proxy who is also a shareholder of the Company with the right to vote at the General Meeting of Shareholders. Please note that only one (1) person will be appointed as your proxy.
2. If you plan to exercise your vote by appointing a proxy, a document authorizing the proxy shall be submitted to the Company at the front desk.

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◎The following are on our website (<http://www.showa-shell.co.jp/>) instead of being attached to this notice according to laws and Article 17 of the Articles of Association of the Company.

- Notes to consolidated financial statements
- Notes to non-consolidated financial statements

◎If any correction becomes necessary to the reference materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Nonconsolidated Financial Statements after the dispatch of notice until the day before the date of the General Meeting of Shareholders, the Company will disclose the corrected items in the Company's website.

Business Report  
(January 1, 2014 to December 31, 2014)

We present the following summary of the Group's business operations for the 103rd term, the period from January 1, 2014 to December 31, 2014.

1. Overview of the Group's position

(1) Progress and Results of the Business

Business environment

During the fiscal period under review, despite temporary factors that dampened economic activity, such as the consumption tax rate hike in the spring and inclement summer weather, the continued weakening of the yen and ongoing share price increases helped the basic state of the Japanese economy continue to improve.

In 2014, the price of Dubai crude oil started the year at roughly US\$107/bbl, rising modestly to around US\$111/bbl in late June. Subsequently, the price declined almost consistently through the end of the year, as in addition to the emergence of a sense of oversupply due to increased shale oil production in the United States, OPEC decided not to cut production and there were repeated downward revisions to forecasts for oil demand based on concerns about global economic stagnation. The price of Dubai crude oil ended the fiscal year at roughly US\$52/bbl, falling consistently to less than half of its peak price in June.

In the foreign exchange markets, the USD/JPY rate started the year at around ¥104, and fluctuated in the range from ¥101 to the level of ¥104 until the beginning of September. The yen then proceeded to weaken further to around ¥120 in December.

Operating results

Against this backdrop, the Showa Shell Group reported consolidated net sales of ¥2,997.9 billion, up 1.5% year on year.

The Group reported an operating loss of ¥18.0 billion, down ¥93.4 billion from the previous fiscal year, and an ordinary loss of ¥16.7 billion, down ¥92.9 billion year on year. These losses mainly reflected inventory valuation losses in the oil business due to plummeting crude oil prices, as well as the contraction in domestic fuel oil margin attributable to the time lag between the accounting cost excluding the impact of inventory evaluation and the cost upon which fuel oil wholesale prices are determined. CCS ordinary income (current cost of supply basis, excluding the impact of inventory valuation) totaled ¥34.5 billion, down ¥7.3 billion from the previous fiscal year.

The Group reported net extraordinary income of ¥1.3 billion, with extraordinary income such as gains on the sale of fixed assets and subsidy income exceeding extraordinary losses such as losses on the disposal of fixed assets and impairment losses. There was a net loss before taxes of ¥15.3 billion, a decline of ¥92.1 billion year on year. As a result, net loss after taxes, corporation tax adjustments and minority interests in income totaled ¥9.7 billion, down ¥69.9 billion compared with the previous fiscal year.

## Cash flows

Operating activities provided net cash of ¥72.7 billion. This mainly reflected the improvement in working capital, including the decline in inventories (¥61.2 billion) in the fourth quarter due to the drop in crude oil prices, as well as depreciation and amortization of ¥41.3 billion, a non-cash operating item. Investing activities used net cash of ¥28.1 billion. This chiefly reflected investment to maintain operations at service stations and to increase added value at the Group's refineries, as well as investment related to the construction of solar module plants and new power generation facilities to supply electricity for sale to utilities. Free cash flow, which is the total of cash flows from operating activities and cash flows from investing activities, was positive ¥44.5 billion. Financing activities used net cash of ¥28.1 billion, mainly reflecting a decline in interest-bearing debt and cash dividends paid. As of the end of the fiscal year, interest-bearing debt totaled ¥209.4 billion, down ¥11.4 billion compared with the end of the previous fiscal year.

## Progress and business results by segment

Conditions in each of the Group's business segments were as follows.

### [Oil Business]

In crude oil procurement, we carried out flexible procurement activities in response to fluctuations in the market to ensure access to optimal supply sources for the Group's refineries. Specifically, we maintained our primary crude oil supply relationship with Saudi Aramco and worked closely with other Middle East oil producers and the Shell Group.

In production and supply, we worked to ensure safe and stable operations at our refineries while also quickly adjusting production in response to fluctuating demand and market changes in Japan and overseas, as we strove to achieve optimal production levels in order to maximize profits. In February, without making an additional investment, we increased the crude oil processing capacity of the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd., the Group's largest refinery, by 45,000 barrels per day, to a total of 255,000 barrels per day. This increase in capacity was carried out in order to capture additional earnings opportunities to profit in the robust fuel oil export market. Throughout the fiscal year under review, we leveraged the Shell Group's network to export oil products, primarily middle distillates such as diesel and jet fuel which are relatively profitable, as economics dictated. Also, we have expanded alliances with Tonen General Sekiyu K.K. in areas of refining, supply and distribution in order to build a more efficient supply network.

In domestic fuel sales, demand for oil products continued to languish due to structural factors in the Japanese market, such as wider uptake of fuel-efficient vehicles and falling consumption of industrial fuels, as well as temporary factors such as the consumption tax rate hike, and inclement weather. Despite this trend, sales of products of Showa Shell such as gasoline, kerosene, diesel oil and heavy fuel oil remained solid when compared to the pace of the decline in domestic demand. During the fiscal year under review, we made "differentiated products and services" the nucleus of our strategy. In April, we renewed the usage perks for our Shell Starlex Card credit card, and we now offer services that customers can take advantage of even more. In July, we launched sales of Shell V-Power, a differentiated product which is the collective result of the technology partnership

between the Shell Group and Ferrari as well as the technologies cultivated through Formula One racing. Shell V-Power is a high-performance gasoline which brings out an engine's true performance capabilities, is equipped with the "Clean & Protection Technology," and is already being sold in 66 countries around the world. Sales of Shell V-Power have been particularly strong, as this gasoline has been rated highly by drivers in the domestic premium gasoline market.

In value-added products other than fuel, we vigorously focused on sales of automotive and industrial lubricants and grease to address customer needs for long-life products and fuel-efficiency, as well as environmentally-friendly and aesthetically pleasing asphalt products. In lubricants, we steadily increased sales of Shell CORENA S3 RJ, which is based on the Shell Group's unique synthetic oils and that were launched the previous year, as well as high-performance, high value-added differentiating products, including a new hydraulic oil. In asphalt, we solidly increased sales of value-added products with strong environmental performance. Such products included CARIMEX ART, a mid-temperature asphalt which allows mixing to be done at a lower temperature than the conventional method and helps reduce CO<sub>2</sub> emissions during production on top of improving the mixing process, as well as Reprophalte 300, a recyclable asphalt for re-paving which meets the demand for asphalt recycling which is increasing year by year.

In the petrochemical business, in the fiscal year under review, along with the slowdown in economic growth in China and other emerging countries, there were a number of new and additional petrochemical plants built in Asia, which resulted in a year-on-year decline in product prices. However, the business was able to secure a certain level of profits, and we worked to maximize production and sales of petrochemical products throughout the year. In addition, there is expected to be growth in demand for aromatic petrochemicals such as xylene over the medium- to long-term in the Asian market. Based on this expectation, we decided to invest in toluene disproportionation process facilities to increase production of xylene and other products at the Yokkaichi Refinery, thereby laying the foundation for future business growth.

In the liquefied petroleum gas (LPG) business, in August we entered into an agreement with Cosmo Oil Co., Ltd., Sumitomo Corporation and Tonen General Sekiyu K.K. to integrate the LPG wholesale business operations (LPG import and procurement, shipment terminal operation, logistics, and domestic wholesaling) as well as overseas trading of the four corporate groups. Separately, we also reached agreement with Cosmo Oil Co., Ltd. and Sumitomo Corporation to integrate the domestic LPG retail sales businesses of the three corporate groups. We are currently preparing for the launch of the integrated company in April 2015.

In addition to the above initiatives, since April 2013 we have been carrying out a company-wide reform project called the "Dantotsu Project." Through this project, which runs for three years until the fiscal year ending December 31, 2015, we plan to roll out a range of initiatives to ensure that the Group remains competitive by building a business structure that is efficient and cost-competitive under any business conditions. The project will mainly focus on reducing structural costs and reforming business processes. During the fiscal year under review, which was the second year of the "Dantotsu Project," we succeeded in making steady progress towards achieving the project's goals.

As a result, the oil business reported net sales of ¥2,850.2 billion, up 1.7% year on year, and an operating loss of ¥37.3 billion, down ¥93.5 billion, reflecting factors such as declines in the prices of oil products due to the sharp drop in crude oil prices remarkable in November and December as well as the resulting inventory valuation losses. Despite our efforts described above, CCS ordinary

income (current cost of supply basis, excluding the impact of inventory valuation) totaled ¥13.8 billion, down ¥7.9 billion compared with the previous fiscal year, due to the impact of the steep drop in crude oil prices in the fourth quarter and the time lag between prices of crude oil and oil products, as we were forced to sell oil products by low prices notwithstanding high cost of crude oil.

[Energy Solution Business]

In the solar business, centered on Solar Frontier K.K., a wholly-owned subsidiary, we stepped up sales in the domestic market, where demand has remained stable with the support of the renewable energy feed-in tariff scheme, and actively supplied solar panels to a wide range of market channels, including residential and commercial users, as well as to mega solar projects. In terms of sales to residential users, the market has increasingly recognized the high level of performance of Solar Frontier's products, and initiatives to collaborate with homebuilders resulted in Solar Frontier's CIS thin-film solar modules (\*1) being used in both Sekisui Heim's "Smart Power Station" zero-energy house series, as well as Toyota Home's new SINCE Cada smart house. In addition to solar module sales, we have developed an integrated business model covering all areas from project development and design through to financing, system construction, operation and power wholesaling, as we pursue an even higher level of value added operations. One example of this is our work to develop and begin operation of the mega-solar project in the Kansai International Airport. Backed by such active marketing efforts, our main Kunitomi Plant (Miyazaki Prefecture, nominal annual production capacity: 900MW) was producing at full capacity throughout the fiscal year under review.

Against the backdrop of firm domestic demand, during the fiscal year under review the majority of our solar module shipments went to the domestic market. While there was a year-on-year decline in the total number of solar modules shipped, this was partially due to a tendency for the timing of shipments to be moved back as a result of issues such as delays in the issuance procedures of approvals by power companies for grid connections for solar power stations planned by customers. Nonetheless, we continued to cut costs, especially panel production costs, enabling us to achieve the same level of operating income as that of the previous fiscal year.

In research and development, in April we achieved a world record energy conversion efficiency of 20.9% for CIS thin-film solar cells (approximately 0.5cm<sup>2</sup>). Also in April, the State University of New York and Solar Frontier agreed to conduct joint research and development on CIS thin-film solar modules as well as to conduct a joint study on the feasibility of solar panel production in New York state. In addition, construction got underway at the beginning of the year on the Tohoku Plant (nominal annual production capacity: 150MW), the fourth solar module production plant, and construction is progressing smoothly. This Tohoku Plant is expected to begin operating in March 2015, and will be the demonstration ground for the commercialization of new technologies and significant cost reductions, thereby serving as a model plant for future overseas expansion. In this way, we are not simply focusing on current business developments, but are also promoting activities in line with our medium- to long-term growth strategy.

In the electric power business, during the fiscal year under review the first and second units at Ohgishima Power Station, a large, highly-efficient natural gas-fired thermal power plant in which Showa Shell has a stake, continued to operate stably and efficiently, while the sales portfolio was optimized. This allowed for a year-on-year increase in operating income, despite the fact that the GENEX petroleum-based thermal power station had a temporary planned stoppage in operation in

conjunction with periodic repairs at Toa Oil Co., Ltd.'s Keihin Refinery, which is a Showa Shell Group refinery. As part of efforts to expand our power generation portfolio, we began operating solar power facilities using Solar Frontier's CIS thin-film solar modules at idle sites, including sites where oil depots used to stand. Construction is progressing smoothly on both the third unit at the Ohgishima Power Station (400MW output, expected to come online in February 2016) as well as the biomass power plant (49MW output, expected to come online in December 2015) fueled mainly by wood pellets on the site of our former Ohgimachi Plant in the Keihin Refinery complex. In this way, we continue to develop environmentally-friendly energy sources while contributing to the supply of electric power to society.

As a result, the energy solutions business reported net sales of ¥138.6 billion, down ¥1.8% from the previous fiscal year, and an operating income of ¥17.6 billion, up ¥0.1 billion compared with the previous fiscal year.

\*1. CIS thin-film solar cells:

Next-generation solar modules containing the key materials of copper, indium and selenium, made using the Group's unique manufacturing technology. Our CIS solar cells generate high output under real-world conditions, have an attractive design and are kind on the environment, as they do not contain cadmium.

[Other Business]

The other business covers construction work, the sale of automobile accessories, leasing of Company-owned office building and other businesses. In the fiscal year under review, the segment reported net sales of ¥9.1 billion, down 4.2% year on year, and an operating income of ¥1.6 billion, down ¥0.1 billion.

