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To whom it may concern

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Announcement of the basic policy of Company Split Related to Lubricants Business

Showa Shell Sekiyu K.K. (hereinafter the “Company”) hereby announces that today the Board of Directors of the Company has decided as a basic policy to establish a new wholly-owned subsidiary to be a preparatory successor company (hereinafter the “Successor Company”) for an absorption-type company split (hereinafter the “Company Split”), with the Successor Company to receive a transfer of rights and obligations of the Company’s lubricants business (hereinafter the “Business”) for the purpose of demerging the Business.

1. Purpose of Company Split

The Company has considered optimal measures to sustain and grow its Business in an environment where an industry restructuring is potentially foreseen, as well as having regard to the situation where the Royal Dutch Shell Group has agreed to sell its shares in the Company, subject to necessary regulatory approvals under relevant competition laws, as stated in the press release of 30th July 2015.

Having so considered, and in order to continue to grow the business with customers, as well as to establish a robust business structure where customers are able to enjoy stable supply of the Company’s lubricants products, and to facilitate the maintenance and expansion of the current supply of highly regarded products and services supplied to customers by maintaining and building on the collaborative business relationship with the Royal Dutch Shell Group both in Japan and overseas, the Company has decided to demerge the Business from the Company using the “Company Split” as a method.

2. Summary of Company Split

(1) Contents of the Business to be transferred into the Successor Company

Lubricants manufacturing, storage, transport, sales, export, import, and all other related business

(2) Overview of the planned Successor Company

Name	To be determined
Location	Daiba Frontier Bldg. 2-3-2, Daiba, Minato-ku, Tokyo
Name and Position of Representative	To be determined
Business Activities	Lubricants manufacturing, storage, transport, sales, export, import, and all other related business
Capital	100 million Yen
Date of Establishment	To be determined

(3) Schedule of Company Split (plan) *1

Resolution of Board of Directors	To be determined *2
Execution of Company Split Agreement	To be determined *2
Scheduled Date of Company Split (Effective Date)	To be determined *2

*1 The Company and the Successor Company will not hold a shareholder meeting to obtain the shareholders' approval for the company split agreement as the Company Split will be executed through a simplified absorption-type split (kan'i kaisha bunkatsu) under Article 784, Paragraph 2 of the Companies Act for the Company, and through a short-form absorption-type split (ryakushiki kaisha bunkatsu) under Article 796, Paragraph 1 of the Companies Act for the Successor Company respectively.

*2 It is intended that if the Company executes the proposed business integration with Idemitsu Kosan Co., Ltd as announced in its press release "Execution of Memorandum of Understanding Regarding the Business Integration of Showa Shell Sekiyu K.K. and Idemitsu Kosan Co., Ltd." issued by the Company on 12th November, 2015, the Company Split will come into effect before the effective date of the said business integration.

(4) Method

The method will be an "absorption-type" company split, whereby the Company will act as the splitting company and the Successor Company will act as the successor company.

(5) Allocation of shares

It is not planned that the Successor Company will issue any shares or other related compensation.

- (6) Treatment of share acquisition rights and bonds with subscription rights to shares associated with Company Split

The Company has not issued share acquisition rights or bonds with subscriptions rights to shares.

- (7) Others

The Company will make announcements regarding further details once they have been decided.

3. Future outlook

The Company Split will have a negligible impact on the consolidated performance of the Company hereafter, as the Successor Company will assume the Business through the Company Split as a wholly-owned subsidiary of the Company. The Company will make announcements regarding further details of the Company Split once they have been decided.

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