(English Translation)

Summary of Consolidated Full Year Results for 2015

February 10, 2016

Listed Company Name: **Showa Shell Sekiyu K.K.** Listed Stock Exchange: Tokyo Stock Exchange 1st Section
Code number: 5002 (URL http://www.showa-shell.co.jp/english/index.html)
Delegate: Title: CEO, Representative Director Name: Tsuyoshi Kameoka
Contact: Title: Controller, Executive Officer Name: Takashi Sakata Phone: (03) 5531-5594

Date of annual shareholders' meeting : March 29, 2016 Expected date of dividend payment: March 30, 2016
Expected date of security report submission: March 29, 2016
Supporting material for full year results: Applicable
The briefing session of full year results: Applicable (For analysts and institutional investors)

(Amount unit: Millions of yen, unless otherwise stated)
(Fractions less than one million yen are rounded off.)

1. Consolidated financial results for full year 2015 (January 1 thorough December 31, 2015)

(1) Consolidated financial results (Note) Percentages represent changes from the previous year.

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Full year 2015	2,177,625	(27.4)	(12,209)	-	(13,282)	-	(27,467)	-
Full year 2014	2,997,984	1.5	(18,057)	-	(16,723)	-	(9,703)	-

(Note) Comprehensive income for: FY 2015 (26,838) million yen (-%) FY 2014 (7,388) million yen (-%)

	Earnings per share	Diluted earnings per share	Net income to net assets (excl. minority interests)	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Full year 2015	(72.93)	-	(11.1)	(1.2)	(0.6)
Full year 2014	(25.76)	-	(3.4)	(1.4)	(0.6)

(Note) Equity in net earnings of affiliates for: FY 2015 (1,126) million yen FY 2014 873 million yen

(2) Consolidated financial position

	Total assets	Net assets	Net assets (excl. minority interests) to total assets interests	Net assets (excl. minority interests) per share
			%	Yen
Full year 2015	957,665	243,328	23.2	591.10
Full year 2014	1,176,282	296,317	23.1	722.33

(Note) Net assets (excluding minority interests): As of December 31, 2015 222,625 million yen As of December 31, 2014 272,052 million yen

(3) Consolidated cash flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
Full year 2015	74,819	(43,685)	(56,182)	15,355
Full year 2014	72,733	(28,151)	(28,148)	43,877

2. Dividends

	Cash dividend per share					Total dividends paid	Dividends payout ratio (Consolidated)	Dividends on net assets (Consolidated)
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of fiscal year	Total			
	Yen	Yen	Yen	Yen	Yen		%	%
Full year 2014	-	19.00	-	19.00	38.00	14,314	-	5.0
Full year 2015	-	19.00	-	19.00	38.00	14,313	-	5.8
Full year 2016 (Forecast)	-	19.00	-	19.00	38.00		89.5	

3. Forecast of consolidated financial results for full year 2016 (January 1 through December 31, 2016)

(Percentages represent changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income		Earnings per share
		%		%		%		%	Yen
Interim 2016	840,000	(26.9)	6,000	-	6,000	-	(4,000)	-	(10.62)
Full year 2016	1,680,000	(22.9)	36,000	-	36,000	-	16,000	-	42.48

4. Others

(1) Changes in scope of significant consolidated subsidiaries during the period : None

(2) Changes in accounting principles, accounting estimates and restatements

a) Changes in accounting principles due to revisions of accounting standards : Yes

b) Changes in accounting principles due to the reason other than a) : None

c) Changes in accounting estimates : None

d) Restatements : None

(3) Number of shares issued (Common shares)

(i) Number of shares issued (Including treasury shares)	As of December 31, 2015:	376,850,400	As of December 31, 2014:	376,850,400
(ii) Number of treasury shares	As of December 31, 2015:	218,724	As of December 31, 2014:	216,116
(iii) Average number of shares issued	As of December 31, 2015:	376,633,002	As of December 31, 2014:	376,635,671

【Reference】Summary of non-consolidated financial results

1. Non-consolidated financial results for full year 2015 (January 1 through December 31, 2015)

(1) Non-consolidated financial results

(Note) Percentages represent changes from the previous year.

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Full Year 2015	1,994,487	(27.7)	(10,553)	-	(8,860)	-	(16,909)	-
Full Year 2014	2,758,456	1.9	(42,240)	-	(40,417)	-	(24,154)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Full Year 2015	(44.89)	-
Full Year 2014	(64.12)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Net assets(excl. minority interests) to total assets	Net assets (excl. minority interests) per share
			%	Yen
Full Year 2015	814,316	166,232	20.4	441.31
Full Year 2014	1,001,594	203,047	20.3	539.04

(Note) Net assets: As of December 31, 2015 166,232 million yen As of December 31, 2014 203,047 million yen

2. Forecast of non-consolidated financial results for full year 2016 (January 1 through December 31, 2016)

(Note) Percentages represent changes from previous year.

	Net sales		Ordinary income		Net income		Earnings per Share
		%		%		%	Yen
Interim 2016	760,000	(27.1)	8,000	-	(1,000)	-	(2.66)
Full Year 2016	1,520,000	(23.8)	39,000	-	21,000	-	55.76

* Presentation regarding the status of implementation of audit procedures

These financial results are exempt from audit procedure pursuant to the Financial Instruments and Exchange Act and the audit procedures with respect to the year-end financial statements pursuant to the Financial Instruments and Exchange Act have not been completed as of the date of disclosure of this report.

* Explanation regarding appropriate use of the business forecast and other special instructions

The business forecast above is based on the information available as of the date of the press release of the documents, and includes various risks and uncertainties. Actual results could differ from the business forecast due to changes in economic conditions, market trends, exchange rate and other factors. Please refer to “Outlook for 2016” on page 6 for the details of this forecast of business performance.

〔Supporting Material〕

Contents

1. Business results

(1) Analysis of business results

A. Business results for the current period

[Analysis of consolidated business results]

During the fiscal period under review, despite some positive impacts from the depreciation of the yen, economic expansion in Japan was stalled by a slowdown in demand from China and other Asian countries and sluggish private consumption.

The global crude oil market was once again subject to volatility due to concerns around the demand and supply similarly driven by factors such as Iran's nuclear agreement with the international community, sustained shale oil production in the US and a reduction in demand from China and other emerging economies. As a result, the price of Dubai crude oil started the year at roughly US$54/bbl, recovering to US$67/bbl in mid-May in response to the situation in the Middle East and a drop in U.S. crude oil reserves. The price returned to a declining trend as oil reserves in the United States increased, finishing the fiscal year at US$32/bbl, the lowest level since 2004.

In the foreign exchange markets, the USD/JPY rate started the year at around 120 yen and reached 125 yen in early August. Overall, however, the rate remained relatively stable throughout the year, entering 2016 at the 120 yen level again.

(Crude oil prices and foreign exchange rate)

	The Dubai crude oil price (USD/Barrel)	Exchange rate (JPY/USD)
Full year 2014	96.7	105.8
Full year 2015	50.8	121.1
Difference	(45.9)	+15.3

(Note) These are the average figures during the period.

Regarding the operating results for this period, the Showa Shell Group reported consolidated net sales of 2,177.6 billion yen, a decrease of 27.4% year on year.

The Group reported an operating loss of 12.2 billion yen, an increase of 5.8 billion yen from the previous fiscal year, and an ordinary loss of 13.2 billion yen, an increase of 3.4 billion yen year on year. These losses mainly reflected inventory valuation losses in the oil business due to the continued steep decline in crude oil prices from the previous fiscal year, 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) totalled 41.5 billion yen, an increase of 7 billion yen from the previous fiscal year.

The Group reported net extraordinary loss of 8.0 billion yen, with extraordinary losses, such as losses on the disposal of fixed assets and expenses relating to damage to a submarine pipeline at Keihin Kawasaki sea berth, exceeding extraordinary income, such as subsidy income and gain on changes in equity. There was a net loss before taxes of 21.2 billion yen, a decline of 5.9 billion yen year on year. As a result, net loss after taxes, corporation tax adjustments and minority interests in income totalled 27.4 billion yen, a decrease of 17.7 billion yen compared with the previous fiscal year.

Financial results of each segment are 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 relationship with Saudi Aramco and other Middle East oil producers and the Shell Group, as well as further diversifying our crude oil suppliers, from countries such as Russia and South America.

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 at the Group's refineries overall in order to maximize profits. Moreover, having secured a sufficient supply of products for the domestic market, we leveraged the Shell Group's network to pursue earnings opportunities in overseas markets as well. Throughout the fiscal year under review, we actively exported oil products, such as gasoline, diesel and jet fuel, to maximize profitability.

In domestic fuel sales, the pace of the decline in domestic demand for oil products seen in past years due to structural factors in the Japanese market, such as wider uptake of fuel-efficient vehicles and falling consumption of industrial fuels, slowed and there was also a stimulatory effect from the decline in product prices following the fall in crude oil prices. Sales of Showa Shell products, 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 continued to make "differentiated products and services" the core of our strategy. In April, we introduced a credit card with "Ponta," a cross-industry joint reward points service that has one of the largest membership bases in Japan. The "Shell Ponta Credit Card" has one of the highest levels of point return rates among shared point cards, and with the added convenience of a credit card payment function it has been supported by many customers since its introduction. We also continued activities to strengthen sales of "Shell V-Power", a high-performance premium gasoline, launched in July 2014. Initiatives included expanding the sales area from the initial 40 prefectures to cover every prefecture in Japan except for Okinawa by June. Even amid a flagging domestic market for premium gasoline, "Shell V-Power" has been highly rated by customers and is still achieving strong sales one year after its launch.