Procurement activities

In the fiscal year under review, the yen weakened dramatically from around September, resulting in higher prices of imported goods and a challenging procurement environment for the Group. However, while ensuring stable supply and product quality, we reduced costs and took advantage of the principle of competition and economies of scale. Specifically, we expanded the use of competitive bidding, carried out joint procurement with other Group companies and actively used electronic bidding systems.

Health, Safety, Security, and the Environment (HSSE) Initiatives

We put the highest priority on compliance and health, safety, security and environmental (HSSE) initiatives, working to ensure they are implemented across the entire Group.

In terms of health-related initiatives in the fiscal year under review, in addition to carrying out medical examinations we also conducted employee health interviews as a measure to prevent mental health issues. In safety initiatives, we implemented a program called 2014SQF "Goal Zero Movement" (SQF: Safety & Quality First) aimed at achieving our goal of having zero accidents at all Group companies and business sites. Also, in order to strengthen the Group's safety framework, executives visited field sites to verify the level of safety awareness and progress with implementing key safety measures. In crisis management, we carried out a comprehensive disaster drill in May

based on the scenario of an earthquake in the Nankai Trough. The drill allowed us to verify the effectiveness of our crisis management plan (CMP) and business continuity plans (BCP) for each business division. In environmental initiatives, we worked to ensure strict compliance with all environmental laws and regulations, and continued to promote our medium-term environmental action plan.

#### Litigation and other issues

With respect to a case involving the Anti-Monopoly Act concerning bids for jet fuel and other items submitted to the Japan Defense Agency (currently the Ministry of Defense), the Tokyo District Court handed down a judgment on June 27, 2011 requiring the Company to pay ¥875,547,000 plus late interest. An appeal was filed with the Tokyo High Court against this decision. As a result of the appeal, the Tokyo High Court issued a settlement proposal, and a settlement was reached on February 24, 2014.

#### Internal controls

We have established and operated internal control systems in accordance with our Basic Policy on Internal Controls (system to ensure appropriate business activities). The Risk Management Committee designed to maintain and improve internal controls across all business centers integrates the operation of corporate risk, information and HSSE management systems.

During the fiscal year under review, and amid the rapidly changing operating environment, we carried out a complete review of the risk management system so as to be able to quickly respond to any issues. This review included reassessing serious risks, clarifying the departments involved and their roles, as well as classifying Company-wide risks.

Also, with the aim of increasing compliance awareness and knowledge, we carried out compliance training for Group company employees on top of the existing e-learning and compliance training offered for each employee grade and worksite. We also bolstered the Group's overall internal controls. Using the "Room of Compliance" intranet site, each month we post examples of violations that occurred at other companies as well as other newsworthy cases, thereby raising the level of awareness among Group employees and helping to prevent similar violations from occurring within the Group.

In terms of internal controls for financial reporting, we reviewed risks and internal controls in line with changes in the operating environment, referencing the results of assessments carried out in the previous fiscal year. We also continued to promote, improve and monitor internal control activities to ensure the system functions continuously and effectively.

## (2) Issues to Be Addressed

### Medium-Term Business Action Plan

Under our Medium-Term Business Action Plan, we are focusing on the following strategic pillars: enhance the profitability of the oil business, improve the competitiveness of the solar business, expand the electric power business, and foster seeds for future growth. Since fiscal 2013 we have



been continuously executing these strategies and are seeing steady results.

Specifically, under this action plan, in the oil business we are aiming to secure the highest level of profitability in Japan, in the solar business we are working to build a business platform that is sufficiently competitive in the global market, and in the electric power business we are aiming to quickly expand our power generation capacity while securing our own sources of power generation in conjunction with the diversification of power sources.

As a part of this plan, we are also pushing ahead with reform of our business processes and a fundamental overhaul of our cost structure, as we aim to become a comprehensive energy company with a resilient earnings structure which allows us to maintain a competitive advantage amid the ever-changing business environment.

#### Issues to be addressed in fiscal 2015

In the oil business, the domestic supply and demand balance is forecast to deteriorate in the future as domestic demand for oil products declines due to factors such as the growing shift to energy conservation, improvements in fuel efficiency, and Japan's aging society. Amid this backdrop, the Ministry of Economy, Trade and Industry (METI) has amended the bulletin for the "Sophisticated Methods of Energy Supply Structures Act," (known as the Secondary Sophistication Act), and by the end of March 2017 oil refiners and wholesalers will be required to improve their capability to process residual oil at refineries. Showa Shell Group already has superior residual oil processing capability in the Japanese market, and we have established efficient production and supply systems, but we will explore all possibilities, including working with other companies in the industry, in order to comply with these new requirements, and will consider how to achieve the maximum results. In addition, we will continue to make our operations even more efficient while ensuring a stable supply of oil products to the domestic market.

In the energy solution business, there is a possibility that the domestic market growth rate will slow down. This is due to the manifestation of issues at some electric power companies with transmission line capacity constraints on grid connections for solar power plants, on top of expectations that the electricity purchase price under the renewable energy feed-in tariff scheme will be lowered. Meanwhile, in the residential solar market, grid parity (meaning that renewable energy power generation, such as solar power, will cost the same as ordinary electric grid) will likely be achieved several years from now, and with this grid parity a certain amount of demand is expected to materialize. Given this environment, in the domestic market, with the chief aim of reconfiguring our sales strategy with an eye to the future, we will build an even more stable customer base by stepping up sales to the residential market and capturing demand from relatively small industrial customers. In addition, as preparation for our full-fledged expansion into the global market where continuous growth in demand is expected, we will start on-schedule operations at the Tohoku Plant which is scheduled to come on line in March 2015, and work relentlessly to become more cost competitive by advancing our unique CIS thin-film solar module technological development, as well as working to strengthen our overseas sales platform. Moreover, to further strengthen our domestic cost competitiveness, we are considering to expand a new technology, -planned to be introduced to Tohoku Plant, to Kunitomi Plant, one of the largest solar panel manufacturing facilities in the world and the largest in Japan.

The electric power business is likely to face major changes in the operating environment due to trends in energy policy. In particular, the complete deregulation of retail electric power scheduled to occur in 2016 is one change that we see as providing us with an opportunity to further grow our business. We will continue to focus on ensuring stable and efficient operations at our existing power stations, while also achieving on-schedule launches of both Unit 3 of the Ohgishima Power Station and the biomass power plant, both of which are currently under construction, and continuing to optimize our sales portfolio.

#### Compliance and HSSE

For the Showa Shell Group, compliance means more than just complying with laws and regulations. In all our business activities, we keep in mind integrity, fairness, and empathy towards others based on society's accepted values and ethics. In order to fulfill our social responsibility and generate sustainable growth, we think it is vital to maintain consistent compliance activities across the Group based on uniform standards. Going forward, we will continue to promote and ensure awareness of our Code of Conduct and Basic Policy for Health, Safety, Security and Environment (HSSE) across the entire Group.

#### To our shareholders

The Showa Shell Group will strive to meet the expectations of all its shareholders through the initiatives outlined above. We look forward to your continued support, encouragement and cooperation as we work toward our goals.

#### (3) Main Businesses of the Company (As of December 31, 2014)

| Segment                  | Main Business                                                                                           |
|--------------------------|---------------------------------------------------------------------------------------------------------|
| Oil Business             | Manufacture, Process, Transportation, Storage, Sales and Export/Import of Petroleum Products , City Gas |
| Energy Solution Business | Solar Cell and Electric Power Generation                                                                |
| Other Business           | Construction, Automobile Supplies Sales, Lease of Real Estate Properties and others                     |

(4) Production and Sales of the Group and the Company

1) Sales of the Group

The results of the sales of the Group during this period are described below:

| Segment                  | 102nd Period<br>(Last Period)<br><br>(M Yen) | 103rd Period<br>(This Period)<br><br>(M Yen) | Increase/<br>Decrease<br>over last<br>year<br>(%) |
|--------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------|
| Oil Business             | 2,803,041                                    | 2,850,218                                    | +1.7                                              |
| Energy Solution Business | 141,210                                      | 138,610                                      | -1.8                                              |
| Other Business           | 9,556                                        | 9,156                                        | -4.2                                              |
| Total                    | 2,953,808                                    | 2,997,984                                    | +1.5                                              |

Note 1: The above amounts do not include consumption taxes.

2: The amounts for Sales in each Segment consist of the sales proceeds from unaffiliated customers.

## 2) Manufacturing, Purchases and Sales of the Company

The volume manufactured and purchased as well as the sales quantity of petroleum products of the Company during this period are described below:

| Item                                      |                    | 102nd Period<br>(Last Period)<br><br>(1,000kl) | 103rd Period<br>(This Period)<br><br>(1,000kl) | Increase/<br>Decrease<br>over last<br>year<br>(%) |
|-------------------------------------------|--------------------|------------------------------------------------|------------------------------------------------|---------------------------------------------------|
| Manufactured &<br>Purchased<br>Quantities | Manufactured       | 14,903                                         | 15,775                                         | +5.9                                              |
|                                           | Purchased          | 12,552                                         | 12,234                                         | -2.5                                              |
|                                           | Total              | 27,455                                         | 28,009                                         | +2.0                                              |
| Sales Quantities                          | Gasoline           | 9,332                                          | 9,568                                          | +2.5                                              |
|                                           | Kerosene & Gas Oil | 10,964                                         | 10,911                                         | -0.5                                              |
|                                           | Fuel Oil           | 3,045                                          | 3,130                                          | +2.8                                              |
|                                           | Others             | 4,486                                          | 4,425                                          | -1.4                                              |
|                                           | Total              | 27,826                                         | 28,034                                         | +0.7                                              |

Note 1: “Manufactured Quantity” represents the volume of products, which the Company had the Group refineries and others manufacture in commission.

2: “Other Sales” includes LPG, naphtha, lubricants and asphalt, etc.

## (5) Capital Investment in Plant and Equipment of the Group

The total investment in plant and equipment during the period was approximately 26.9 billion yen, and the principal investments are described below:

| Segment                  | Item             | Principal investments                                                                                                    |
|--------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------|
| Oil Business             | Manufacturing    | Maintenance, environmental and safety, energy-saving, added-value improvement measures for refineries                    |
|                          | Sales facilities | Maintenance, environmental and safety measures for existing service stations,<br>Construction of self-service facilities |
|                          | Distribution     | Maintenance for depots                                                                                                   |
| Energy Solution Business | Manufacturing    | Construction and maintenance for Solar cell manufacturing facilities,<br>Construction of power generation facilities     |
|                          | Research         | Repairs of solar cell research facilities                                                                                |

(6) Fund Raising

The Company's funding requirement is financed by cash on hand, borrowings, commercial paper and bonds, not by capital increase.

The balance of each fund-raising instrument at the end of the period was as follows:

| Item                                            | 102nd Period (Last Period)<br>M Yen | 103rd Period (This period)<br>M Yen |
|-------------------------------------------------|-------------------------------------|-------------------------------------|
| Short –term borrowings                          | 60,997                              | 58,862                              |
| Long-term borrowings to be repaid within a year | 28,300                              | 50,811                              |
| Bond to be repaid within a year                 | 10,000                              | —                                   |
| Long-term borrowings                            | 111,696                             | 79,825                              |
| Bonds                                           | 10,000                              | 20,000                              |
| Total                                           | 220,994                             | 209,498                             |

Note : Commercial paper issued during the period had been redeemed at the end of the period.

(7) Changes in the Business Results of the Group

The results of the Group for the period under review and the three previous periods are set out below:

| Division                                     | 2011<br>100th Period | 2012<br>101st Period | 2013<br>102nd Period | 2014<br>103rd Period<br>(This Period) |
|----------------------------------------------|----------------------|----------------------|----------------------|---------------------------------------|
| Sales proceeds (M Yen)                       | 2,771,418            | 2,629,261            | 2,953,808            | 2,997,984                             |
| Ordinary profit or Ordinary loss (△)(M Yen)  | 61,807               | 12,674               | 76,204               | △16,723                               |
| Net profit or net loss (△) after tax (M Yen) | 23,110               | 1,013                | 60,295               | △9,703                                |
| Net profit or net loss (△) per share (Yen)   | 61.36                | 2.69                 | 160.09               | △25.76                                |
| Total asset (M Yen)                          | 1,208,442            | 1,233,193            | 1,295,831            | 1,176,282                             |

Note : Net Profit per share or net loss per share is calculated based on the average number of issued shares during the relevant period, whereas the number of treasury shares is excluded.

(8) Relationships with Important Subsidiaries, Affiliates, and Other Important Companies (As of December 31, 2014)

1) Important Subsidiaries and Affiliated Companies

Important Subsidiaries

| Company Name                | Capital     | Ratio of Capital Held by the Company | Main Business                                                |
|-----------------------------|-------------|--------------------------------------|--------------------------------------------------------------|
| Solar Frontier K.K.         | 35,120M Yen | 100.0%                               | Manufacturing and Sales of Solar Cell Modules                |
| Showa Shell Sempaku K.K.    | 450M Yen    | 100.0%                               | Overseas Shipping & Transportation; Vessel Chartering        |
| K.K. Rising Sun             | 200M Yen    | 100.0%                               | Automobile Supplies Sales, Leasing, Insurance Agency         |
| Shoseki Engineering K.K.    | 100M Yen    | 100.0%                               | Design, Construction and Inspection of Industrial Facilities |
| Nihon Grease K.K.           | 100M Yen    | 99.2%                                | Manufacturing and Sales of Grease and Lubricant Oil          |
| Wakamatsu Gas K.K.          | 470M Yen    | 97.8%                                | City Gas business and Sales of Petroleum Products            |
| Showa Yokkaichi Sekiyu K.K. | 4,000M Yen  | 75.0%                                | Manufacturing of Petroleum Products                          |
| K.K. Enessance Holdings     | 115M Yen    | 51.0%                                | Management of LPG Sales subsidiaries                         |
| Toa Sekiyu K.K.             | 8,415M Yen  | 50.1%                                | Manufacturing of Petroleum Products                          |

Affiliated Companies

| Company Name         | Capital    | % of our Company's shares | Main Business                       |
|----------------------|------------|---------------------------|-------------------------------------|
| Seibu Sekiyu K.K.    | 8,000M Yen | 38.0%                     | Manufacturing of Petroleum Products |
| Marubeni Energy K.K. | 2,350M Yen | 33.4%                     | Sales of Petroleum Products         |
| K.K. Ohgishima Power | 5,350M Yen | 25.0%                     | Commissioned Power Generation       |

2) Other Important Relationships

The Company has an alliance with the Shell Group in relation to the matters such as capital participation, crude oil supply and technological support, and also has close business relations through the use of the trademarks, research and development, sharing of management know-how and personnel exchange.

The Company has a basic agreement regarding crude oil supply with Saudi Aramco, whereas its subsidiary, Aramco Overseas Company B.V., invested in the Company.

(9) Acquisition of the stock of other corporations and other restructuring activities

We had transferred and unified Company-owned assets regarding Solar Business-related research and development activities, etc., conducted by our Energy Solution Business Center (excluding the Power Business Division) by absorption-type company split. This company split had been effective from October 1, 2014.

On August 5, 2014, we entered into an integration agreement with Cosmo Oil Company, Ltd., Sumitomo Corporation, and Tonen General Sekiyu K.K. to integrate the LP (Liquid Petroleum) Gas import and wholesale operations (LP gas import/ procurement, shipping terminal operation, logistics, and domestic wholesaling) of four corporate groups and establish an integrate LP Gas import and wholesale company. Separately, we also reached agreement with Cosmo Oil Company, Ltd., and Sumitomo Corporation to integrate the domestic LP Gas retail operations of three corporate groups on the same day. Moreover, as a part of integration of LP Gas import and wholesale operations of four corporate groups, the Board of Directors has approved the spin-off of our LP Gas import and wholesale operations and absorption-type company split. We are the splitting company and Cosmo Petroleum Gas Co., Ltd. is the successor company. Cosmo Petroleum Gas Co., Ltd. and we concluded the Company Split agreement on December 18, 2014. We are currently preparing for both integration of LP Gas import and wholesale operations and retail operations in order to launch the integrate LP Gas company on April 1, 2015.

(10) Primary Place of Business and Plants (As of December 31, 2014)

|              |                 |                                                                                                                                                                                                                                                                |
|--------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Head Office  |                 | 3-2, Daiba 2-chome, Minato-ku, Tokyo (Daiba Frontier Building)                                                                                                                                                                                                 |
| Oil Business | Branch Offices  | Hokkaido Branch (Sapporo-shi)<br>Tohoku Branch (Sendai-shi)<br>Shutoken Branch (Minato-ku, Tokyo)<br>Kanto Branch (Minato-ku, Tokyo)<br>Chubu Branch (Nagoya-shi)<br>Kinki Branch (Osaka-shi)<br>Chugoku Branch (Hiroshima-shi)<br>Kyushu Branch (Fukuoka-shi) |
|              | Laboratory      | Central Laboratory (Aikawa-machi, Aikou-gun, Kanagawa Prefecture)                                                                                                                                                                                              |
|              | Refineries      | Showa Yokkaichi Sekiyu K.K., Yokkaichi Refinery (Yokkaichi-shi, Mie Prefecture)<br>Toa Sekiyu K.K., Keihin Refinery (Kawasaki-shi)<br>Seibu Sekiyu K.K., Yamaguchi Refinery (Sanyo-onoda-shi, Yamaguchi Prefecture)                                            |
|              | Import Terminal | Niigata Import Terminal (Niigata-shi)                                                                                                                                                                                                                          |

|                          |                                 |                                                                                                              |
|--------------------------|---------------------------------|--------------------------------------------------------------------------------------------------------------|
|                          | Lubricant Plants                | Yokohama Installation (Yokohama-shi)<br>Kobe Installation (Kobe-shi)                                         |
|                          | Grease Plants                   | Nihon Grease K.K., Yokohama Plant (Yokohama-shi)<br>Nihon Grease K.K., Kobe Plant (Kobe-shi)                 |
| Energy Solution Business | Solar Cell Manufacturing Plants | Solar Frontier KK., Miyazaki Plants (Miyazaki-shi & Kunitomi-cho, Higashi-Morokata-gun, Miyazaki Prefecture) |
|                          | Laboratory                      | Atsugi Research Center (Atsugi-shi, Kanagawa Prefecture)                                                     |



(11) Employment Situation of the Group and the Company (As of December 31, 2014)

a) The Group's Employment Situation

| Number of Employees | Change from Previous Period |
|---------------------|-----------------------------|
| 6,039               | + 210                       |

b) The Company's Employment Situation

| Number of Employees |     | Change from Previous Period | Average Age | Average Length of Service |
|---------------------|-----|-----------------------------|-------------|---------------------------|
| Male                | 666 | - 74                        | 45.2        | 20.7Years                 |
| Female              | 196 | - 17                        | 40.1        | 17.3Years                 |
| Total               | 862 | - 91                        | 44.1        | 19.9Years                 |

Note 1: Temporary employees and seconded personnel to other companies are excluded.

2: Seconded personnel (106 persons) to the Company are included in the Number of Employees and Average Age.

(12) Main Creditors of the Group (As of December 31, 2014)

| Creditor                                       | Amount of Loan<br>(Thousands) |
|------------------------------------------------|-------------------------------|
| Japan Oil, Gas and Metals National Corporation | 55,062 M Yen                  |
| Development Bank of Japan                      | 50,619 M Yen                  |
| Syndicate loan (Note 1)                        | 50,000 M Yen                  |
| K.K. Mizuho Bank                               | 7,309 M Yen                   |
| K.K. Bank of Tokyo-Mitsubishi UFJ              | 6,209M Yen                    |
| Shinkin Central Bank                           | 5,000 M Yen                   |
| Syndicate loan (Note 2)                        | 4,000 M Yen                   |
| Sumitomo Mitsui Trust & Banking K.K.           | 2,186 M Yen                   |
| K.K. Shinsei Bank                              | 2,112 M Yen                   |
| Sumitomo Shoji Financial Management Co., Ltd.  | 1,960 M Yen                   |

Note 1: Syndicate loan is loan from several financial institutions with the Development Bank of Japan as its arranger.

2: Syndicate loan is loan from several financial institutions with the K.K. Sumitomo Mitsui Banking as its arranger.

2. Shares of the Company (As of December 31, 2014)

|                                        |             |
|----------------------------------------|-------------|
| (1) Total Numbers of Shares Authorized | 440,000,000 |
| (2) Numbers of Shares Issued           | 376,850,400 |
| (Number of Treasury shares)            | 164,417)    |
| (3) Number of Shares per Unit          | 100         |
| (4) Breakdown of Shareholders          |             |

| Classification         | Number of Shareholders |                        | Number of Shares Held<br>(Thousands) |                        |
|------------------------|------------------------|------------------------|--------------------------------------|------------------------|
|                        | As of Dec. 31,<br>2013 | As of Dec. 31,<br>2014 | As of Dec. 31,<br>2013               | As of Dec. 31,<br>2014 |
| Individuals • others   | 46,184<br>97.59%       | 49,329<br>97.68%       | 45,449.0<br>12.06%                   | 47,393.9<br>12.58%     |
| Governments            | 0<br>0.00%             | 0<br>0.00%             | 0.0<br>0.00%                         | 0.0<br>0.00%           |
| Financial Institutions | 124<br>0.26%           | 123<br>0.25%           | 75,164.2<br>19.95%                   | 70,942.3<br>18.82%     |
| Other Corporations     | 566<br>1.20%           | 561<br>1.11%           | 7,732.8<br>2.05%                     | 7,830.7<br>2.08%       |
| Foreign Shareholders   | 449<br>0.95%           | 486<br>0.96%           | 248,504.4<br>65.94%                  | 250,683.5<br>66.52%    |
| Total                  | 47,323<br>100.00%      | 50,499<br>100.00%      | 376,850.4<br>100.00%                 | 376,850.4<br>100.00%   |

(5) Major Shareholders (Top 10)

| Name                                                                            | Investment in the Company       |                       |
|---------------------------------------------------------------------------------|---------------------------------|-----------------------|
|                                                                                 | Number of Shares<br>(Thousands) | Shareholding<br>ratio |
| The Shell Petroleum Company Limited                                             | 125,261.2                       | 33.25%                |
| Aramco Overseas Company B.V.                                                    | 56,380.0                        | 14.96                 |
| Nihon Master-Trust Trust Bank K.K. (Custody Account)                            | 12,533.3                        | 3.32                  |
| Nihon Trusty Service Trust Bank K.K. (Custody Account )                         | 10,913.1                        | 2.89                  |
| The Anglo-Saxon Petroleum Company Limited                                       | 6,784.0                         | 1.80                  |
| Asset Management Services Trust Bank K.K. (Securities Investment Trust Account) | 4,360.1                         | 1.15                  |
| Nomura Securities Co., Ltd                                                      | 4,355.0                         | 1.15                  |
| BNP Paribas Investment Partners Japan Ltd.                                      | 4,100.0                         | 1.08                  |
| Asset Management Services Trust Bank K.K. (Securities Investment Trust Account) | 2,494.3                         | 0.66                  |
| State Street Bank West Client Treaty                                            | 2,329.8                         | 0.61                  |

Note 1: The shareholding ratio is calculated from the number of shares issued less the number of treasury shares.

- 2: The ratio of shares held by the Shell Group, to which the Shell Petroleum Company Limited and the Anglo-Saxon Petroleum Company Limited belong, amounts to 35.05% in total.

### 3. Officers (As of December 31, 2014)

#### (1) Name of Directors and Audit & Supervisory Board Members

| Position                                                      | Name                 | Responsibility                                                                                                                                            | Other Important Concurrent positions                                                                           |
|---------------------------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|
| Chairman, Representative Director and Chief Executive Officer | Shigeya Kato         | (Note 1)                                                                                                                                                  | Director, Seibu Sekiyu K.K.<br>Outside Director, Fuji Oil K.K.                                                 |
| Representative Director, Chief Financial Officer              | Douglas Wood         | Group Functions (Finance & Control, Credit & Financial Risk Management, Procurement, IT Planning and Corporate Planning (including Corporate Governance)) | President and Representative Director, Shell Japan Trading K.K.                                                |
| Director                                                      | Yukio Masuda         | (Outside Director)                                                                                                                                        | Advisor, Mitsubishi Corporation K.K.                                                                           |
| Director                                                      | Takashi Nakamura     | (Outside Director)                                                                                                                                        |                                                                                                                |
| Director                                                      | Minoru Takeda        | (Outside Director)                                                                                                                                        | President and Representative Director, Shell Japan K.K.<br>Representative Director, Shell Chemicals Japan K.K. |
| Director                                                      | Chiew Nguang-Yong    | (Outside Director)                                                                                                                                        | General Manager, Shell Downstream Inc. (U.S.)                                                                  |
| Director                                                      | Ahamed M. Alkhunaini | (Outside Director)                                                                                                                                        | Representative Director, Aramco Asia Japan K.K.                                                                |
| Director                                                      | Nabil A. Al-Nuaim    | (Outside Director)                                                                                                                                        | Manager, Environment Protection Department, Saudi Aramco (Saudi Arabia)                                        |
| Full time Audit & Supervisory Board Member                    | Kiyotaka Yamada      |                                                                                                                                                           | Outside Audit & Supervisory Board Member, Solar Frontier K.K.                                                  |
| Full time Audit & Supervisory Board Member                    | Misao Hamamoto       |                                                                                                                                                           |                                                                                                                |
| Audit & Supervisory Board Member                              | Midori Miyazaki      | (Outside Audit & Supervisory Board Member)                                                                                                                | Professor, Trustee, Chiba Shoka University                                                                     |
| Audit & Supervisory Board Member                              | Kenji Yamagishi      | (Outside Audit & Supervisory Board)                                                                                                                       | Attorney, Risolute Law Office                                                                                  |

|  |  |         |  |
|--|--|---------|--|
|  |  | Member) |  |
|--|--|---------|--|

Notes:

1. Chief Executive Officer is in charge of Code of Conduct, and directly supervises Audit.
2. Outside Director or Audit & Supervisory Board Member positions in other companies held by outside Directors and outside Audit & Supervisory Board Members are stated in (4) “Information relating to Outside Directors and Outside Audit & Supervisory Board Members” below.
3. Mr. Yukio Masuda, Mr. Takashi Nakamura, Ms. Midori Miyazaki and Mr. Kenji Yamagishi are registered as independent Directors/Audit & Supervisory Board Members in the Tokyo Stock Exchange.
4. Directors appointed and retired during this period were as follows:  
Appointed: Takashi Nakamura, Ahamed M. Alkhunaini, Nabil A. Al-Nuaim  
Retired: Jun Arai, Yoshihiko Miyauchi, Ahmad O. Al-Khowaiter  
(With effect from March 27, 2014)
5. Mr. Minoru Takeda, Director, was appointed as Representative Director of Shell Chemicals Japan K.K., Mr. Chiew Nguang-Yong, Director, was appointed as General Manager of Shell Downstream Inc., and Mr. Nabil A. Al-Nuaim, Director, was appointed as Manager of Environment Protection Department, Saudi Aramco (Saudi Arabia) during this period.
6. Audit & Supervisory Board Members appointed and retired during this period were as follows:  
Appointed: Misao Hamamoto  
Retired: Tadamitsu Fukuchi  
(With effect from March 27, 2014)
7. Mr. Kiyotaka Yamada, Full time Audit & Supervisory Board Member, was appointed as Outside Audit & Supervisory Board Member of Solar Frontier K.K. and Ms. Midori Miyazaki, Audit & Supervisory Board Member, was appointed as Trustee of Chiba Shoka University during this period.
8. The Company had transactions in relation to service provisions with Shell Japan Trading K.K.
9. The Company had transaction in relation to service provisions with Shell Japan K.K.
10. The Company had transactions with Shell Chemicals Japan K.K. in relation to petroleum products sales, the lease of petroleum product trading business, services and lease of offices.
11. Fuji Oil K.K. is a major business partner, and the Company has important business relationship with it.
12. Mitsubishi Corporation K.K. is a major business partner, and the Company has important business relationship with it.
13. Shell Japan K.K. and Shell Downstream Inc. belong to the Shell Group. The Shell Group and the Company are in alliance in relation to the matters such as the capital participation, crude oil supply and technological support, and also has close business relations through the use of the trademarks, research and development, sharing of management know-how and personnel exchange.