In value-added products other than fuel, we continued to vigorously focus 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, sales of high functionality and high value-added products, such as the ultra-functional hydraulic oil "Shell Tellus S3 VE", are growing steadily. In asphalt, we utilized our strengths as Japan's only integrated asphalt manufacturer to expand our sales of asphalt for general use. We also substantially increased sales of value-added products with strong environmental performance, such as "CARIMEX ART", a mid-temperature asphalt which allows mixing to be done at a lower temperature than the conventional method and helps reduce CO_2 emissions during production on top of improving the mixing process, and "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, the slowdown in economic growth in China and other emerging countries became pronounced. At the same time, new and additional petrochemical plants were built in Asia, which resulted in a year-on-year decline in market conditions for benzene and propylene. However, the market for the Company's main product, mixed xylene, remained firm, supported in part by strong market conditions for gasoline. In this environment, the Company continued to secure a certain level of profit, and we worked to maximize production and sales of petrochemical products throughout the year. In addition, there is expected to be growth in aromatic petrochemicals such as xylene over the medium- to long-term in the Asian market due to its steady demand for polyester fibers. Based on this expectation, we promoted business growth strategies for the future, commencing construction of toluene disproportionation process facilities to increase production of xylene and other products at the Yokkaichi Refinery (expected to come online in the second quarter ending June 30, 2016).

In the liquefied petroleum gas (LPG) business, in April we launched the new company "Gyxis Corporation" together 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. The new company is the largest LPG wholesale company in Japan. It will aim to improve efficiency through scale expansion and to expand earnings opportunities as it pursues business activities.

In addition to the above, in May the Yokkaichi Refinery of our Group company Showa Yokkaichi Sekiyu Co., Ltd. concluded a business alliance with the Yokkaichi refinery of Cosmo Oil Co., Ltd., and started initiatives to optimize their facilities while securing stable supplies, and to enhance the competitiveness of both partners. By realizing these initiatives, we expect to complete our compliance with the second bulletin of the "Sophisticated Methods of Energy Supply Structures Act" (known as the Secondary Sophistication Act) by the end of March 2017.

As a result, the oil business reported net sales of 2,049.9 billion yen, a decrease of 28.1% year on year, and an operating loss of 3.8 billion yen, an increase of 33.5 billion yen, reflecting factors such as declines in the prices of oil products due to the continued slide in crude oil prices throughout the year as well as the resulting inventory valuation losses. As a result of our efforts described above, CCS ordinary income (current cost of supply basis, excluding the impact of inventory valuation) totalled 51.0 billion yen, rising significantly by 37.1 billion yen compared with the previous fiscal year.

[Energy Solutions Business]

In the solar business, we are developing business through Solar Frontier K.K., a wholly-owned subsidiary. Domestic solar module selling prices declined due to a sharp decline in investment in new installations for both commercial and residential applications due to a significant reduction in the electricity purchase price under the renewable energy feed-in tariff scheme in April, as well as the introduction of a new output control rule by certain utility companies.

Under these conditions, in the domestic market we conducted sales focused on residential applications where relatively higher margins can be secured. We strengthened our approach to end users through the agency sales channel and took steps to capture demand, such as proposing highly competitive sales prices with an eye to grid parity (meaning that renewable energy power generation, such as solar power, will cost the same as ordinary electric grid). We also bolstered our sales activities such as setting up a dedicated store, "Solar Frontier Pro Shop", and making proposal sales to major homebuilders. For non-residential applications, we worked on such initiatives as proposing conversion to Solar Frontier panels for industrial-application power generation projects that had received facility approval under the renewable energy feed-in tariff scheme but had not yet been constructed or put into operation.

Furthermore, in addition to solar module sales, we continued to develop an integrated business model covering all areas from project development and design through to financing, system construction, operation and power wholesaling (BOT: Built-Own-Transfer). For example, we achieved a certain level of success in added-value business development with the sale of the "Kunitomi Megasolar Power Plant" that we developed in Kunitomi-cho, Higashi-morokata-gun, Miyazaki Prefecture to Mitsubishi UFJ Trust and Banking Corporation as our first domestic sale of a power plant.

In sales outside of Japan, we took steps to prepare the foundation upon which to construct a strong competitive structure for the global market. These included steadily advancing the BOT business in the United States, selling solutions sales in Europe, and working to open new markets in emerging countries such as Turkey and Thailand. In the BOT business in the United States, in March we acquired a 280MW pipeline from Gestamp Solar (US company), which operates a global solar power plant business, and have produced significant results such as the sale in October of one of those pipeline projects (15MW). Furthermore, in May we decided to start development of a 100MW pipeline in the United Kingdom. In other areas, we promoted marketing activities tailored to the respective market characteristics in the Middle East including Turkey, and Asia including India.

In research and development, we installed prototype ultralight, thin and bendable modules utilizing the characteristics of CIS thin-film solar cells (*1) for a trial at a logistics terminal building in Singapore. Meanwhile in December, we achieved a world record energy conversion efficiency of 22.3% for CIS thin-film solar cells (approximately 0.5cm^2). Operations commenced in April at the Tohoku Plant (nominal annual production capacity: 150MW), our fourth solar module production plant that serves as a demonstration ground for the commercialization of new technologies and significant cost reductions. We made progress on setting up the plant for the transition to commercial production.

As a result of these initiatives, the number of solar module shipments in the fiscal year under review increased year on year. However, a decline in market conditions for solar modules in Japan and an increase in the ratio of shipments to overseas markets, where sales prices are comparatively lower, to better establish and strengthen sales as channels for future growth, resulted in a year-on-year decline in the average unit sales price. Our main Kunitomi Plant (Miyazaki Prefecture, nominal annual production capacity: 900MW) operated more or less at full capacity throughout the fiscal year, and we continued initiatives to reduce costs, especially panel production costs. However, the effects of these efforts were limited due to the rising cost of procuring materials overseas following the yen depreciation. As a result, operating income declined significantly from the previous fiscal year.

In the electric power business, during the fiscal year under review, we achieved stable operating income with the contribution of the following factors: 1) 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, 2) the Keihin Biomass Plant (49MW output) fueled mainly by wood pellets and palm kernel shells on the site of our former Ohgimachi Plant in the Keihin Refinery complex, came online a month earlier than scheduled and started commercial operations in early November, and 3) we optimized our sales portfolio. In expanding our power generation portfolio, we continue to progress as planned on the construction of the third unit at the Ohgishima Power Station (400MW output, expected to come online in February 2016). We are also moving ahead with preparations to start the low-voltage retail electricity business for the residential sector in line with the complete deregulation of retail electric power scheduled to occur in April 2016.

As a result of these initiatives, the energy solutions business reported net sales of 119.4 billion yen, a decrease of 13.8% from the previous fiscal year, and an operating loss of 10.1 billion yen, a decrease of 27.8 billion yen 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 buildings and other businesses. In the fiscal year under review, the segment reported net sales of 8.2 billion yen, a decrease of 10.4% year on year, and an operating income of 1.7 billion yen, an increase of 0.1 billion yen.

B. Outlook for 2016

As for the outlook for 2016, we estimate profit and loss to be as follows;

In the oil business, we will strengthen the retail initiatives and the volume growth of value-added products that address customers' needs by focusing on our core strategy to differentiate our products and services for the expansion of our customer base, while ensuring fair profits from stable operations at our refineries and improvements in supply chain efficiency.

In the energy solutions business, domestic panel selling prices continued to decline, while we expect to improve profitability by the reduction of overall costs, including selling expenses, and developing the profitable business models "BOT" (Build-Own-Transfer of solar power plants). In the electric power business, in which the scale of business expands by the construction of new electric power plants, we expect to ensure stable profits by efficient operations at electric power plants and the optimization of sales portfolio.

In consideration of the above, we estimate that consolidated net sales will be 1,680.0 billion yen (1,520.0 billion yen on a nonconsolidated basis), consolidated ordinary income for the period will be 36.0 billion yen (39.0 billion yen on a nonconsolidated basis) and consolidated net income will be 16.0 billion yen (21.0 billion yen on a nonconsolidated basis). We expect that the relevant consolidated ordinary income will be 54.0 billion yen, excluding the impact of inventory valuation. The above forecast is estimated using the assumption that crude oil price is 30 dollars per barrel and the exchange rate is 120 yen per dollar.

(2) Analysis of financial conditions

A. Balance sheet analysis

Consolidated total assets as of the end of the year were 957.6 billion yen, a decrease of 218.6 billion yen compared with the end of the previous year. This was mainly attributable to the decrease in accounts receivables and inventories, which were caused by the drop in price of crude oil and others. Consolidated net assets as of the end of the year were 243.3 billion yen, a decrease of 52.9 billion yen compared with the end of the previous year. This was mainly attributable to the dividend payments and net loss.

Consolidated total liabilities were 714.3 billion yen, a decrease of 165.6 billion yen compared with the end of the previous year. This was mainly attributable to the decrease in accounts payable, which was caused by the drop in price of crude oil. Interest-bearing debts (borrowings, CP, and bonds) were 155.4 billion yen, a decrease of 54.0 billion yen compared with the end of the previous fiscal year.

As a result, equity ratio at the end of the year was 23.2%. The net assets (excluding minority interests) per share based on the total number of shares issued as of the end of the year were 591.10 yen, compared with 722.33 yen of the previous fiscal year.