14. The Company and Aramco Asia Japan K.K. have no relations other than personnel exchange.
15. The Company has a basic agreement regarding crude oil supply with Saudi Aramco. Its subsidiary, Aramco Overseas Company B.V., holds shares in the Company.
16. Solar Frontier K.K. is important subsidiary. Seibu Sekiyu is our important affiliate.
17. There is no special relation with the Company to Chiba Shoka University or Risolute Law Office.

18. List of Executive Officers:

| Position                                        | Responsibility                                                                                                                                                     | Name               |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| Executive Officer, Oil Business COO             | Oil Business Center                                                                                                                                                | Tsuyoshi Kameoka   |
| Executive Officer, Energy Solution Business COO | Energy Solution Business Center<br>(Chairman, Director, Solar Frontier K.K.)                                                                                       | Hiroto Tamai       |
| Corporate Executive Officer                     | Energy Solution Business Center<br>(Director, Solar Frontier K.K.)                                                                                                 | Tomoaki Ito        |
| Corporate Executive Officer                     | Group Functions (Legal (including Personal Data Protection))                                                                                                       | Yuri Inoue         |
| Corporate Executive Officer                     | Oil Business Center (HSSE), Group Functions<br>(Secretariat, Human Resources, Internal Control Promotion and General Affairs)                                      | Katsuaki Shindome  |
| Corporate Executive Officer                     | Reporting to CEO in charge of Special Missions, Transformation Team and Energy Solution Business Center (Solar Frontier K.K.) and Group Functions (Public Affairs) | Brooks Herring     |
| Executive Officer                               | Oil Business Center (Distributions & Operations, Oil Products, Crude Oil & Marine, Marine and Import Terminal)                                                     | Masayuki Kobayashi |
| Executive Officer                               | Group Functions (Finance & Control and Credit & Financial Risk Management)                                                                                         | Tsutomu Yoshioka   |
| Executive Officer                               | Oil Business Center (Sales, Marketing Planning, Retail Sales, Retail EPOCH Project Team and Branch Offices)                                                        | Kenichi Morishita  |
| Executive Officer                               | Oil Business Center (Manager in Metropolitan Branch)                                                                                                               | Tatsuya Suzuki     |
| Executive Officer                               | Oil Business Center (R&D, New Business Promotion, Commercial Sales, Lubricants & Bitumen and Home Solution)                                                        | Makoto Abe         |
| Executive Officer                               | Group Functions (Corporate Planning(Including Corporate Governance) )                                                                                              | Hiroshi Watanabe   |

|                   |                                                                                   |               |
|-------------------|-----------------------------------------------------------------------------------|---------------|
| Executive Officer | Oil Business Center (Petro Chemical Business Promotion, Manufacturing and Supply) | Satoshi Handa |
|-------------------|-----------------------------------------------------------------------------------|---------------|

(2) Remuneration paid to Directors and Audit & Supervisory Board Members:

The remuneration of the Directors and Audit & Supervisory Board Members during this period are described below:

| Classification                                                         | Directors           |                  | Audit & Supervisory Board Members           |                 | Total                                                     |                  |
|------------------------------------------------------------------------|---------------------|------------------|---------------------------------------------|-----------------|-----------------------------------------------------------|------------------|
|                                                                        | Number of Directors | Amount Paid      | Number of Audit & Supervisory Board Members | Amount Paid     | Number of Directors and Audit & Supervisory Board Members | Amount Paid      |
| Remuneration Paid Based on Resolution of General Shareholders' Meeting | 11<br>(8)           | 282M Yen<br>(41) | 5<br>(2)                                    | 89M Yen<br>(17) | 16<br>(10)                                                | 371M Yen<br>(58) |
| Bonus                                                                  | 3<br>(2)            | 75<br>(1)        | -<br>(-)                                    | -<br>(-)        | 3<br>(2)                                                  | 75<br>(1)        |
| Sub Total                                                              |                     | 357<br>(42)      |                                             | 89<br>(17)      |                                                           | 446<br>(59)      |

Notes:

1. The ceilings of remuneration to be paid to Directors and Audit & Supervisory Board Members set out by the resolution of general meeting of shareholders are as follows:

Directors: 540 million Yen per annum

Audit & Supervisory Board Members: 120 million Yen per annum

2. The data above includes remunerations paid to 3 directors who retired at the closing of the 102nd Annual General Meetings of shareholders held on March 27. The number of Directors and Audit & Supervisory Board Members at the end of December is 8 and 4, respectively.
3. Numbers in parenthesis show the number or amount of remuneration paid to outside Directors or outside Audit & Supervisory Board Members.

- (3) Policy regarding the determination of remuneration amount for Directors and Audit & Supervisory Board Members

We established “Compensation Advisory Committee” consisting of all independent Directors, an external expert, and the Group CEO to review the existing practice. Upon a submission of the report by that committee, an objective, transparent and performance oriented “Basic Policy for Directors Compensation” was resolved at the Board of Directors held on 5 November 2013. Under the Basic Policy, in order to clarify the relationship between Directors performance and awards among two types of remuneration, fixed payment and performance-linked bonus, the latter is increased and the former is decreased so the performance-linked bonus is a higher ratio of total compensation.

Based on the Basic Policy, the total cap amount of fixed remuneration to all Directors has been decided by the resolution of the Annual General Meeting of shareholders held on 27 March 2014 as 45 million yen or less per month, decreased from 65 million yen or less per month, and within the limit of the said total amount, base remuneration to each Director has been paid in accordance with a remuneration table by rank as monthly fixed-amount payment.

Nevertheless, for Director and CFO Mr. Douglas Wood, remuneration is determined by a secondment contract with the Shell Group.

The amount of performance linked bonus to Directors has been calculated based on the consideration of economic circumstances and business performance during the period, and it will be determined each year by resolution at the Annual General Meeting of shareholders.

The total cap amount of remuneration to all Audit & Supervisory Board Members has been decided by the resolution of the Annual General Meeting of shareholders held on 28 March 2008 as 10 million yen or less per month. Within the limit of the said total amount, remuneration to each Audit & Supervisory Board Member is determined by the agreement of all Audit & Supervisory Board Members. Bonus payment for Audit & Supervisory Board Members was abolished as of fiscal year 2013.

Retirement allowance to Directors and Audit & Supervisory Board Members was abolished at the closing of the Annual General Meeting of shareholders held on 29 March 2007.

(4) Information relating to Outside Directors and Outside Audit & Supervisory Board Members

a) Concurrent Outside Director/Audit & Supervisory Board Member Positions (as of December 31, 2014)

| Classification   | Name             | Name of corporations | Position |
|------------------|------------------|----------------------|----------|
| Outside Director | Yukio Masuda     |                      |          |
| Outside Director | Takashi Nakamura |                      |          |

Notes:

- Executive and other positions held in other parties and relationship to these parties are stated in (1) “Name of Directors and Audit & Supervisory Board Members”.



b) Principal Activities

| Name                                                          | Attendance                                                                 | Remarks at the Board Meetings and Audit & Supervisory Board                                                                                                                |
|---------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yukio Masuda<br>(Outside Director)                            | 100% of the board meetings<br>(9 out of 9 meetings)                        | Based on experience and knowledge accumulated through his lengthy career in the corporate management, he provided advice regarding the Company's operations.               |
| Takashi Nakamura<br>(Outside Director)                        | 100% of the board meetings<br>(8 out of 8 meetings)                        | Based on experience and international knowledge accumulated through his lengthy career in the corporate management, he provided advice regarding the Company's operations. |
| Minoru Takeda<br>(Outside Director)                           | 100% of the board meetings<br>(9 out of 9 meetings)                        | Based on experience of the international management and knowledge about the energy industry, he provided advice regarding the Company's operations.                        |
| Chiew Nguang-Yong<br>(Outside Director)                       | 100% of the board meetings<br>(9 out of 9 meetings)                        | Based on experience and knowledge of the international portfolio management, he provided advice regarding the Company's operations.                                        |
| Ahamed M. Alkhunaini<br>(Outside Director)                    | 88% of the board meetings<br>(7 out of 8 meetings)                         | Based on international viewpoint relevant to the energy industry, he provided advice regarding the Company's operations.                                                   |
| Nabil A. Al-Nuaim                                             | 88% of the board meetings<br>(7 out of 8 meetings)                         | Based on wide business experience relevant to the energy industry, he provided advice regarding the Company's operations.                                                  |
| Midori Miyazaki<br>(Outside Audit & Supervisory Board Member) | 100% of the board meetings<br>(9 out of 9 meetings)<br>100% of the Audit & | She actively expressed her opinions in the Audit & Supervisory Board. Based on broad experience and                                                                        |

|                                                               |                                                                                                                         |                                                                                                                                                                                                   |
|---------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                               | Supervisory Board<br>(12 out of 12 meetings)                                                                            | knowledge in various fields, she also provided advice regarding the Company's operations in the Board Meetings.                                                                                   |
| Kenji Yamagishi<br>(Outside Audit & Supervisory Board Member) | 100% of the board meetings<br>(9 out of 9 meetings)<br>100% of the Audit & Supervisory Board<br>(12 out of 12 meetings) | He actively expressed his opinions in the Audit & Supervisory Board. Based on specialist viewpoint as a lawyer, he also provided advice regarding the Company's operations in the Board Meetings. |

Note: Mr. Takashi Nakamura, Mr. Ahamed M. Alkhunaini and Mr. Nabil A. Al-Nuaim were appointed as Director of the Company on March 27.

c) Summary of Liability Limitation Contract

Outside Directors (Yukio Masuda, Takashi Nakamura, Ahmed M. Alkhunaini and Nabil A. Al-Nuaim) and outside 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 Clause1, Article 423 of Corporate Code. Amounts of liability under this agreement shall be higher amounts of 10,000,000 yen and amounts designated by the Corporate Code.

#### 4. Accounting Audit & Supervisory Board Members

(1) Names of Accounting Audit & Supervisory Board Member:

Aarata Audit Corporation

(2) Remunerations to be paid to Remuneration Accounting Audit & Supervisory Board Member:

|                                                                                            |                       |
|--------------------------------------------------------------------------------------------|-----------------------|
| Amount of Remuneration as Accounting Audit & Supervisory Board Members paid by the Company | 118,500 thousands Yen |
| Total Amount of Remuneration paid by the Company and its Subsidiaries                      | 176,964 thousands Yen |

Notes:

1. In the audit contract between the Company and Accounting Audit & Supervisory Board Member, there is no distinction between the remuneration for the audit based on Corporate Code as Accounting Audit & Supervisory Board Members and that for the audit based on the Financial Instruments Exchange Law and it is not practically possible to distinguish them. Therefore, the amounts of Remuneration as Accounting Audit & Supervisory Board Members paid by the Company include both of them.
2. Total Amount of Remuneration paid by the Company and its subsidiaries includes remuneration for audit on English consolidated financial statements in Corporate Report, investigation procedure to execute Shelf Registration Supplements of bonds, and consolidation of back-office jobs (introduction of shared service) as non-audit activities other than those set out in Article 2, item 1 of Certified Public Accountant Law.

(3) Policies of dismissal or denial of reappointment of Accounting Audit & Supervisory Board Members:

We dismiss accounting Audit & Supervisory Board Members when we conclude that the conducts of accounting Audit & Supervisory Board Members are applicable to any item of Article 340 of Corporate Code. Furthermore when we doubt the competency and trustworthiness of such accounting audit & supervisory board members, both in light of Japanese and worldwide accounting standards, we do not reappoint them, and we nominate other appropriate audit corporation and submit the proposal to a general meeting of shareholders for appointment.

5. System to ensure directors' compliance with laws and regulations and articles of incorporation, and other systems to ensure proper business conducts (Basic Policy on Internal Control System to Ensure Business Appropriateness).

The content of the policy approved by the Board of Directors is shown below.