B. Cash flow analysis

The cash and cash equivalents (hereinafter referred to as "funds") as of the end of the year were 15.3 billion yen, a decrease of 28.5 billion yen compared with the previous year. The details are as follows:

a) Cash flow from operating activities

Operating activities provided net cash of 74.8 billion yen (compared with 72.7 billion yen net cash provided in the same period of the previous fiscal year). This mainly reflected the factors contributing to increases in cash, such as decreases in notes and accounts receivable-trade and decreases in inventories outweighing the factors contributing to decreases in cash, such as decreases in trade notes and accounts payable.

b) Cash flow from investing activities

Investing activities used net cash of 43.6 billion yen (compared with 28.1 billion yen net cash used in the same period of the previous fiscal year). This mainly reflected the acquisition of property, plants and equipment, including the new establishment of solar module plants and new power generation facilities to supply electricity for sale to utilities, an increase in short-term loans receivable, and the acquisition of subsidiaries' securities.

c) Cash flow from financing activities

Financing activities used net cash of 56.1 billion yen (compared with 28.1 billion yen net cash used in the same period of the previous fiscal year), mainly reflecting a decline in interest-bearing debt and cash dividends paid. As of the end of the fiscal year, interest-bearing debt totalled 155.4 billion yen, a decrease of 54.0 billion yen compared with the end of the previous fiscal year.

The indexes related to cash flow are summarised as follows.

		2011 Year end	2012 Year end	2013 Year end	2014 Year end	2015 Year end
Shareholders' equity ratio	(%)	21.2	20.3	23.2	23.1	23.2
Market value of shareholders' equity ratio	(%)	16.2	14.9	31.0	38.1	38.9
Interest-bearing debts /Cash flow from operating activities	(Times)	5.5	6.3	2.3	2.9	2.1
Interest coverage ratio	(Times)	12.4	9.7	23.8	20.8	28.7

(Note) Shareholders' equity ratio: (Net assets - Minority interest) / Total assets

Market value of shareholders' equity ratio: Gross market capitalisation (*1) / Total assets

Interest-bearing debts / Cash flow from operating activities: (*2) / (*3)

Interest coverage ratio: Cash flow from operating activities / Interest payment (*3)

Each index is calculated by the numbers in the consolidated financial statements.

(*1) Gross market capitalisation is calculated by multiplying the closing price of the Company's shares at the year-end by the number of shares issued and outstanding (excluding treasury shares) at the year-end.

(*2) Debts include all the interest-bearing liabilities in the consolidated balance sheets.

(*3) Cash flow from operating activities is the cash flow from operating activities in the consolidated statement of cash flows. Interest payments equate with the amount of interest paid in the consolidated statement of cash flows.

C. Commitment-line contract

In order to manage temporary cash surpluses efficiently, we have concluded commitment-line contracts (credit line amount: 150 billion yen) with a banking syndicate group and a commitment-line contract (overdraft agreement for the current account/credit line amount: 10 billion yen) with Mizuho Corporate Bank, Ltd. As of the end of current fiscal year, there is no outstanding loan balance for the contracts above mentioned.

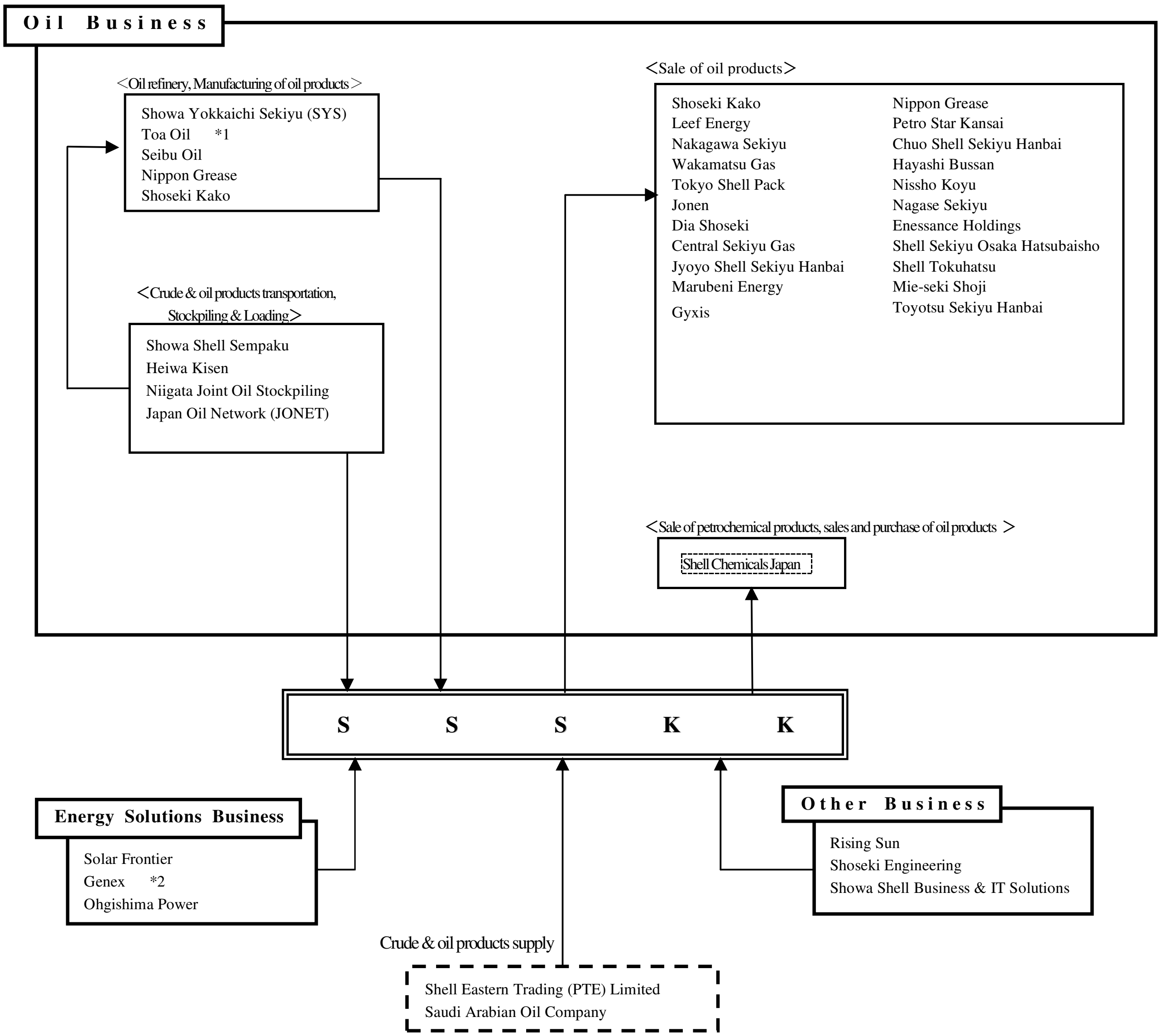
(3) Basic policy for distribution of profits

In consideration of our business performance and financial position, as well as of the financial market conditions, we make it a basic policy to realize distribution of profits that are stable and attractive enough to satisfy shareholders. At the same time, we strive to attain sufficient retained earnings in order to accomplish our mid-and-long-term growth strategies for the purpose of maximising corporate value. Therefore, our policy is to distribute profits twice a year, a year-end dividend (record date: 31 December) based on the approval at the general shareholders' meeting and an interim dividend (record date: 30 June) based on the approval at the Board of Directors in accordance with the provisions of Article 454-5 of the Companies Act.

2. Scope of consolidation and equity associates

Consolidated subsidiaries of Showa Shell Sekiyu (SSSKK) are 21, and equity associates are 14. Our core business is the oil business, such as import, transportation, refining, stockpiling, manufacturing and sales of crude oil and oil products. In addition we also run the energy solutions business (solar cell and electric power business), and other businesses such as property lettings, construction and sales of automobile accessories. The following shows the subsidiaries' segment and positioning.

Kinds of Business	Detail of Business	Consolidated Subsidiaries		Equity Associates
Oil Business	Oil refining, manufacturing of oil products	(SSSKK) Showa Yokkaichi Sekiyu (SYS) Toa Oil	Nippon Grease Shoseki Kako	Seibu Oil
	Crude & oil products transportation, stockpiling & loading	(SSSKK) Showa Shell Sempaku	Heiwa Kisen	Niigata Joint Oil Stockpiling Japan Oil Network (JONET)
	Sale of oil products (gasoline, LPG, kerosene, gas oil, fuel oil, asphalt, lubricants, chemical products etc.)	(SSSKK) Nippon Grease Petro Star Kansai Hayashi Bussan Nakagawa Sekiyu Nissho Koyu Jonen	Tokyo Shell Pack Shoseki Kako Chuo Shell Sekiyu Hambai Leef Energy Wakamatsu Gas Nagase Sekiyu	Marubeni Energy Central Sekiyu Gas Shell Sekiyu Osaka Hatsubaisho Dia Shoseki Toyotsu Sekiyu Hanbai Jyoyo Shell Sekiyu Hanbai Mie-seki Shoji Shell Tokuhatsu Enessance Holdings Gyxis
Energy Solutions Business	Solar cell and electricity	(SSSKK) Solar Frontier	Genex	Ohgishima Power
Other Business	Property letting, construction, sales of automobile accessories, etc.	(SSSKK) Shoseki Engineering	Rising Sun Showa Shell Business & IT Solutions	



*1・・・Listed on Tokyo Stock Exchange (second section)

*2・・・Subsidiary of Toa Oil

means other related companies and corporate shareholders, in the related parties.

3. Management Policy

(1) Fundamental policy of management, (2) Management goal, (3) Medium and long -term strategies

Disclosures of Fundamental policy of management, Management goal and Medium and long-term strategies are abbreviated because there is no significant change from the Management Policy in the flash report of the previous year released on February 10, 2015.