1. System to ensure that execution of businesses by directors and executive officers comply with laws and the Articles of Association.

- a. To set the Code of Conduct to make directors, executive officers and employees recognize distinctly duties of compliance with laws and the responsibilities to the society.
- b. Under the Code of Conduct, to set concrete compliance rules regarding related major laws and regulations such as anti-monopoly law, insider trading, export control, environmental regulations, prevention of government anti-corruption and others, and to thoroughly work on the compliance with them.
- c. To appoint a director or an executive officer in charge of the Code of Conduct and to set up organizations and committee etc. so as to establish cross functional compliance systems and control them.
- d. To set Rules of the Board of Directors, Guidelines of Items for Resolution of the Board of Directors, Rules of the Executive Officers, Rules of the Group Executive Committee and Authorization Rule etc. in order to conduct businesses in line with laws and the Articles of Association.
- e. To regularly request each executive director and executive officer to submit a written confirmation regarding an appropriateness of contents of financial reports and a compliance level etc., and Representative Director /Group CEO shall assess and report the status of internal control over financial report.
- f. The board of corporate auditors will audit maintenance level of the internal control system and regularly exchanges information and opinions with directors.
- g. To appoint an independent officer(s) in order to ensure further improvement in the transparency and objectivity of management as well as to protect the interests of general shareholders of the company.

## 2. Information record management system regarding business execution by directors and executive officers.

- a. Authorization by a director or an executive officer shall be recorded in a designated form and all of such authorization records shall be subject to audit.
- b. Minutes of an important meeting such as the board of directors, the Group Executive Committee etc., authorization documents and contracts shall be retained over the necessary period specified by related laws or internal rules.
- c. Rules with respect to information management are set. Through setting up rules for information disclosure, Disclosure Sub-Committee placed under Risk Management Committee determines the appropriateness of information to be disclosed. Information disclosure shall be centralized at the Public Affairs Division in timely and appropriate manner. These rules are well known to all employees in our group.

## 3. Rules and systems with respect to loss-related risk management

- a. To specify various potential risks in the business environment of our group and work out measures in line with their characteristics and regularly review an effectiveness of the measures.
- b. To set basic policy with respect to health, safety, security and environmental preservation and set up a specialized department to roll out company-wide education/training activities and improve the

control system through regular audits.

c. To lay down a Crisis Management Plan and a Business Continuity Plan and regularly drill and review them so as to continue important businesses even if an unforeseen incident such as a disaster or an accident etc. occurs.

4. System to ensure efficiency in business execution by directors and executive officers

a. To make our organization simple without superimposed layers for a quick decision-making, decisions on company-wide business, strategy issues and important matters of the Oil business and the Energy Solution business shall be made by a resolution of the Group Executive Committee to which relevant authority has been delegated by the board of directors.

b. To specify the scope of authorization power of the board of directors, each Executive Committee, each director or executive officer, and take a designated procedure for delegation of authorization power when necessary so as to enable a flexible decision-making.

c. When making a decision on an company-wide important matter, the board of directors, the Group Executive Committee and anyone with authorization power will consult with certain committees providing advice as requested by inquiries so as to reflect opinions from expert point of view of various related departments including Group Functions (corporate functional department).

d. To set upon a medium term business plan, an annual budget plan etc., and review regularly their progress and work out measures for efficient business execution.

e. To maintain a secured Information Technology environment to enable accurate and speedy grasp/communication of management information and improve business efficiency.

5. System to ensure that the execution of businesses by employees complies with laws and the Articles of Association

a. Under the Code of Conduct, to set concrete compliance rules regarding related major laws and regulations such as anti-monopoly law, insider trading, export control, environmental regulations, prevention of government anti-corruption and others, and to thoroughly work on compliance with them.

b. When allocating employees' duties and fixing related business execution flow, to consider not only business efficiency but also mutual check-and-balance effects between or within the related departments.

c. Risk Management Committee and Internal Control Promotion Division are established in order to improve the quality of business activities and make effective company-wide integration of functions related to internal control in our group.

d. The Internal Audit Department, directly reports to Representative Director / Chairman /Group CEO and shall check regularly the status of business execution of each department and an effectiveness of internal control system; and also report the results and subsequent improvements of those to directors and the board of corporate auditors.

e. To request regularly a responsible person of each department to submit a written confirmation regarding an appropriateness of contents of financial reports and compliance level etc.

f. To establish a whistle blower system and make it well known to cope with a situation where an

employee might raise a question anonymously with respect to performing a social responsibility or compliance with laws.

g. To have no relation at all with individuals and groups who would give threat to the order and safety of society, and to be alert to these individuals and groups at any time. To oppose organizationally when receiving any false claim from such anti-social power or group, General Administration Division is in charge of the handling of matters relating to an anti-social power or group.

6. System to ensure an appropriateness of business in our Group

a. Group Companies share the spirit of SSSKK's Code of Conduct, Basic Policy on Health, Safety, Security and Environmental Preservation and other various important basic policies and put them into practice in each company as SSSKK does.

b. To regularly request a responsible person of subsidiaries etc. to submit a written confirmation regarding implementation status of systems to ensure an appropriateness of contents of financial reports and a compliance level etc. so as to confirm effectiveness of those and regularly review them. Further, our internal audit department and a corporate auditor of each Group Company seconded from SSSKK shall conduct audit to verify reported matters.

7. Matters with respect to employees to support business of corporate auditors when requested.

a. To set up a secretariat of the board of corporate auditors and assign employees of SSSKK to support the business of the board of corporate auditors.

8. Matters with respect to independency of employees in the previous clause from directors.

a. As for nomination, changes in personnel and treatment with respect to the employees in the previous clause, consent by the board of corporate auditors is required.

9. Reporting System from directors or employees to auditors and any other reporting systems to auditors

a. In related company rules, to specify duties of immediate report to the board of corporate auditors upon arising any incidents which might have some impact on company business management and to make such a practice well known.

10. Any other systems to ensure an effective audit by corporate auditors

a. Corporate auditors can attend any important meetings and minutes of those meetings, if recorded, shall be sent to the board of corporate auditors by its secretariat.

b. The results of audit by the Internal Audit Department and accounting auditors and the subsequent improvements shall be reported to the board of corporate auditors. The board of corporate auditors shall regularly exchange information among the Internal Audit Department and accounting auditors.

# Consolidated Balance Sheet

(As of 31 December, 2014)

(Unit : Millions of Yen)

| Assets                                 |                    | Liabilities                                               |                    |
|----------------------------------------|--------------------|-----------------------------------------------------------|--------------------|
| <b><u>I . Current Assets</u></b>       | <b>662,114</b>     | <b><u>I . Current Liabilities</u></b>                     | <b>661,607</b>     |
| Cash & Deposits                        | 45,081             | Notes & Accounts payable                                  | 284,944            |
| Notes & Accounts receivable            | 300,564            | Short-term debts                                          | 109,673            |
| Inventories - products                 | 137,486            | Accounts payable                                          | 204,142            |
| Inventories - work in process          | 2,968              | Income taxes payable                                      | 2,713              |
| Inventories - crude,materials & stores | 121,871            | Accrued expenses                                          | 9,472              |
| Deferred tax assets                    | 10,237             | Accrued bonus                                             | 2,202              |
| Other current assets                   | 44,129             | Provision for directors' bonuses                          | 84                 |
| Provisions for doubtful debts          | (224)              | Other current liabilities                                 | 48,374             |
| <br><b><u>II . Fixed Assets</u></b>    | <br><b>514,167</b> | <br><b><u>II . Long-term Liabilities</u></b>              | <br><b>218,357</b> |
| <b>Tangible fixed assets</b>           | <b>395,661</b>     | Bonds                                                     | 20,000             |
| Buildings & Structures                 | 95,161             | Long-term debts                                           | 79,825             |
| Oil tanks                              | 10,436             | Deferred tax liabilities                                  | 3,669              |
| Machineries & Vehicles                 | 117,186            | Provision for special maintenance                         | 11,597             |
| Lands                                  | 154,660            | Net defined benefit liability                             | 82,097             |
| Construction in progress               | 11,368             | Other long-term liabilities                               | 21,168             |
| Others                                 | 6,848              | <b>Total Liabilities</b>                                  | <b>879,964</b>     |
| <b>Intangible fixed assets</b>         | <b>11,033</b>      | <b>Net Assets</b>                                         |                    |
| Leasehold rights                       | 3,808              | <b><u>I . Shareholders' Equity</u></b>                    | <b>275,878</b>     |
| Software                               | 5,556              | Share capital                                             | 34,197             |
| Others                                 | 1,668              | Capital surplus                                           | 22,123             |
| <b>Investments etc.</b>                | <b>107,472</b>     | Retained earnings                                         | 219,740            |
| Securities                             | 40,444             | Treasury shares                                           | (182)              |
| Long-term loans                        | 8,888              | <b><u>II . Accumulated other comprehensive income</u></b> | <b>(3,826)</b>     |
| Deferred tax assets                    | 38,149             | Difference on valuation of investment securities          | 2,093              |
| Net defined benefit asset              | 115                | Deferred gains or losses on hedging derivatives           | 289                |
| Others                                 | 20,407             | Remeasurements of defined benefit plans                   | (6,209)            |
| Provisions for doubtful debts          | (532)              | <b><u>III . Minority Interests</u></b>                    | <b>24,264</b>      |
|                                        |                    | <b>Total Net Assets</b>                                   | <b>296,317</b>     |
| <b>Total Assets</b>                    | <b>1,176,282</b>   | <b>Total Liabilities and Net Assets</b>                   | <b>1,176,282</b>   |

Note: Fractions of one million yen are rounded off.

## Consolidated Profit and Loss Statement

(From 1 January to 31 December 2014)

(Unit: Millions of yen)

|     |                                              |          |           |
|-----|----------------------------------------------|----------|-----------|
| I   | Net sales                                    |          | 2,997,984 |
| II  | Cost of sales                                |          | 2,890,430 |
|     | <b>Gross Profit</b>                          |          | 107,554   |
| III | Sales, administrative and general expenses   |          | 125,611   |
|     | <b>Operating loss</b>                        |          | 18,057    |
| IV  | Non-operating profit                         |          |           |
|     | Interest income                              | 139      |           |
|     | Dividends received                           | 570      |           |
|     | D.I.E Profit                                 | 708      |           |
|     | Profit from anonymous association            | 1,336    |           |
|     | Equity in net earnings of affiliates         | 873      |           |
|     | Reversal of provisions for doubtful debts    | 259      |           |
|     | Fiduciary obligation income                  | 687      |           |
|     | Others                                       | 1,880    | 6,456     |
| V   | Non-operating expenses                       |          |           |
|     | Interest expenses                            | 3,362    |           |
|     | Fiduciary obligation expenses                | 667      |           |
|     | Others                                       | 1,092    | 5,121     |
|     | <b>Ordinary loss</b>                         |          | 16,723    |
| VI  | Extraordinary profit                         |          |           |
|     | Gain on sales of fixed assets                | 3,666    |           |
|     | Subsidy                                      | 3,177    |           |
|     | Others                                       | 643      | 7,487     |
| VII | Extraordinary loss                           |          |           |
|     | Loss on disposal of fixed assets             | 2,053    |           |
|     | Loss on revaluation of investment securities | 288      |           |
|     | Impairment loss on fixed assets              | 1,575    |           |
|     | Litigation settlement                        | 828      |           |
|     | Others                                       | 1,366    | 6,112     |
|     | <b>Loss before income taxes</b>              |          | 15,347    |
|     | Corporate taxes                              | 4,020    |           |
|     | Corporate tax - deferred                     | (10,686) | (6,665)   |
|     | Loss before minority interests               |          | 8,682     |
|     | Minority interests                           |          | 1,021     |
|     | <b>Net loss</b>                              |          | 9,703     |

Notes: Fractions less than one million yen are rounded off.



## **Consolidated Statement of Changes in Net Assets**

(From 1 January to 31 December 2014 )

( Unit : Million Yen )

|                                                               | Shareholders' equity |                 |                   |                 |                            |
|---------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                               | Share Capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Opening balance 1/1/14                                        | 34,197               | 22,123          | 243,374           | (180)           | 299,515                    |
| Changes in the period                                         |                      |                 |                   |                 |                            |
| Dividends                                                     |                      |                 | (13,937)          |                 | (13,937)                   |
| Net loss after tax                                            |                      |                 | (9,703)           |                 | (9,703)                    |
| Purchase of treasury shares                                   |                      |                 |                   | (2)             | (2)                        |
| Disposal of treasury shares                                   |                      | 0               |                   | 0               | 0                          |
| Change of scope of consolidation                              |                      |                 | 1                 |                 | 1                          |
| Increase by merger                                            |                      |                 | 5                 |                 | 5                          |
| Changes in items other than shareholders' equity (Net amount) |                      |                 |                   |                 |                            |
| Total changes in the period                                   | —                    | 0               | (23,634)          | (2)             | (23,636)                   |
| Closing balance 31/12/14                                      | 34,197               | 22,123          | 219,740           | (182)           | 275,878                    |

|                                                               | Accumulated other comprehensive income           |                                                 |                                         |                                              | Minority interests | Total net assets |
|---------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|-----------------------------------------|----------------------------------------------|--------------------|------------------|
|                                                               | Difference on valuation of investment securities | Deferred gains or losses on hedging derivatives | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                    |                  |
| Opening balance 1/1/14                                        | 1,613                                            | (510)                                           | -                                       | 1,102                                        | 24,733             | 325,352          |
| Changes in the period                                         |                                                  |                                                 |                                         |                                              |                    |                  |
| Dividends                                                     |                                                  |                                                 |                                         |                                              |                    | (13,937)         |
| Net loss after tax                                            |                                                  |                                                 |                                         |                                              |                    | (9,703)          |
| Purchase of treasury shares                                   |                                                  |                                                 |                                         |                                              |                    | (2)              |
| Disposal of treasury shares                                   |                                                  |                                                 |                                         |                                              |                    | 0                |
| Change of scope of consolidation                              |                                                  |                                                 |                                         |                                              |                    | 1                |
| Increase by merger                                            |                                                  |                                                 |                                         |                                              |                    | 5                |
| Changes in items other than shareholders' equity (Net amount) | 480                                              | 800                                             | (6,209)                                 | (4,929)                                      | (468)              | (5,398)          |
| Total changes in the period                                   | 480                                              | 800                                             | (6,209)                                 | (4,929)                                      | (468)              | (29,035)         |
| Closing balance 31/12/14                                      | 2,093                                            | 289                                             | (6,209)                                 | (3,826)                                      | 24,264             | 296,317          |

Note: Fractions of one million yen are rounded off.