You can see the flash report of the previous year if you click the following URL

(Showa Shell Sekiyu)

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

(Tokyo Stock Exchange)

http://www.jpx.co.jp/listing/co-search/index.html

(4) Issues to be addressed in fiscal 2016

In the oil business, the domestic supply and demand balance is forecast to deteriorate in the future as domestic demand for oil products continues to decline due to factors such as the growing shift to energy conservation, improvements in fuel efficiency, and Japan’s aging society. Against this backdrop, the Secondary Sophistication Act has been promulgated, and by the end of March 2017 oil refiners and wholesalers will be required to improve their capability to process residual oil at refineries. The Showa Shell Group has already decided upon measures to fulfil this obligation through a business alliance with Cosmo Oil Co., Ltd. in the Yokkaichi area. In this way, we will be able to sufficiently ensure stable supplies of oil products to the domestic market, while making further efficiency gains and enhancing our competitiveness.

In the solar business, there are issues regarding the slowdown in new demand and drop in solar module prices in the domestic market. On the other hand, further reductions in system costs mean that solar power for residential applications has more or less achieved grid parity, and going forward solar power modules are expected to create demand as distributed power sources that are not dependent on the electric grid. We will advance our “WIN IN JAPAN” strategy, which aims for an expanded share of the domestic market concentrating on Solar Frontier by pursuing competitive production costs and emphasizing the advantages of our highly economical operations achieved by realizing high electricity generation volume under actual conditions. At the same time, in the global market, where steady growth is anticipated, we are promoting the slogan “GO GLOBAL” as we promote our BOT business and solutions sales, among other initiatives aimed at building a high valued-added business. With regard to these measures, we will set forth specific numerical targets for the following: conversion efficiency, production cost, SG&A expenses, domestic residential sales volume, and capital gain through the BOT business. Furthermore, at our Tohoku Plant, which commenced operations in April 2015, we will move into commercial production as quickly as possible. The plant will confirm new mass production technologies that will enable us to achieve world-leading production costs. We are also looking into construction of a new plant overseas and the partial application of the new technologies at the Kunitomi Plant.

In the electric power business, we will enter the low-voltage retail electricity business for the residential sector, developing new electric power pricing plans for general households in the Tokyo Electric Power Company’s supply area (*1) in response to the complete deregulation of retail electric power scheduled to begin in April 2016. In other initiatives, we will maintain a basis of stable and efficient operations of existing power plants, such as the newly constructed Keihin Biomass Plant, while achieving the on-schedule launch of Unit 3 of the Ohgishima Power Station, which commenced commercial operations in February 2016. At the same time, we will continue to optimize our sales portfolio.

We will concentrate all of our efforts on the above challenges, while realizing the Business Integration with Idemitsu Kosan as we make full preparations for our leap forward as an "industry-leading player with an unparalleled competitive position" and a "Japan-originated new energy company".

*1 Tokyo Electric Power Company's supply area

Refers to the prefectures of Tokyo, Kanagawa, Chiba, Saitama, Ibaraki, Tochigi, Gunma, Yamanashi, and Shizuoka from the Fuji River eastwards (excluding remote islands).

4. Basic policy of adopting accounting principles

The accompanying consolidated financial statements of the Group are prepared on the basis of Japanese GAAP. The Group has not decided to voluntarily adopt International Financial Reporting Standards (IFRS), while considering the adoption of IFRS in the future and maintaining the common accounting policy for the Group.

5. Consolidated financial statements

(1) Consolidated balance sheet

(Unit: Millions of yen)

	Previous year end As of December 31, 2014	Current year end As of December 31, 2015
Assets		
Current assets		
Cash and deposits	45,081	16,554
Notes and accounts receivable-trade	300,564	212,659
Merchandise and finished goods	137,486	81,203
Work in process	2,968	977
Raw materials and supplies	121,871	81,432
Deferred tax assets	10,237	12,986
Other	44,129	42,478
Allowance for doubtful accounts	(224)	(71)
Total current assets	662,114	448,220
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	310,579	300,977
Accumulated depreciation and impairment loss	(215,417)	(209,363)
Buildings and structures, net	95,161	91,614
Oil tanks	86,177	78,541
Accumulated depreciation and impairment loss	(75,741)	(68,481)
Oil tanks, net	10,436	10,060
Machinery, equipment and vehicles	591,846	586,863
Accumulated depreciation and impairment loss	(474,660)	(484,167)
Machinery, equipment and vehicles, net	117,186	102,695
Land	154,660	142,272
Construction in progress	11,368	13,043
Other	26,853	25,488
Accumulated depreciation and impairment loss	(20,004)	(19,495)
Other, net	6,848	5,993
Total property, plant and equipment	395,661	365,680
Intangible assets		
Goodwill	1,431	171
Leasehold right	3,808	3,718
Software	5,556	4,726
Other	237	179
Intangible assets	11,033	8,796
Investments and other assets		
Investment securities	40,444	67,277
Long-term loans receivable	8,888	9,629
Deferred tax assets	38,149	39,449
Assets for retirement benefits	115	126
Other	20,407	18,746
Allowance for doubtful accounts	(532)	(261)
Total investments and other assets	107,472	134,967
Total noncurrent assets	514,167	509,445
Total assets	1,176,282	957,665
Liabilities		
Current liabilities		
Notes and accounts payable-trade	284,944	210,388
Short-term loans payable	109,673	52,265
Accounts payable-other	204,142	154,648
Income taxes payable	2,713	4,184
Accrued expenses	9,472	9,582
Provision for bonuses	2,202	2,195
Provision for directors' bonuses	84	59
Provision for damages to the submarine pipeline	-	6,589
Other	48,374	39,422
Total current liabilities	661,607	479,334
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	79,825	83,205
Deferred tax liabilities	3,669	2,656
Provision for special repairs	11,597	16,258
Liability for retirement benefits	82,097	90,143
Other	21,168	22,740
Total noncurrent liabilities	218,357	235,002
Total liabilities	879,964	714,337

(Unit: Millions of yen)

	Previous year end As of December 31, 2014	Current year end As of December 31, 2015
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,123	22,123
Retained earnings	219,740	171,721
Treasury stock	(182)	(185)
Total shareholders' equity	275,878	227,857
Accumulated other comprehensive income		
Unrealized holding gain on securities	2,093	2,128
Unrealized gain (loss) from hedging instruments	289	(81)
Retirement benefits liability adjustment	(6,209)	(7,278)
Total accumulated other comprehensive income	(3,826)	(5,232)
Minority interests	24,264	20,702
Total net assets	296,317	243,328
Total liabilities and net assets	1,176,282	957,665

(2) Consolidated statement of income and Consolidated statement of comprehensive income
Consolidated statement of income

(Unit: Millions of yen)

	Previous year From January 1, 2014 To December 31, 2014	Current year From January 1, 2015 To December 31, 2015
Net sales	2,997,984	2,177,625
Cost of sales	2,890,430	2,078,535
Gross profit	107,554	99,089
Selling, general and administrative expenses		
Freightage related expenses	37,473	35,389
Personal expenses	34,142	25,766
Rent expenses	5,403	3,795
Depreciation	6,658	4,935
Other	41,933	41,411
Total selling, general and administrative expenses	125,611	111,298
Operating income (loss)	(18,057)	(12,209)
Non-operating income		
Interest income	139	178
Dividends income	570	646
Foreign exchange gains	708	-
Reversal of allowance for doubtful accounts	259	150
Equity in earnings of affiliates	873	-
Gain on investments in silent partnership	1,336	1,603
Fiduciary obligation fee	687	-
Other	1,880	1,384
Total non-operating income	6,456	3,963
Non-operating expenses		
Interest expenses	1,697	1,326
Sales discounts	1,665	1,225
Foreign exchange losses		585
Equity in losses of affiliates		1,126
Fiduciary obligation cost	667	-
Other	1,092	773
Total non-operating expenses	5,121	5,037
Ordinary income (loss)	(16,723)	(13,282)
Extraordinary income		
Gain on sales of noncurrent assets	3,666	1,340
Gain on sales of investment securities	5	55
Subsidy	3,177	4,252
Gain on changes in equity	-	3,450
Other	638	838
Total extraordinary income	7,487	9,936
Extraordinary loss		
Loss on disposal of noncurrent assets	2,053	2,673
Loss on valuation of investment securities	288	-
Impairment loss	1,575	6,669
Loss on damages to the submarine pipeline	-	7,275
Litigation settlement	828	-
Other	1,366	1,334
Total extraordinary losses	6,112	17,952
Income (loss) before income taxes and minority interests	(15,347)	(21,298)
Income taxes-current	4,020	5,161
Income taxes-deferred	(10,686)	(1,137)
Total income taxes	(6,665)	4,024
Income (loss) before minority interests	(8,682)	(25,323)
Minority interests in income	1,021	2,144
Net income (loss)	(9,703)	(27,467)

Consolidated statement of comprehensive income

(Unit: Millions of yen)

	Previous year From January 1, 2014 To December 31, 2014	Current year From January 1, 2015 To December 31, 2015
Income (loss) before minority interests	(8,682)	(25,323)
Other comprehensive income		
Unrealized holding gain (loss) on securities	570	(7)
Unrealized gain (loss) from hedging instruments	800	(371)
Remeasurements of defined benefit plans	-	(1,134)
Share of other comprehensive income in affiliates	(77)	(2)
Total other comprehensive income	1,293	(1,515)
Comprehensive income	(7,388)	(26,838)
Comprehensive income attributable to		
Sharholders of Showa Shell Sekiyu K.K.	(8,423)	(28,886)
Minority interests	1,034	2,047

(3) Consolidated statement of changes in net assets

Previous year (January 1 through December 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2014	34,197	22,123	243,374	(180)	299,515
Cumulative effect of change in accounting principle					-
Restated balance at January 1, 2014	34,197	22,123	243,374	(180)	299,515
Changes during the year					
Dividends from surplus			(13,937)		(13,937)
Net income (loss)			(9,703)		(9,703)
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Change in scope of consolidation			1		1
Changes due to merger			5		5
Net changes in items other than those in shareholders' equity					
Total changes during the year	-	0	(23,634)	(2)	(23,636)
Balance as of December 31, 2014	34,197	22,123	219,740	(182)	275,878