## Nonconsolidated Balance Sheet

( As of 31 December 2014 )

(Unit : Million Yen)

| Assets                                |                  | Liabilities                                               |                  |
|---------------------------------------|------------------|-----------------------------------------------------------|------------------|
| <b><u>I . Current Assets</u></b>      | <b>687,360</b>   | <b><u>I . Current Liabilities</u></b>                     | <b>624,559</b>   |
| Cash & Deposits                       | 36,326           | Trade creditors                                           | 263,538          |
| Notes receivable                      | 158              | Short-term debts                                          | 104,062          |
| Trade debtors                         | 271,236          | Lease liability                                           | 263              |
| Inventory - products                  | 112,197          | Accounts payable                                          | 184,048          |
| Inventory - crude, materials & stores | 109,535          | Income taxes payable                                      | 359              |
| Prepaid expenses                      | 1,000            | Accrues expenses                                          | 11,614           |
| Short-term loans                      | 130,198          | Advances received                                         | 27,173           |
| Deferred tax assets                   | 6,906            | Deposit received                                          | 29,265           |
| Other current assets                  | 20,729           | Accrued bonus                                             | 720              |
| Provisions for doubtful debts         | (927)            | Accrued bonus to directors<br>and statutory auditors      | 74               |
|                                       |                  | Other current liabilities                                 | 3,437            |
| <b><u>II . Fixed Assets</u></b>       | <b>314,234</b>   | <b><u>II . Long-term Liabilities</u></b>                  | <b>173,987</b>   |
| <b>Tangible fixed assets</b>          | <b>176,786</b>   | Bonds                                                     | 20,000           |
| Buildings                             | 34,254           | Long-term debts                                           | 78,000           |
| Structures                            | 18,515           | Long-term lease liability                                 | 537              |
| Oil tanks                             | 4,325            | Provision for retirement benefits                         | 59,258           |
| Machinery and equipment               | 10,351           | Provision for special maintenance                         | 2,611            |
| Vehicles and conveyances              | 18               | Other fixed liabilities                                   | 13,579           |
| Tools, implements, fixtures           | 2,761            |                                                           |                  |
| Lands                                 | 100,359          | <b>Total Liabilities</b>                                  | <b>798,547</b>   |
| Lease assets                          | 158              |                                                           |                  |
| Construction in progress              | 6,041            | <b>Net Assets</b>                                         |                  |
| <b>Intangible fixed assets</b>        | <b>7,875</b>     | <b><u>I . Shareholders' Equity</u></b>                    | <b>201,128</b>   |
| Leasehold rights                      | 3,562            | Share capital                                             | 34,197           |
| Software                              | 4,265            | Capital surplus                                           | 22,074           |
| Others                                | 47               | Capital reserve                                           | 22,045           |
| <b>Investments etc.</b>               | <b>129,571</b>   | Other capital surplus                                     | 28               |
| Securities                            | 8,260            | Retained earnings                                         | 144,996          |
| Subsidiaries' securities              | 60,312           | Profit reserve                                            | 6,749            |
| Capital contribution                  | 1,828            | Other retained earnings                                   | 138,247          |
| Subsidiaries' capital contribution    | 1,327            | Reserve for deferred gains<br>on fixed assets transaction | 14,967           |
| Long-term loans                       | 18,702           | Reserve for special depreciation                          | 1,600            |
| Long-term prepaid expenses            | 673              | Special reserve                                           | 5,550            |
| Deferred tax assets                   | 28,998           | Profit surplus carried forward                            | 116,129          |
| Others                                | 9,609            | Treasury shares                                           | (140)            |
| Provisions for doubtful debts         | (141)            | <b><u>II . Valuation and translation</u></b>              | <b>1,919</b>     |
|                                       |                  | <b>gains/losses</b>                                       |                  |
|                                       |                  | Difference on valuation<br>of investment securities       | 1,629            |
|                                       |                  | Deferred gains or losses<br>on hedging derivatives        | 289              |
|                                       |                  | <b>Total Net Assets</b>                                   | <b>203,047</b>   |
| <b>Total Assets</b>                   | <b>1,001,594</b> | <b>Total Liabilities and Net Assets</b>                   | <b>1,001,594</b> |

Note: Fractions of one million yen are rounded off.

## Nonconsolidated Profit and Loss Statement

(From 1 January to 31 December 2014)

(Unit : Million Yen)

|                                                    |          |           |
|----------------------------------------------------|----------|-----------|
| I Sales                                            |          | 2,758,456 |
| II Cost of sales                                   |          | 2,721,034 |
| <b>Gross profit</b>                                |          | 37,421    |
| III Sales, administrative and general expenses     |          | 79,661    |
| <b>Operating loss</b>                              |          | 42,240    |
| IV Non-operating profit                            |          |           |
| Interest income                                    | 582      |           |
| Dividends received                                 | 2,697    |           |
| Foreign exchange gains                             | 813      |           |
| Gain on investments in silent partnership          | 1,336    |           |
| Others                                             | 546      | 5,976     |
| V Non-operating expenses                           |          |           |
| Interest expenses                                  | 3,293    |           |
| Others                                             | 859      | 4,153     |
| <b>Ordinary loss</b>                               |          | 40,417    |
| VI Extraordinary profit                            |          |           |
| Gain on sales of fixed assets                      | 3,153    |           |
| Gain on liquidation of subsidiaries and affiliates | 633      |           |
| Subsidy                                            | 1,600    |           |
| Others                                             | 460      | 5,847     |
| VII Extraordinary loss                             |          |           |
| Loss on disposal of fixed assets                   | 1,416    |           |
| Impairment loss on fixed assets                    | 1,574    |           |
| Loss on valuation of investment securities         | 477      |           |
| Loss on sales of investment securities             | 391      |           |
| Litigation settlement                              | 828      |           |
| Others                                             | 276      | 4,964     |
| <b>Net loss before taxes</b>                       |          | 39,534    |
| Corporate taxes                                    | 192      |           |
| Corporate taxes - deferred                         | (15,572) | (15,379)  |
| <b>Net loss after taxes</b>                        |          | 24,154    |

(Note) Fractions less than one million yen are rounded off.

## Nonconsolidated Statement of Changes in Net Assets

(From 1 January to 31 December 2014)

( Unit: Million Yen )

|                                                                      | Shareholders' equity |                 |                       |                       |                   |                                                         |                                  |                 |                                |                         |
|----------------------------------------------------------------------|----------------------|-----------------|-----------------------|-----------------------|-------------------|---------------------------------------------------------|----------------------------------|-----------------|--------------------------------|-------------------------|
|                                                                      | Share Capital        | Capital surplus |                       |                       | Retained earnings |                                                         |                                  |                 |                                |                         |
|                                                                      |                      | Capital reserve | Other capital surplus | Total capital surplus | Profit reserve    | Other retained earnings                                 |                                  |                 |                                | Total retained earnings |
|                                                                      |                      |                 |                       |                       |                   | Reserve for advanced depreciation of non-current assets | Reserve for special depreciation | Special reserve | Profit surplus carried forward |                         |
| Opening balance 1/1/14                                               | 34,197               | 22,045          | 28                    | 22,074                | 6,749             | 14,723                                                  | 557                              | 5,550           | 155,507                        | 183,088                 |
| Changes in the period                                                |                      |                 |                       |                       |                   |                                                         |                                  |                 |                                |                         |
| Provision of reserve for advanced depreciation of non-current assets |                      |                 |                       |                       |                   | 600                                                     |                                  |                 | (600)                          |                         |
| Reversal of reserve for advanced depreciation of non-current assets  |                      |                 |                       |                       |                   | (356)                                                   |                                  |                 | 356                            |                         |
| Provision of reserve for special depreciation                        |                      |                 |                       |                       |                   |                                                         | 1,395                            |                 | (1,395)                        |                         |
| Reversal of reserve for special depreciation                         |                      |                 |                       |                       |                   |                                                         | (352)                            |                 | 352                            |                         |
| Dividends                                                            |                      |                 |                       |                       |                   |                                                         |                                  |                 | (13,937)                       | (13,937)                |
| Net loss after tax                                                   |                      |                 |                       |                       |                   |                                                         |                                  |                 | (24,154)                       | (24,154)                |
| Acquisition of treasury shares                                       |                      |                 |                       |                       |                   |                                                         |                                  |                 |                                |                         |
| Reissuance of treasury shares                                        |                      |                 | 0                     | 0                     |                   |                                                         |                                  |                 |                                |                         |
| Changes in items other than shareholders' equity (Net amount)        |                      |                 |                       |                       |                   |                                                         |                                  |                 |                                |                         |
| Total changes in the period                                          |                      |                 | 0                     | 0                     |                   | 244                                                     | 1,042                            |                 | (39,378)                       | (38,091)                |
| Closing balance 31/12/14                                             | 34,197               | 22,045          | 28                    | 22,074                | 6,749             | 14,967                                                  | 1,600                            | 5,550           | 116,129                        | 144,996                 |

|                                                                      | Shareholders' equity |                            | Valuation & Translation gains/losses             |                                                  |                                            | Total net assets |
|----------------------------------------------------------------------|----------------------|----------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------|------------------|
|                                                                      | Treasury shares      | Total share-holders equity | Difference on valuation of investment securities | Deferred gains or losses on hedging derivativevs | Total Valuation & Translation gains/losses |                  |
| Opening balance 1/1/14                                               | (137)                | 239,223                    | 1,158                                            | (510)                                            | 647                                        | 239,870          |
| Changes in the period                                                |                      |                            |                                                  |                                                  |                                            |                  |
| Provision of reserve for advanced depreciation of non-current assets |                      |                            |                                                  |                                                  |                                            |                  |
| Reversal of reserve for advanced depreciation of non-current assets  |                      |                            |                                                  |                                                  |                                            |                  |
| Provision of reserve for special depreciation                        |                      |                            |                                                  |                                                  |                                            |                  |
| Reversal of reserve for special depreciation                         |                      |                            |                                                  |                                                  |                                            |                  |
| Dividends                                                            |                      | (13,937)                   |                                                  |                                                  |                                            | (13,937)         |
| Net loss after tax                                                   |                      | (24,154)                   |                                                  |                                                  |                                            | (24,154)         |
| Acquisition of treasury shares                                       | (2)                  | (2)                        |                                                  |                                                  |                                            | (2)              |
| Reissuance of treasury shares                                        | 0                    | 0                          |                                                  |                                                  |                                            | 0                |
| Changes in items other than shareholders' equity (Net amount)        |                      |                            | 471                                              | 800                                              | 1,271                                      | 1,271            |
| Total changes in the period                                          | (2)                  | (38,094)                   | 471                                              | 800                                              | 1,271                                      | (36,822)         |
| Closing balance 31/12/14                                             | (140)                | 201,128                    | 1,629                                            | 289                                              | 1,919                                      | 203,047          |

Note: Fractions of one million yen are rounded off.

Independent Auditor's Report  
(English Translation\*)

February 9, 2015

To the Board of Directors of Showa Shell Sekiyu K.K.

PricewaterhouseCoopers Aarata

Masahiro Yamamoto, CPA  
Designated and Engagement Partner

Haruyasu Tanabe, CPA  
Designated and Engagement Partner

We have audited, pursuant to Article 444 (4) of the Companies Act of Japan, the consolidated financial statements, which consist of the consolidated balance sheet, consolidated profit and loss statement, consolidated statement of change in net assets and consolidated notes to the financial statements of Showa Shell Sekiyu K.K. (hereinafter referred to as the "Company") for the consolidated fiscal year from January 1, 2014 to December 31, 2014.

*Management's Responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and its financial performance of the corporate group which consists of Showa Shell Sekiyu K.K. and its consolidated subsidiaries, and for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

*Conflict of Interest*

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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\* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Independent Auditor's Report  
(English Translation\*)

February 9, 2015

To the Board of Directors of Showa Shell Sekiyu K.K.

PricewaterhouseCoopers Aarata

Masahiro Yamamoto, CPA  
Designated and Engagement Partner

Haruyasu Tanabe, CPA  
Designated and Engagement Partner

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the financial statements, which consist of the balance sheet, profit and loss statement, statement of change in net assets and notes to the financial statements, and the supplementary schedules of Showa Shell Sekiyu K.K. (hereinafter referred to as the "Company") for the 103rd fiscal year from January 1, 2014 to December 31, 2014.

*Management's Responsibility for the financial statements and the supplementary schedules*

Management is responsible for the preparation and fair presentation of the financial statements, and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements, and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplementary schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the financial statements and supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and supplementary schedules in conformity with accounting principles generally accepted in Japan.

*Conflict of Interest*

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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\* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

## **Audit Report**

(Translation)

Based on the Audit Report received from each Auditor regarding business activities by the directors during the 103rd Business Period (from 1st January to 31st December, 2014), the Audit & Supervisory Board, upon deliberation, hereby has prepared this Audit Report and presents it as follows:

### **1. The Audit Procedures and Contents of Auditor's Audit and Audit & Supervisory Board**

We decided the Auditing policy and plan of this year at the Auditor's Meeting. In addition to receiving the reports on conduct and results of audit from each auditor, we received the reports on business activities of directors and accounting auditors. If desired, we asked for explanation of the details from them.

In accordance with the auditing standards stipulated by the Audit & Supervisory Board, and the auditing policies and plans of this period, we communicate with directors, executive officers, internal auditing division and other employees, and endeavored to collect information and to promote systems for effective audit. We also attended the Meetings of the Board of Directors, Group Executive Committee and other important meetings of the Company and received reports on the business activities of directors, executive officers and employees, calling for explanation as required. We inspected the approved documents, and examined business activities and financial conditions of the headquarters and other major offices of the Company. In addition, we monitored and verified the content of the resolution of the Board of directors and system actually placed as "internal control system" in accordance to this resolution, which is stipulated in Item 6 in Paragraph 4 of Article 362 of the Corporate Law and Paragraphs 1 and 3 of Article 100 of the Enforcement Regulation of Corporate Act as a system required to ensure the compliance of laws and the Articles of Associations in the execution of businesses by directors. Regarding internal control over financial reporting, we received the reports from directors and Aarata Audit Corporation on the evaluation of internal control and their audit activities, calling for explanation when required. As for our subsidiaries, through communication and information exchange with directors and auditors of the subsidiaries, we received reports on their business activities as is necessary. Based on these methods, we examined the Business report and the Supplementary Schedule of this year.

In addition to monitoring whether accounting auditors maintain their independency and execution of correct auditing, we received reports on their business activities, asking for their explanation as needed. Accounting auditors notified us "the arrangement of systems to ensure the appropriate business execution" (requirements stipulated in each clause of Article 159, Corporate Computation Rule), in compliance with standards as the "Quality control standard for auditing" (set by Corporate Accounting Council on October 28, 2005). We called for explanations as required. Pursuant to the above procedures, we examined the financial reports of this term (including the balance sheet, profit-and-loss statement, statements of changes in shareholders' equity, individual chart of explanatory notes), and supplementary schedule, and consolidated financial reports of this term

(namely, consolidated balance sheet, consolidated profit-and-loss statement, consolidated statements of changes in shareholders' equity, and consolidated individual chart of explanatory notes).

## **2. The Results of the Audits**

As a result of our audit, we are of the opinion that:

(1) Audit results of Business Report:

- a. Business Report and its Supplementary Schedule properly represents the business situation of the Company in accordance with the applicable laws and regulations as well as the Company's Articles of Incorporation;
- b. There is no misconduct or significant violation of laws or the Company's Articles of Incorporation by the Directors in the course of the execution of their duties;
- c. Resolution of the board of directors as to internal control system is reasonable. No suggestion is required with respect to the director's activities and implementation of internal control system.

(2) Audit results of Financial Statements and its Supplementary Schedule:

The procedures and results of the audit by Aarata Audit Corporation, the Accounting Audit & Supervisory Board Members of the Company, are appropriate.

(3) Audit results of Consolidated Financial Statements:

The procedures and results of the audit by Aarata Audit Corporation, the Accounting Audit & Supervisory Board Members of the Company, are appropriate.

February 10, 2015

Showa Shell Sekiyu K.K. Audit & Supervisory Board

Full-time Audit & Supervisory Board Member Tadimitsu Fukuchi

Full-time Audit & Supervisory Board Member Kiyotaka Yamada

Audit & Supervisory Board Member Midori Miyazaki

Audit & Supervisory Board Member Kenji Yamagishi

Note: Audit & Supervisory Board Member, Ms. Midori Miyazaki, and Audit & Supervisory Board Member, Mr. Kenji Yamagishi, are the outside Audit & Supervisory Board Member stipulated in Item 16 of Article 2 and Clause 3 of Article 335 of Corporate Law.



## **Reference Material for the General Meeting of Shareholders**

### **Proposals and References**

Item 1: To approve the Appropriation of Profit for the 103rd Period.

The Company's dividend policy aims for dividend stable and attractive to shareholders, whereas the business performance and financial position of the Company as well as financial market conditions are considered, and simultaneously aims for attaining sufficient retained earnings in order to accomplish our mid-and-long-term growth strategy for the purpose of maximizing our corporate value.

As for the appropriation of Profit for the 103rd period, taking into account our basic policy described above and business performance for fiscal year 2014, the dividend for the end of the Period is proposed 19yen per share as follows:

For your information, the total dividend for the period, when this proposal is approved, is 38 yen per share (an increase by 2 yen per share over the previous fiscal year) with 19 yen per share interim dividend paid in September 2014.

- (1) Asset distributed as Dividend:  
Cash
- (2) Distribution of Dividend and Total amount distributed:  
19 yen per share                      Total amount: ¥7,157,033,677
- (3) Effective Date for the Dividend:  
27th March, 2015

Item 2: To appoint eight (8) Directors of the Company.

As the term of office for all the Directors will expire at the closing time of the 103rd Annual General Meeting of shareholders, the appointment of eight (8) Directors is hereby proposed.

Particulars of the Director candidates are as follows:

| Name<br>(Date of Birth)                                                                                                                                                      | Personal History, Important Concurrent Positions held in other organizations, Status and Responsibility in the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div>Candidate No.<br/>1</div> <p><b>Tsuyoshi Kameoka</b><br/>(18 October 1956)</p> <p><u>Shares of the Company held</u><br/>16,100 shares</p> <p><u>Newly Appointed</u></p> | <p>Apr 1979    Joined Shell Sekiyu K.K.</p> <p>Apr 2003    Oil Products Division Manager</p> <p>Apr 2005    Senior Officer &amp; Kinki Area Manager</p> <p>Mar 2006    Executive Officer.</p> <p>Mar 2009    Corporate Executive Officer Executive Officer Vice</p> <p>Mar 2013    President, Oil Business COO</p> <p>Mar 2014    Executive Officer, Oil Business COO (to present)</p> <hr/> <p>(Concurrent important positions)<br/>Director, NIPPON GREASE CO., LTD.<br/>Director, K.K. RISING SUN<br/>(Responsibility)<br/>Oil Business COO</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <div>Candidate No.<br/>2</div> <p><b>Douglas Wood</b><br/>(19 April 1971)</p> <p><u>Shares of the Company held</u><br/>400 shares</p> <p><u>Reappointed</u></p>              | <p>Sep 1993    Joined Shell International (UK)</p> <p>Feb 2006    Head of Business Performance Reporting &amp; Financial Planning, Shell International Exploration &amp; Production B.V. (Netherland)</p> <p>Feb 2009    Vice President Finance &amp; Planning, Shell International Exploration &amp; Production B.V. (Netherland)</p> <p>Mar 2012    Director, In charge of Finance &amp; Control (CFO)</p> <p>Mar 2013    Director, Chief Financial Officer (CFO)</p> <p>Mar 2014    Representative Director , Chief Financial Officer (CFO) (to present)</p> <hr/> <p>(Concurrent important positions)<br/>Representative Director / President, Shell Japan Trading K.K.<br/>(Responsibility)<br/>CFO, in charge of Group Functions (Finance, Credit Control, Procurement, IT Planning, and Corporate Planning (including Corporate Governance) )</p> <p>◆Mr. Douglas Wood is Representative Director, Shell Japan Trading K.K. The Company has transactions in relation to service provisions with Shell Japan Trading K.K.</p> |

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| <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate No.</div> <div style="text-align: center; margin-bottom: 5px;">3</div> <p>Yukio Masuda<br/>(22 March 1941)</p> <p><u>Shares of the Company held</u><br/>28,100shares</p> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 2px;">Outside Director Candidate</div> | <div style="display: flex; flex-direction: row;"> <div style="flex: 1; padding-right: 10px;"> Apr 1964<br/>Jun 1996<br/>Apr 1999<br/>Jun 2001<br/><br/>Apr 2002<br/><br/>Jun 2006<br/>Jun 2008<br/>Jun 2008<br/>Mar 2009 </div> <div> Joined Mitsubishi Corporation K.K.<br/> Director, Mitsubishi Corporation K.K.<br/> Managing Director, Mitsubishi Corporation K.K.<br/> Representative Director / Senior Executive Officer,<br/> Mitsubishi Corporation K.K.<br/> Representative Director / Vice President Executive<br/> Officer, Mitsubishi Corporation K.K.<br/> Full time Advisor, Mitsubishi Corporation K.K.<br/> Advisor, Mitsubishi Corporation K.K. (to present)<br/> Outside Auditor, Tokyo Gas K.K.<br/> Outside Director, Showa Shell Sekiyu K.K. (to present) </div> </div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>Term of Office as an<br/>Outside Director: 6 years</p>                                                                                                                                                                                                                                                                                                                                                                                 | <p>(Concurrent important positions)<br/>Advisor, Mitsubishi Corporation K.K.</p> <p>◆Mr. Yukio Masuda has a lengthy career, which includes the position of chief officer, in the energy business sector of Mitsubishi Corporation K.K., and he is highly knowledgeable about both international and domestic energy business. The Company has important business relationship with Mitsubishi Corporation K.K.</p> <p>◆Mr. Yukio Masuda entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of the Companies Act. Amounts of liability under this agreement shall be the higher amount of 10,000,000 yen or amounts designated by the Companies Act.</p> <p>◆The Company registered Mr. Yukio Masuda as independent directors with the Tokyo Stock Exchange. When the reappointment of Mr. Yukio Masuda is approved, they will remain as independent directors. Although the Company has important business relationship with Mitsubishi Corporation K.K., in which Mr. Masuda serves as Advisor, the ratio of its business (including its subsidiaries) in the Company's sales proceeds or cost of sales are not more than several per cent, nor dominant when compared with others. Mitsubishi Corporation K.K. has 19.68% share in our refining subsidiary, Showa Yokkaichi Sekiyu K.K. and shareholding in one sales joint-venture, but its business through this joint-venture is not dominant when compared with others. These relations will not have an effect on the independency of Mr. Yukio Masuda as outside director because he has not been engaged in business execution in Mitsubishi Corporation K.K. since June 2006.</p> |

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| <div data-bbox="236 181 411 259" style="border: 1px solid black; padding: 2px;"> Candidate No.<br/>4 </div> <p>Takashi Nakamura<br/>(2 September 1946)</p> <p><u>Shares of the Company held</u><br/>0shares</p> <div data-bbox="236 483 384 517" style="border: 1px solid black; padding: 2px;"> Reappointed </div> <div data-bbox="236 521 557 555" style="border: 1px solid black; padding: 2px;"> Outside Director Candidate </div> <p>Term of Office as an<br/>Outside Director: 1 year</p> | <div data-bbox="579 172 1364 674"> <div>Apr 1972</div> <div>Joined RICOH Company, Ltd.</div> </div> <div data-bbox="579 203 1364 237"> <div>Apr 1990</div> <div>Managing Director, RICOH U.K. Products Ltd (UK)</div> </div> <div data-bbox="579 237 1364 271"> <div>Jan 1995</div> <div>Managing Director, RICOH Europe B.V. (Netherlands )</div> </div> <div data-bbox="579 271 1364 304"> <div>Jun 1998</div> <div>Director, RICOH Company, Ltd.</div> </div> <div data-bbox="579 304 1364 338"> <div>Jun 2002</div> <div>President &amp; CEO, RICOH Elemex K.K.</div> </div> <div data-bbox="579 338 1364 371"> <div>Jun 2004</div> <div>Managing Director, RICOH Company, Ltd.</div> </div> <div data-bbox="579 371 1364 439"> <div>Jan 2006</div> <div>Director, Senior Corporate Executive Officer, Chief Human Resource Officer, RICOH Company, Ltd.</div> </div> <div data-bbox="579 439 1364 506"> <div>Apr 2008</div> <div>Director, Human Resource Department, RICOH Company, Ltd.</div> </div> <div data-bbox="579 506 1364 573"> <div>Apr 2011</div> <div>Director, Executive Vice President, RICOH Company, Ltd.</div> </div> <div data-bbox="579 573 1364 607"> <div>Jun 2012</div> <div>Retired RICOH Company, Ltd.</div> </div> <div data-bbox="579 607 1364 640"> <div>Apr 2013</div> <div>Outside Advisor, Showa Shell Sekiyu K.K.</div> </div> <div data-bbox="579 640 1364 674"> <div>Dec 2013</div> <div>Retired the Outside Advisor above</div> </div> <div data-bbox="579 674 1364 707"> <div>Mar 2014</div> <div>Outside Director, Showa Shell Sekiyu K.K. (to present)</div> </div> |
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(Concurrent important position)

None

◆Mr. Takashi Nakamura has had a long career as a director with RICOH Company, Ltd. including Chief Human Resource Officer, and he also had overseas business management experiences in its subsidiaries in Europe. He is highly experienced in the global business of a Japanese organization.