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at January 1, 2014	1,613	(510)	-	1,102	24,733	325,352
Cumulative effect of change in accounting principle						-
Restated balance at January 1, 2014	1,613	(510)	-	1,102	24,733	325,352
Changes during the year						
Dividends from surplus						(13,937)
Net income (loss)						(9,703)
Purchase of treasury stock						(2)
Disposal of treasury stock						0
Change in scope of consolidation						1
Changes due to merger						5
Net changes in items other than those in shareholders'	480	800	(6,209)	(4,929)	(468)	(5,398)
Total changes during the year	480	800	(6,209)	(4,929)	(468)	(29,035)
Balance as of December 31, 2014	2,093	289	(6,209)	(3,826)	24,264	296,317

Current year (January 1 through December 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2015	34,197	22,123	219,740	(182)	275,878
Cumulative effect of change in accounting principle			(6,236)		(6,236)
Restated balance at January 1, 2015	34,197	22,123	213,503	(182)	269,642
Changes during the year					
Dividends from surplus			(14,314)		(14,314)
Net income (loss)			(27,467)		(27,467)
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		0	0
Change in scope of consolidation					
Changes due to merger					
Net changes in items other than those in shareholders' equity					
Total changes during the year	-	0	(41,781)	(2)	(41,784)
Balance as of December 31, 2015	34,197	22,123	171,721	(185)	227,857

	Accumulated other comprehensive income				Minority interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at January 1, 2015	2,093	289	(6,209)	(3,826)	24,264	296,317
Cumulative effect of change in accounting principle						(6,236)
Restated balance at January 1, 2015	2,093	289	(6,209)	(3,826)	24,264	290,080
Changes during the year						
Dividends from surplus						(14,314)
Net income (loss)						(27,467)
Purchase of treasury stock						(2)
Disposal of treasury stock						0
Change in scope of consolidation						
Changes due to merger						
Net changes in items other than those in shareholders'	34	(371)	(1,069)	(1,405)	(3,562)	(4,967)
Total changes during the year	34	(371)	(1,069)	(1,405)	(3,562)	(46,752)
Balance as of December 31, 2015	2,128	(81)	(7,278)	(5,232)	20,702	243,328

(4) Consolidated statement of cash flows

(Unit: Millions of yen)

	Previous year From January 1, 2014 To December 31, 2014	Current year From January 1, 2015 To December 31, 2015
Operating activities		
Income (loss) before income taxes and minority interests	(15,347)	(21,298)
Depreciation and amortization	41,361	38,898
Impairment loss	1,575	6,669
Loss (gain) on disposal of noncurrent assets	2,053	2,673
Loss (gain) on sales of noncurrent assets	(3,666)	(1,340)
Gain on changes in equity	-	(3,450)
Loss (gain) on valuation of investment securities	288	-
Increase (decrease) in allowance for doubtful accounts	(330)	(332)
Increase (decrease) in liability for retirement benefits	(1,657)	(2,721)
Decrease (increase) in asset for retirement benefits	(32)	(11)
Increase (decrease) in provision for damages to the submarine pipeline	-	6,589
Increase (decrease) in provision for special repairs	(3,436)	4,661
Interest and dividends income	(709)	(824)
Interest expense and sales discount	3,362	2,552
Decrease (increase) in notes and accounts receivable-trade	91,532	80,343
Decrease (increase) in inventories	61,299	76,166
Increase (decrease) in notes and accounts payable-trade	(91,459)	(79,903)
Increase (decrease) in accounts payable-other	20,906	(35,497)
Other, net	(10,181)	7,094
Subtotal	95,559	80,267
Interest and dividends received	855	794
Interest paid	(3,489)	(2,605)
Income taxes (paid) refund	(20,191)	(3,636)
Net cash provided by operating activities	72,733	74,819
Investing activities		
Purchase of property, plant and equipment	(26,950)	(31,835)
Purchase of intangible assets	(2,358)	(1,000)
Proceeds from sales of property, plant and equipment	4,920	3,555
Purchase of investment securities	(9)	(9)
Proceeds from sales of investment securities	49	111
Net decrease (increase) in short-term loans receivable	1,287	(7,438)
Long-term loans receivable made	(2,389)	(2,232)
Collection of long-term loans receivable	8	3
Purchase of subsidiaries' share	(228)	(5,375)
Other, net	(2,481)	537
Net cash (used in) provided by investing activities	(28,151)	(43,685)
Financing activities		
Net increase (decrease) in short-term loans payable	(2,135)	6,956
Proceeds from long-term loans payable	15,000	4,000
Repayment of long-term loans payable	(24,360)	(50,811)
Proceeds from bonds	10,000	-
Redemption of bonds	(10,000)	-
Purchase of treasury stock	(2)	(2)
Proceeds from sales of treasury stock	0	0
Repayments of lease obligations	(1,526)	(1,261)
Cash dividends paid	(13,937)	(14,314)
Cash dividends paid to minority shareholders	(683)	(749)
Others, net	(502)	(0)
Net cash (used in) provided by financing activities	(28,148)	(56,182)
Net increase (decrease) in cash and cash equivalents	16,433	(25,048)
Cash and cash equivalents at beginning of the year	27,428	43,877
Increase due to inclusion in consolidation	1	-
Increase (decrease) in cash and cash equivalents due to merger of subsidiaries	13	-
Decrease due to exclusion in consolidation	-	(3,473)
Cash and cash equivalents at end of year	43,877	15,355

(5) Notes for premises of going concern

Not applicable

(6) Basis of presenting consolidated financial statements

1. Scope of consolidation

(1) Number of consolidated Subsidiaries 21

Showa Yokkaichi Sekiyu, Toa Sekiyu, Showa Shell Sempaku, Heiwa Kisen, Shoseki Engineering, Nippon Grease, Shoseki Kako, Rising Sun, Chuo Shell Sekiyu Hanbai, Leef Energy, Hayashi Bussan, Tokyo Shell Pack, Nakagawa Sekiyu, Petro Star Kansai, Wakamatsu Gas, Genex, Nissho Koyu, Solar Frontier, Nagase Sekiyu, Jonen, Showa Shell Business & IT Solutions

In the year ended as of December 31, 2015, Enessance Holdings Co., Ltd. ("Enessance Holdings") conducted the share exchange, in which Enessance Holdings became the wholly owning parent company and Tohoku Cosmo Gas Co., Ltd. became a wholly-owned subsidiary. Due to the decrease in the Company's shareholding ratio of Enessance Holdings' share, Enessance Holdings has been excluded from the scope of consolidation, and included in affiliates accounted for by the equity method.

(2) Names and others of principal unconsolidated subsidiaries

Rekisei Kagaku

Reason for exclusion from consolidation:

Unconsolidated subsidiaries are excluded from the scope of consolidation because they are small and total assets, sales, net income/loss (the amount corresponding to the equity holdings), retained earnings (the amount corresponding to the equity holdings) and others do not have a significant effect on the Company's consolidated financial statements.

2. Scope of equity associates

(1) Number of affiliates accounted for by the equity-method 14

Seibu Oil, Dia Shoseki, Shell Sekiyu Osaka Hatsubaisho, Central Sekiyu Gas, Mie-seki shoji, Niigata Joint Oil Stockpiling, Shell Tokuhatsu, JONET, Jyoyo Shell Sekiyu Hanbai, Marubeni Energy, Toyotsu Sekiyu Hanbai, Ohgishima Power, Enessance Holdings, Gyxis

(2) Names of other principal unconsolidated subsidiaries or affiliates which are not accounted for by the equity method

Kyoudo Gas

Reason for exclusion from affiliates accounted for by the equity-method:

Unconsolidated subsidiaries or affiliates which are not accounted for by the equity method, do not have a significant effect on the consolidated net income/loss, consolidated retained earnings and others, and are insignificant for the Company as a whole.

(3) When the end of the accounting period of affiliates accounted for by the equity method are different from that of the Company, the financial statements of those affiliates as of their respective fiscal year end are used by the Company in applying the equity method.

3. The end of accounting period of consolidated subsidiaries

The end of accounting period of the consolidated subsidiaries is as follows.

September 30 6 subsidiaries

October 31 1 subsidiary

December 31 14 subsidiaries

The subsidiaries are consolidated by using their financial statements as of their respective fiscal year end, and necessary adjustments are made to their financial statements to reflect any significant transactions between the end of accounting period of the subsidiaries and the parent fiscal year end which are prepared solely for consolidation purpose.

4. Important accounting standards

(1) Valuation methods for major assets

① Securities

Other Securities

Marketable securities

Marketable securities are stated at fair value as of balance sheet date.

(Unrealized holding gains or losses and net of applicable taxes are reported in a separate component of equity, and the cost of securities sold is mainly calculated by the moving average method.)

Non-marketable securities

Non-marketable securities are stated at cost determined by the moving average method.

② Derivatives

Derivatives are stated at fair value.

③ Inventories

Inventories are stated principally at the lower of cost or market, cost being determined by the weighted average method.

(2) Depreciation

① Property, plant and equipment (Excluding lease assets)

Property, plant and equipment are depreciated principally by the straight-line method, using the basis of estimated useful life and the residual value determined by the same standard as stipulated in the Corporate Tax Law.

The main refining facilities at the Yokkaichi Refinery of Showa Yokkaichi Sekiyu are depreciated with an estimated useful economic life of 20 years.

② Intangible assets (Excluding lease assets)

Intangible assets are amortized principally by the straight-line method.

Software for own use is amortized by the straight-line method over an expected useful economic life of 5 years.

③ Lease assets

Finance lease transactions that do not transfer ownership to leasees

Leased assets are depreciated by the straight-line method over the lease terms without the residual value.

Lease transactions, whose commencement day falls prior to 31 December 2008, are accounted for in a similar manner with ordinary rental transactions.

(3) Basis of provisions

① Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

② Provision for bonuses

Provision for bonuses is calculated based on the estimated bonuses to be paid in respect of service rendered by employees in the current year.

③ Provision for directors' bonuses

Provision for directors' bonuses is calculated based on the estimated bonuses to be paid in respect of service rendered by directors in the current year.

④ Provision for special repairs

Provision for special repairs is provided to cover the cost of periodical repairs for machinery at oil refineries, and the cost of inspections and repairs for oil tanks under the Fire Defense Act.

⑤ Provision for damages to the submarine pipeline

Provision for damages to the submarine pipeline is estimated for restoration costs.

(4) Retirement benefits

① Method of attributing projected benefits to periods

The benefit formula method is adopted for attributing projected benefits to each period.

② Methods of amortization of actuarial gain or loss, prior service cost and transition differences

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized primarily by the straight-line method over periods (mainly 10 years through 14 years), which are shorter than the average remaining years of service of the employees.

Prior service costs are amortized as incurred by the straight-line method over periods (mainly 10 years though 14 years), which are shorter than the average remaining years of service of the employees.

Transition differences due to accounting changes are amortized as incurred by the straight-line methods over periods (15 years), which are shorter than the average remaining years of service of the employees.

③ Simplified method for small companies

Some consolidated subsidiaries use the simplified method to calculate liabilities for retirement benefits and related costs so that the total lump sum benefits payment required for voluntary resignations at the end of the fiscal year is regarded as a substitute for the retirement benefit obligation.

(5) Hedge accounting

① Hedge accounting

Deferral hedge accounting is adopted for derivatives.

Interest rate swap special method is applied for interest rate swaps, where certain conditions are met.

② Hedging instruments and hedged items

(Hedging instruments)	(Hedged items)
Forward exchange	Foreign currency credit and debt
Interest rate swap	Borrowing interest
Future and forward of crude oil and oil products	Crude oil and oil products trading

③ Hedging policy

The Group performs hedge processing based on an internal rule, in order to manage the risks associated with currencies, interest rates, crude oil price and petroleum-products prices.

④ Assessment of hedge effectiveness

Hedge effectiveness is assessed by the ratio analysis, comparing the respective changes in market and cash flows of hedging instruments with those of hedging items during periods from commencement of hedging to assessment. Hedge effectiveness is not assessed, if the substantial terms and conditions of the hedging instruments and those of hedging items are the same and changes in market and cash flows are expected to perfectly offset. Hedge assessment for interest rate swap, which applies special method, is abbreviated as well.

(6) Amortization of goodwill

Goodwill is amortized by the straight-line method over periods not exceeding 20 years, which is determined in consideration of its causes. Immaterial amounts of goodwill are charged in the year of acquisition.

(7) Scope of funds in the consolidated statement of cash flows

The funds (cash and cash equivalents) in the consolidated cash flow statement consist of cash-on hand, cash in banks which can be withdrawn at any time, and short-term investments with a maturity of 3 months or less at the time of acquisition which can easily be converted to cash and are subject to little risk of change in value.

(8) Accounting for consumption tax

Transactions subject to consumption taxes are recorded at an amount exclusive of consumption taxes.

(Accounting changes)

The Company has adopted the main clause of Section 35 of “Accounting Standards for Retirement Benefits” (ASBJ Statement No.26 of May 17, 2012, hereinafter the “Standard”) and the main clause of Section 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25 of March 26, 2015, hereinafter the “Guidance”) effective from January 1, 2015. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at January 1, 2015 in accordance with the transitional treatment provided in Paragraph 37 of the Standard.

As a result, the liability for retirement benefits increased by 10,182 million yen and retained earnings decreased by 6,236 million yen at January 1, 2015 and operating loss, ordinary loss and loss before income taxes and minority interests for the fiscal year decreased by 574 million yen, respectively.

The information of the impact for net assets per share is provided in Per share information.

(Standards issued but not yet effective)

Accounting standards for business combinations, and others

"Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21 of September 13, 2013)

"Revised Accounting Standards for Consolidated Financial Statements" (ASBJ Statement No.22 of September 13, 2013)

"Revised Accounting Standards for Business Divestitures" (ASBJ Statement No.7 of September 13, 2013)

"Revised Accounting Standards for Earnings Per Share" (ASBJ Statement No.2 of September 13, 2013)

"Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10 of September 13, 2013)

"Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4 of September 13, 2013)

(1) Overview

Under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. In addition, the presentation method of net income was amended, the reference to "minority interests" was changed to "non-controlling interests", and transitional provisions for these accounting standards were also defined.

(2) Scheduled date of adoption

The Company expects to adopt these revised accounting standards and guidance from the beginning of the fiscal year ending December 31, 2016. The transitional provisions for business combinations are expected to be adopted from the beginning of the fiscal year ending December 31, 2016.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

Implementation Guidance on Recoverability of Deferred Tax Assets

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26 of December 28, 2015)

(1) Overview

The Implementation Guidance basically continues to apply the framework used in the JICPA Guidance No.66 where recoverability of deferred tax assets is assessed based on entities' categories, but certain accounting treatments were changed. The Implementation Guidance includes the following:

(i) accounting treatments for entities which are not included in any category,

(ii) criteria as to the classification of entities in the category 2 and the category 3,

(iii) accounting treatments of unscheduled deductible temporary differences for entities in the category 2,

(iv) accounting treatments for deductible temporary differences for entities in the category 3, which are scheduled to be deductible after 5 years, and

(v) accounting treatments for entities in the category 4 in the current fiscal year, which are expected to be included in the category 2 or 3 in the following year.

(2) Scheduled date of adoption

The Implementation Guidance is effective from the beginning of the fiscal years beginning on or after January 1, 2017.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

(Changes in presentation)

Consolidated statement of cash flows

"Increase (decrease) in accounts payable-other" included in "Other, net" in the operating activities in the previous year becomes significant in its amount and is reported individually in the current year. In order to reflect this change in presentation, consolidated financial statements for the previous year have been restated.

As a result, the amount of 10,725 million yen included in "Other, net" in the operating activities in the previous year is restated to 20,906 million yen of "Increase (decrease) in accounts payable-other" and (10,181) million yen of "Other, net".

"Purchase of subsidiaries' share" included in "Other, net" in the investing activities in the previous year becomes significant in its amount and is reported individually in the current year. In order to reflect this change in presentation, consolidated financial statements for the previous year have been restated.

As a result, the amount of (2,710) million yen included in "Other, net" in the investing activities in the previous year is restated to (228) million yen of "Purchase of subsidiaries' share" and (2,481) million yen of "Other, net".

(Additional information)

Business Integration with Idemitsu Kosan Co., Ltd

The Company and Idemitsu Kosan Co., Ltd. (collectively, the “Companies”) entered into a Memorandum of Understanding (hereinafter the “MoU”) for the Business Integration based on a spirit of equal partnership (hereinafter the “Business Integration”), which shall not be legally binding, as of November 12, 2015. The Companies will discuss and formally enter into a legally binding definitive agreement (hereinafter the “Definitive Agreement”) through necessary procedures including a resolution by the Board of Directors.

(1) Objectives of the Business Integration

The Companies agreed, in the MoU, to create an industry-leading player unparalleled competitive position by combining the strengths and the management resources of both companies. The new company (the “NewCo”) will lead the effort of solving the industry’s various structural issues with the aim at improving the lives of Japanese citizens through efficient and stable energy supply.

(2) Method of the Business Integration

The Companies have set a merger as the base structure of the Business Integration, subject to further discussions and an official agreement.

(3) Schedules of the Business Integration

The schedule of the Business Integration will be discussed further with the following target timeline: commencement of due diligence of the Companies and their subsidiaries upon signing of the MoU, followed by the signing of the Definitive Agreement incorporating the definitive details and terms, approval at the shareholders’ meetings of both parties, and the launch of the NewCo in October 2016 - April 2017. However, changes to the schedule may be made upon consultation between the Companies for certain reasons such as delays in the review process by the relevant competition law authorities, delays concerning the progress of post-merger integration preparation required for a smooth start of operation on Day 1, and others.

(4) Name of the NewCo

The name of the NewCo is currently undetermined and is scheduled to be decided upon further discussion between the Companies.

(5) Location of the head office of the NewCo

The Companies have yet to decide the location of the head office of the new company but are planning to find a location different from the current offices of the Companies by the effective date of or as soon as possible after the Business Integration.

(6) Structure of Board of Directors

While the structure of the Board of Directors will be decided upon further discussions between the Companies, representative directors and executive directors will consist of an equal number of representatives from each company.

(Revision of the amount of deferred tax assets and deferred tax liabilities due to changes in corporation tax rate)

The “Act for Partial Amendment of the Income Tax Act, etc.” and the “Act for Partial Amendment of the Local Tax Act, etc.” were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 35.6% to 33.1% and 32.3% for the temporary differences expected to be realized or settled in the year beginning January 1, 2016 and for the temporary differences expected to be realized or settled from January 1, 2017, respectively.

The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by 5,205 million yen and income tax-deferred was to increase by 4,915 million yen for the year ended December 31, 2015.

(7) Notes to consolidated financial statements
(Consolidated balance sheet)

(Unit: Millions of yen)

1. Collateral assets & Secured debts

Details of collateral assets are as follows.