◆Mr. Takashi Nakamura entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of the Companies Act. Amounts of liability under this agreement shall be the higher amount of 10,000,000 yen or amounts designated by the Companies Act.

◆The Company registered Mr. Takashi Nakamura as independent directors with the Tokyo Stock Exchange. When the reappointment of Mr. Takashi Nakamura is approved, they will remain as independent directors. Mr. Takashi Nakamura has not been engaged in business execution in RICOH Company, Ltd. since June 2012. Although the Company has been transacting with RICOH Company, Ltd. and its affiliates regarding sales of petroleum products or office supplies, the total transacted amounts are very small and therefore, such transactional relationship will not have an effect on the independency of Mr. Takashi Nakamura as an outside director.

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| <div>Candidate No</div> <div>5</div>                                                                                                                                                                                                         | <div>Apr 1978</div> <div>Joined Mobil Sekiyu K.K.</div> <div>Jul 2001</div> <div>Representative Director, President, Deloitte Tohmatsu Corporate Finance</div> <div>Sep 2004</div> <div>Vice President, Shell Gas &amp; Power Japan</div> <div>Jul 2005</div> <div>President, Shell Gas &amp; Power Japan</div> <div>Apr 2009</div> <div>Vice President, LNG Markets, Shell Gas &amp; Power Asia</div> <div>Jan 2010</div> <div>General Manager, LNG Asia, Shell Upstream International</div> <div>Jan 2013</div> <div>General Manager, LNG Development SE Asia, Shell Upstream International</div> <div>Mar 2013</div> <div>Outside Director, Showa Shell Sekiyu K.K. (to present)</div> <div>Sep 2013</div> <div>President and Representative Director, Shell Japan K.K. (to present)</div> <div>Mar 2014</div> <div>Representative Director , Shell Chemicals Japan K.K.(to present)</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <div>Minoru Takeda</div> <div>(14 July1953)</div> <div>Shares of the Company held</div> <div>0shares</div> <div>Reappointed</div> <div>Outside Director Candidate</div> <div>Term of Office as an</div> <div>Outside Director: 2 years</div> | <div>(Concurrent important position)</div> <div>President and Representative Director, Shell Japan K.K.</div> <div>Representative Director, Shell Chemicals Japan K.K.</div> <div>◆Mr. Minoru Takeda is President, Shell Japan K.K. and the Representative Director of Shell Chemicals Japan K.K., and he has both managerial know-how, which has been accumulated in the Shell Group of the worldwide operation of the petroleum business and experience working for Japanese oil companies. The Shell Group owns 35.05% of the Company's shares and the Company has important business relationship with the Shell Group companies.</div> <div>◆Mr. Minoru Takeda entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of the Companies Act. Amounts of liability under this agreement shall be the higher amount of 10,000,000 yen or amounts designated by the Companies Act.</div> <div>◆Mr. Minoru Takeda is President, Shell Japan K.K. The Company has transactions in relation to service provisions including office lease with Shell Japan K.K, and Mr. Minoru Takeda is Representative Director, Shell Chemical Japan K.K. The Company has transactions with Shell Chemical Japan K.K. in relation to petroleum products sales, the lease of petroleum product trading business, services and lease of offices.</div> |

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| <div>Candidate No.<br/>6</div>                               | <div>Sep 1989    Joined Saudi Aramco (Saudi Arabia)</div> <div>Jul 2007    Senior Marketing Manager, Saudi Petroleum International (US)</div> <div>Aug 2010    Senior Marketing Manager, Crude Oil Sales &amp; Marketing Department, Saudi Aramco (Saudi Arabia)</div> <div>Mar 2011    Superintendent, Juaymah Terminal Operations, Saudi Aramco</div> <div>Jun 2012    Representative Director , Aramco Asia Japan K.K. (to present)</div> <div>Mar 2014    Outside Director, Showa Shell Sekiyu K.K. (to present)</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <div>Ahmed M. Alkhunaini<br/>(15 October 1966)</div>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <div>Shares of the Company held<br/>0shares</div>            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <div>Reappointed</div>                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <div>Outside Director Candidate</div>                        | <div>(Concurrent important position)<br/>Representative Director, Aramco Asia Japan K.K.</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <div>Term of Office as an<br/>Outside Director: 1 year</div> | <div>◆Mr. Ahmed M. Alkhunaini is the Representative Director of Aramco Asia Japan K.K. which is part of Saudi Aramco. He has worked in a broad range of assignments in the oil business in the United States, Saudi Arabia and Japan, and these assignments have included both strategic and operational leadership roles. He has extensive knowledge of oil markets around the world. The Company has important business relationship with Saudi Aramco.</div> <div>◆Mr. Ahmed M. Alkhunaini entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of the Companies Act. Amounts of liability under this agreement shall be the higher amount of 10,000,000 yen or amounts designated by the Companies Act.</div> <div>◆Mr. Ahmed M. Alkhunaini is Representative Director of Aramco Asia Japan K.K. The Company has no transactions with Aramco Asia Japan K.K. other than personnel exchange.</div> |

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| <div data-bbox="252 387 416 472"> Candidate No.<br/>7 </div> <div data-bbox="252 483 485 551"> Nabil A. Al-Nuaim<br/>(2 February 1969) </div> <div data-bbox="252 584 552 645"> Shares of the Company held<br/>0shares </div> <div data-bbox="252 678 395 712"> Reappointed </div> <div data-bbox="252 714 558 745"> Outside Director Candidate </div> <div data-bbox="252 784 521 844"> Term of Office as an<br/>Outside Director: 1 year </div> | <div data-bbox="587 376 1297 734"> Sep 1991    Joined Saudi Electric Company (Saudi Arabia)<br/> Sep 1992    Joined Saudi Aramco (Saudi Arabia)<br/> Nov 2008    Chief of Energy Research, King Abdullah Petroleum<br/> Studies and Research Center (Saudi Arabia)<br/> Jan 2012    Manager, Energy Strategy Department, Saudi Aramco<br/> (Saudi Arabia)<br/> Jan 2013    Director, Kingdom Economic &amp; Energy Analysis<br/> Department, Saudi Aramco (Saudi Arabia)<br/> Mar 2014    Outside Director, Showa Shell Sekiyu K.K. (to<br/> present)<br/> Nov 2014    Manager, Environment Protection Department, Saudi<br/> Aramco (Saudi Arabia) (to present) </div> <div data-bbox="587 736 1297 824"> (concurrent important position)<br/> Manager, Environment Protection Department, Saudi Aramco<br/> (Saudi Arabia) </div> <div data-bbox="587 857 1297 1240"> <p>◆Mr. Nabil A. Al-Nuaim is the Manager, Environment Protection Department for Saudi Aramco in the Kingdom of Saudi Arabia. He has extensive leadership and managerial experience in the downstream oil and power generation business sectors, including strategy development, policy-oriented business analysis and operations. He recently led a key segment of Aramco's Accelerated Transformation Program. The Company has important business relationship with Saudi Aramco.</p> <p>◆Mr. Nabil A. Al-Nuaim entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of the Companies Act. Amounts of liability under this agreement shall be the higher amount of 10,000,000 yen or amounts designated by the Companies Act.</p> </div> |
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| <div>Candidate No</div> <div>8</div>                             | <div>Apr1981    Joined Shell Australia (Australia )</div> <div>Aug2000    President, Shell Gas &amp; Power Japan</div> <div>Jan 2003    Director &amp; Chief Operating Officer, Shell Development (Australia)</div> <div>Apr 2009    President, Shell Gas &amp; Power Japan</div> <div>Nov 2010    President and Representative Director, Shell Japan K.K.</div> <div>Nov 2013    President and Representative Director , Shell Korea (Korea) (to present)</div>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <div>Christopher   K. Gunner</div> <div>(13 November 1954)</div> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <div>Shares of the Company held</div> <div>0shares</div>         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <div>Newly Appointed</div> <div>Outside Director Candidate</div> | <div>(Concurrent important position)</div> <div>President and Representative Director, Shell Korea Ltd (Korea)</div> <div>Director, Hankook Shell Oil Company Ltd (Korea) Executive Committee Member, International Gas Union (Secretariat: Norway )</div> <div>◆Mr. Christopher K. Gunner is the President of Shell Korea Ltd which is wholly owned by the Shell Group companies. He brings extensive oil and gas industry experience working in both the “upstream” and “downstream” sectors of the business, including legal, governance, strategy, treasury, retail and commercial leadership roles in Australia, the UK, Malaysia, Korea, and Japan. The Shell Group owns 35.05% of the Company’s shares and the Company has important business relationship with the Shell Group companies.</div> <div>◆Mr. Christopher K. Gunner will enter into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause1, Article 423 of the Companies Act. Amounts of liability under this agreement shall be the higher amount of 10,000,000 yen or amounts designated by the Companies Act.</div> |

- Note1. The Number of Shares of the Company held by each of the candidates for Directors of the Company shows the numbers as of December 31, 2014.
2. The Term of Office as an Outside Director is the period to the date of this annual general meeting of shareholders respectively.



Item 3: To appoint a Substitute Audit & Supervisory Board Member.

As a safeguard against the case in which the number of Audit & Supervisory Board Members lacks the number required by laws and regulations, the appointment of a Substitute Audit & Supervisory Board Member is proposed.

The Audit & Supervisory Board supports this proposal.

The particulars of the candidate for Substitute Audit & Supervisory Board Member are as follows:

| Name<br>(Date of Birth))                                                                  | Personal History, Concurrent Positions held in other organizations and Status in the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |
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| <p>Kazuo Mura<br/>(12 June 1950)</p> <p><u>Shares of the Company held</u><br/>0shares</p> | <table> <tr> <td>Apr 1978</td><td>Registered as Attorney at Law</td></tr> <tr> <td>Mar 1984</td><td>Established Kazuo Mura Law Office</td></tr> <tr> <td>Nov 1994</td><td>Representative, Mura Momijishima Law Office (current Mura Miyadate Law Office) (to Present)</td></tr> <tr> <td>Apr 1997</td><td>Managing Director, Japan Federation of Bar Association</td></tr> <tr> <td>Apr 2000</td><td>Managing Director, K.K. Seiri Kaishu Kikou (The Resolution and Collection Corporation)</td></tr> <tr> <td>Apr 2005</td><td>Professor, Kokugakuin University Law School (to Present)</td></tr> <tr> <td>Jan 2013</td><td>Managing Director / Chief Compliance Officer (CCO), Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (to Present)</td></tr> </table> <p>(concurrent positions)<br/>Representative, Mura Miyadate Law Office<br/>Professor, Kokugakuin University Law School<br/>Managing Director / Chief Compliance Officer (CCO), Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan</p> <p>◆Mr. Kazuo Mura is an experienced attorney at law and also familiar to business and management. He is appointed as a substitute to an outside auditor.</p> <p>◆The Company paid retainer and other fees to Mr. Kazuo Mura as a legal counsel to the Auditors' Meeting. As we consider this will not affect his independence as an outside auditor, we will register him as an independent officer with the Tokyo Stock Exchange when he is appointed as an outside auditor.</p> <p>◆When Mr. Kazuo Mura is appointed as auditor, an agreement to limit his liability of Paragraph 1 of Article 423 of the Corporate Law will be executed. His minimum liability under the agreement will be whichever higher of 10 million yen or the minimum liability amount set out by the law.</p> | Apr 1978 | Registered as Attorney at Law | Mar 1984 | Established Kazuo Mura Law Office | Nov 1994 | Representative, Mura Momijishima Law Office (current Mura Miyadate Law Office) (to Present) | Apr 1997 | Managing Director, Japan Federation of Bar Association | Apr 2000 | Managing Director, K.K. Seiri Kaishu Kikou (The Resolution and Collection Corporation) | Apr 2005 | Professor, Kokugakuin University Law School (to Present) | Jan 2013 | Managing Director / Chief Compliance Officer (CCO), Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (to Present) |
| Apr 1978                                                                                  | Registered as Attorney at Law                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |
| Mar 1984                                                                                  | Established Kazuo Mura Law Office                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |
| Nov 1994                                                                                  | Representative, Mura Momijishima Law Office (current Mura Miyadate Law Office) (to Present)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |
| Apr 1997                                                                                  | Managing Director, Japan Federation of Bar Association                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |
| Apr 2000                                                                                  | Managing Director, K.K. Seiri Kaishu Kikou (The Resolution and Collection Corporation)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |
| Apr 2005                                                                                  | Professor, Kokugakuin University Law School (to Present)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |
| Jan 2013                                                                                  | Managing Director / Chief Compliance Officer (CCO), Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (to Present)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |          |                               |          |                                   |          |                                                                                             |          |                                                        |          |                                                                                        |          |                                                          |          |                                                                                                                                                                       |

Item 4: To approve the Provision of a Bonus for Directors.

A bonus will be provided to 3 directors (including 2 outside directors) out of 8 directors (including 6 outside directors) as of the end of the 103rd Period. The amount of the bonus will be 74.6 million yen (of which 1.0 million yen to outside directors, 73.6 million yen to other directors), and the allocation of the bonus to each Director will be determined by the resolution of the Board of Directors.

The amount of the bonus is based on the degree of the goal achievement, such as ordinary profit without the effect of inventory valuation, adjusted by external factors such as economic circumstances during the Period.