	Previous year end (As of Dec. 31, 2014)		Current year end (As of Dec. 31, 2015)	
Cash and deposits	3,396	[-]	-	[-]
Notes and accounts receivable-trade	1,640	[-]	-	[-]
Raw materials and supplies	89	[-]	-	[-]
Buildings and structures	12,749	[12,457]	11,142	[10,907]
Oil tanks	4,701	[4,701]	4,838	[4,838]
Machinery, equipment and vehicles	41,996	[41,996]	28,968	[28,968]
Lands	23,154	[13,038]	22,955	[13,038]
Others	12	[12]	7	[7]
Total	87,740	[72,206]	67,912	[57,760]

Details of secured debts are as follows.

	Previous year end (As of Dec. 31, 2014)		Current year end (As of Dec. 31, 2015)	
Long-term loans payable	1,749	[1,549]	85	[-]
Short-term loans payable	1,457	[-]	1,360	[-]
Accounts payable-other	65,625	[43,755]	65,199	[47,080]
Total	68,831	[45,304]	66,644	[47,080]

* Amounts in parentheses represent the collateral assets in factory foundation and its secured debts.

2. Contingent liabilities

1) Guarantees for bank loan payables and others except for consolidated subsidiaries

	Previous year end (As of Dec. 31, 2014)	Current year end (As of Dec. 31, 2015)
Japan Biofuels Supply LLP	2,782	3,199
Solar Frontier Americas Inc.	-	3,259
	2,782	6,458

2) Guarantees for employees' housing loans

	Previous year end (As of Dec. 31, 2014)	Current year end (As of Dec. 31, 2015)
Guaranteed amount	515	457

(Consolidated statements of income)

(Loss on damages to the submarine pipeline)

Damages to a submarine pipeline at Keihin Kawasaki sea berth (Higashi-Ohgishima offshore, owned by the Company and managed by Toa Oil Co., Ltd.) occurred in May 2015. A loss on damages to the submarine pipeline of 7,275 million yen, including provision for damages to the submarine pipeline of 6,589 million yen, has been recognized for restoration costs in extraordinary losses for the year ended as of December 31, 2015.

(Consolidated statement of changes in net assets)

Previous year (January 1 through December 31, 2014)

(A) Issued shares (Shares)

	Balance at the beginning of the year	Increase	Decrease	Balance at the end of the year
Ordinary shares	376,850,400	-	-	376,850,400

(Note)

Number of shares has not been changed.

(B) Treasury shares (Shares)

	Balance at the beginning of the year	Increase	Decrease	Balance at the end of the year
Ordinary shares	213,372	2,753	9	216,116

(Note)

Increase due to purchases of odd shares 2,753 shares

Decrease due to sales of odd shares 9 shares

(C) Dividends

1. Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Payment date
The annual shareholders' meeting on March 27, 2014	Ordinary shares	6,780	18.00	December 31, 2013	March 28, 2014
The Board of Directors' meeting on August 5, 2014	Ordinary shares	7,157	19.00	June 30, 2014	September 8, 2014

2. Dividends with the cut-off date in the year ended December 31, 2014 and the effective date in the year ending December 31, 2015

Resolution	Class of shares	Resource of dividend	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Payment date
The annual shareholders' meeting on March 26, 2015	Ordinary shares	Retained earnings	7,157	19.00	December 31, 2014	March 27, 2015

Current year (January 1 through December 31, 2015)

(A) Issued shares (Shares)

	Balance at the beginning of the year	Increase	Decrease	Balance at the end of the year
Ordinary shares	376,850,400	-	-	376,850,400

(Note)
Number of shares has not been changed.

(B) Treasury shares (Shares)

	Balance at the beginning of the year	Increase	Decrease	Balance at the end of the year
Ordinary shares	216,116	2,628	20	218,724

(Note)

Increase due to purchases of odd shares	2,628 shares
Decrease due to sales of odd shares	20 shares

(C) Dividends

1. Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Payment date
The annual shareholders' meeting on March 26, 2015	Ordinary shares	7,157	19.00	December 31, 2014	March 27, 2015
The Board of Directors' meeting on August 6, 2015	Ordinary shares	7,157	19.00	June 30, 2015	September 7, 2015

2. Dividends with the cut-off date in the year ended December 31, 2015 and the effective date in the year ending December 31, 2016

Resolution	Class of shares	Resource of dividend	Total amount of dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Payment date
The annual shareholders' meeting on March 29, 2016	Ordinary shares	Retained earnings	7,156	19.00	December 31, 2015	March 30, 2016

(Consolidated Statement of cash flows)

(Unit: Millions of yen)

Reconciliation between "Cash and cash equivalents" in the consolidated statement of cash flows and those in the consolidated balance sheet

	Previous Year (From Jan. 1, 2014 To Dec. 31, 2014)	Current Year (From Jan. 1, 2015 To Dec. 31, 2015)
Cash and deposits	45,081	16,554
Time deposit with maturities of more than three months	(1,204)	(1,198)
Cash and cash equivalents	43,877	15,355

(Segment Information)

1. Outline of business segments reported

Segregated financial statements for the Group's reporting segments out of our structural units are available. The board of directors regularly reviews the statements to determine the distribution of management resources and evaluate financial results.

The Group mainly manufactures and sells oil products and energy related products, such as solar cell products and electricity. The Company and its consolidated subsidiaries separately draft comprehensive strategies and conduct business activities for products and services they handle as individual management units.

The Group therefore consists of segments sorted by products and services that each segment handles and thus the Group designates two segments: the oil business and the energy solutions business as reporting segments. And the businesses which are not included in reporting segments are aggregated in Others.

The Oil business segment manufactures and sells oil products, such as gasoline, naphtha, kerosene, diesel oil, fuel oil, lubricants, LPG, bitumen, and chemicals. The Energy solutions business segment manufactures and sells solar cell modules and electricity.

2. Method of calculating sales and income (loss), identifiable assets, and other items by business segment reported

Accounting method for business segment reported is the same as presentations on "Basis of Presenting Consolidated Financial Statements." In-house intersegment sales and transfers are based on market prices.

Income by business segments reported are calculated based on operating income.

As stated above in the "Accounting Changes", the methods of calculating the retirement obligation and service cost in the business segment been changed in accordance with accounting changes.

As a result, operating loss in the oil business is to decrease by 541 million yen, operating loss in the energy solutions business is to decrease by 26 million yen and operating income in the other business is to increase by 5 million yen compared with the previous accounting methods.

3. Information on net sales, income, assets and other items by business segment reported

Previous year ended December 31, 2014

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consoli-dated
Sales							
(1) Sales to customers	2,850,218	138,610	2,988,828	9,156	2,997,984	-	2,997,984
(2) Inter-segment sales and transfers	10,241	9,579	19,821	6,479	26,300	(26,300)	-
Total	2,860,460	148,190	3,008,650	15,635	3,024,285	(26,300)	2,997,984
Operating Income/(loss)	(37,391)	17,691	(19,700)	1,619	(18,080)	22	(18,057)
Assets	993,525	159,435	1,152,961	35,832	1,188,793	(12,511)	1,176,282
Other items							
Depreciation expense	23,585	17,268	40,854	507	41,361	-	41,361
Amortization of Goodwill	(162)	(28)	(191)	2	(188)	-	(188)
Equity in net earnings of affiliates	875	(2)	873	-	873	-	873
Impairment loss	1,575	-	1,575	-	1,575	-	1,575
Unamortized amount of Goodwill	(94)	(28)	(123)	107	(16)	-	(16)
Capital Expenditures	17,336	13,581	30,917	182	31,099	-	31,099

Notes:
1. "Others" is a business segment that is not considered a reportable segment. It includes leases of properties, construction works, sale and leases of automobile accessories and others.
2. Adjustment of operating income (loss) by the amount of 22 million yen is treated as intersegment elimination.
3. Adjustment of assets by the amount of (12,511) million yen is treated as intersegment elimination.
4. Operating income (loss) in the table above is reconciled to operating loss in the accompanying consolidated statements of income.

Current year ended December 31, 2015

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consoli-dated
Sales							
(1) Sales to customers	2,049,935	119,482	2,169,418	8,207	2,177,625	-	2,177,625
(2) Inter-segment sales and transfers	8,993	5,539	14,533	9,607	24,140	(24,140)	-
Total	2,058,928	125,022	2,183,951	17,814	2,201,765	(24,140)	2,177,625
Operating Income/(loss)	(3,812)	(10,191)	(14,004)	1,785	(12,218)	9	(12,209)
Assets	777,736	160,776	938,513	36,798	975,311	(17,646)	957,665
Other items							
Depreciation expense	20,818	17,542	38,360	537	38,898	-	38,898
Amortization of Goodwill	(162)	(28)	(191)	5	(185)	-	(185)
Equity in net earnings of affiliates	(1,161)	35	(1,126)	-	(1,126)	-	(1,126)
Impairment loss	4,377	2,291	6,669	-	6,669	-	6,669
Unamortized amount of Goodwill	67	-	67	101	169	-	169
Capital Expenditures	11,591	21,281	32,873	190	33,064	-	33,064

Notes:
1. "Others" is a business segment that is not considered a reportable segment. It includes leases of properties, construction works, sale and leases of automobile accessories and others.
2. Adjustment of operating income (loss) by the amount of 9 million yen is treated as intersegment elimination.
3. Adjustment of assets by the amount of (17,646) million yen is treated as intersegment elimination.
4. Operating income (loss) in the table above is reconciled to operating loss in the accompanying consolidated statements of income.

(Business combinations)

Joint controlled entity

Absorption-type company split regarding LP (Liquid Petroleum) gas import and wholesale operation

Based on the resolution at the Board of Directors' meeting held on December 16, 2014, Cosmo Petroleum Gas Co., Ltd. ("Cosmo Petroleum Gas") has succeeded the LP gas import and wholesale operations effective as of April 1, 2015.

(1) Overview of the company split

(i) Contents of the business to be split

The LP gas import and wholesales operations

(ii) Purpose of the company split

The Company, the Cosmo Oil Co. Ltd., Sumitomo Corporation and Tonen General Sekiyu K.K. (the "Four Corporate Group") concluded in the business integration as to the LP gas import and wholesale operations as of August 5, 2014. The Four Corporate Group aimed to create one of Japan's top-class LP gas import and wholesale companies, by the integration of the LP gas import and wholesale operations, including the importing of LP Gas, the management of shipping, logistics and wholesales in domestic market, and overseas trading operation by four corporate groups.

The company split has been carried out as a part of the business integration.

(iii) Effective date

April 1, 2015

(iv) Company split method

This is as absorption-type split in which the Company is the splitting company and Cosmo Petroleum Gas is the successor company.

(v) Name of post-combination enterprise

Gyxis Corporation (formerly known as Cosmo Petroleum Gas Co., Ltd.)

(vi) Basis of judgment as joint controlled entity

The Four Corporate Group entered into the Shareholders' Agreement regarding the joint controlled entity, and allocated voting shares as compensation for the business combination. In addition, there is no certain fact indicating the existence of other controlling relationships.

(2) Overview of the accounting method

The Company adopted ASBJ Statement No.21 Accounting Standard for Business Combinations (released on December 26, 2008) and ASBJ Guidance No. 10 Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (released on December 26, 2008).

As a result of the business combination, Gyxis Corporation has been included in affiliates accounted for by the equity method.

(Per share information)

(Unit: Yen)

	Previous year (From January 1, 2014 To December 31, 2014)	Current year (From January 1, 2015 To December 31, 2015)
Net assets per share	722.33	591.10
Net income (loss) per share	(25.76)	(72.93)

(Note) 1. Diluted net income per share data is not applicable, because net loss is posted and there is no contingent share.

2. As stated above in the "Accounting Changes", the revised Standard and Guidance for retirement benefits have been applied, and the transitional treatment provided in Paragraph 37 of the Standard has been applied.

As a result, net assets per share decreased by 16.56 yen and net loss per share decreased by 1.52 yen.

3. The basis of calculation of net income (loss) per share is as follows.

	Previous year (From January 1, 2014 To December 31, 2014)	Current year (From January 1, 2015 To December 31, 2015)
Net income (loss) (Millions of yen)	(9,703)	(27,467)
Net income not belonging to ordinary shareholders (Millions of yen)	-	-
Net income (loss) attributable to shares of common stock (Millions of yen)	(9,703)	(27,467)
Weighted average number of shares of common stock outstanding during the year (Thousands shares)	376,635	376,633

(Significant subsequent event)

None

(Omission of disclosure)

Disclosure is abbreviated for the notes to trade with related parties, deferred taxation, financial instruments, investment securities, derivatives transaction, retirement benefit, asset retirement obligation and rental properties, because such information is not required to be provided in the flash report.

2. Non-consolidated financial statements
(1) Non-consolidated balance sheet

(Unit: Millions of yen)

	Previous year end As of December 31, 2014	Current year end As of December 31, 2015
Assets		
Current assets		
Cash and deposits	36,326	7,213
Notes receivable-trade	158	128
Accounts receivable-trade	271,236	195,207
Merchandise and finished goods	112,197	62,872
Raw materials and supplies	109,535	70,247
Prepaid expenses	1,000	914
Short-term loans receivable	130,198	125,509
Deferred tax assets	6,906	11,773
Other	20,729	11,989
Allowance for doubtful accounts	(927)	(570)
Total current assets	687,360	485,286
Noncurrent assets		
Property, plant and equipment		
Buildings	34,254	33,724
Structures	18,515	17,664
Oil tanks	4,325	3,967
Machinery and equipment	10,351	21,808
Vehicles	18	28
Tools, furniture and fixtures	2,761	2,478
Land	100,359	93,707
Lease assets	158	121
Construction in progress	6,041	1,001
Total property, plant and equipment	176,786	174,502
Intangible assets		
Leasehold right	3,562	3,501
Software	4,265	3,666
Others	47	38
Total intangible assets	7,875	7,205
Investments and other assets		
Investment securities	8,260	7,733
Stocks of subsidiaries and affiliates	60,312	77,528
Investments in capital	1,828	1,755
Investments in capital of subsidiaries and affiliates	1,327	1,671
Long-term loans receivable	18,702	18,619
Long-term prepaid expenses	673	905
Deferred tax assets	28,998	31,055
Other	9,609	8,143
Allowance for doubtful accounts	(141)	(90)
Total investments and other assets	129,571	147,322
Total noncurrent assets	314,234	329,030
Total assets	1,001,594	814,316

(Unit: Millions of yen)

	Previous year end As of December 31, 2014	Current year end As of December 31, 2015
Liabilities		
Current liabilities		
Accounts payable-trade	263,538	198,198
Short-term loans payable	104,062	49,815
Lease obligations	263	260
Accounts payable-other	184,048	142,081
Income taxes payable	359	95
Accrued expenses	11,614	11,243
Advances received	27,173	21,603
Deposits received	29,265	32,813
Provision for bonuses	720	707
Provision for directors' bonuses	74	52
Provision for damages to the submarine pipeline	-	6,589
Other	3,437	738
Total current liabilities	624,559	464,198
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	78,000	82,000
Lease obligations	537	523
Provision for retirement benefits	59,258	64,926
Provision for special repairs	2,611	2,889
Other	13,579	13,545
Total noncurrent liabilities	173,987	183,885
Total liabilities	798,547	648,083
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus		
Legal capital surplus	22,045	22,045
Other capital surplus	28	28
Total capital surpluses	22,074	22,074
Retained earnings		
Legal retained earnings	6,749	6,749
Other retained earnings		
Advanced depreciation reserve of noncurrent assets	14,967	15,482
Special depreciation reserve	1,600	1,519
General reserve	5,550	5,550
Retained earnings brought forward	116,129	79,276
Total retained earnings	144,996	108,577
Treasury stock	(140)	(142)
Total shareholders' equity	201,128	164,706
Valuation and translation adjustments		
Unrealized holding gain on securities	1,629	1,607
Unrealized gain (loss) from hedging instruments	289	(81)
Total valuation and translation adjustments	1,919	1,525
Total net assets	203,047	166,232
Total liabilities and net assets	1,001,594	814,316

(2) Non-consolidated statement of income

(Unit: Millions of yen)

	Previous year From January 1, 2014 To December 31, 2014	Current year From January 1, 2015 To December 31, 2015
Net sales	2,758,456	1,994,487
Cost of sales	2,721,034	1,936,906
Gross profit	37,421	57,580
Selling, general and administrative expenses	79,661	68,134
Operating income (loss)	(42,240)	(10,553)
Non-operating income		
Interest income	582	486
Dividends income	2,697	2,684
Foreign exchange gains	813	-
Gain on investments in silent partnership	1,336	-
Reversal of allowance for doubtful accounts	-	385
Other	546	1,701
Total non-operating income	5,976	5,257
Non-operating expenses		
Interest expenses	3,293	2,562
Foreign exchange losses	-	425
Other	859	576
Total non-operating expenses	4,153	3,565
Ordinary income (loss)	(40,417)	(8,860)
Extraordinary income		
Gain on sales of noncurrent assets	3,153	883
Gain on liquidation of subsidiaries and associates	633	-
Subsidy	1,600	137
Other	460	93
Total extraordinary income	5,847	1,114
Extraordinary loss		
Loss on disposal of noncurrent assets	1,416	1,771
Loss on sales of investment securities	391	-
Loss on valuation of investment securities	477	-
Impairment loss	1,574	4,146
Litigation settlement	828	-
Loss on damages to the submarine pipeline	-	6,637
Other	276	342
Total extraordinary losses	4,964	12,898
Income (loss) before income taxes	(39,534)	(20,644)
Income taxes-current	192	1
Income taxes-deferred	(15,572)	(3,736)
Total income taxes	(15,379)	(3,735)
Net income (loss)	(24,154)	(16,909)

(3) Non-consolidated statement of changes in net assets

Previous year (January 1 through December 31, 2014)

(Unit: Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Advanced depreciation reserve of noncurrent assets	Special depreciation reserve	General reserve	Retained earnings brought forward
Balance at January 1, 2014	34,197	22,045	28	22,074	6,749	14,723	557	5,550	155,507
Cumulative effect of change in accounting principle									
Restated balance at January 1, 2014	34,197	22,045	28	22,074	6,749	14,723	557	5,550	155,507
Changes during the year									
Dividends from surplus									(13,937)
Net income (loss)									(24,154)
Reserve for advanced depreciation reserve of noncurrent assets						600			(600)
Reversal of for advanced depreciation reserve of noncurrent assets						(356)			356
Reserve for special depreciation reserve							1,395		(1,395)
Reversal of special depreciation reserve							(352)		352
Purchase of treasury stock									
Disposal of treasury stock			0	0					
Net changes in items other than those in shareholders' equity									
Total changes during the year	-	-	0	0	-	244	1,042	-	(39,378)
Balance at December 31, 2014	34,197	22,045	28	22,074	6,749	14,967	1,600	5,550	116,129

	Shareholders' equity			Valuation and translation adjustments			Total net assets
	Retained earnings						
	Total retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Total valuation and translation adjustments	
Balance at January 1, 2014	183,088	(137)	239,223	1,158	(510)	647	239,870
Cumulative effect of change in accounting principle							
Restated balance at January 1, 2014	183,088	(137)	239,223	1,158	(510)	647	239,870
Changes during the year							
Dividends from surplus	(13,937)		(13,937)				(13,937)
Net income (loss)	(24,154)		(24,154)				(24,154)
Reserve for advanced depreciation reserve of noncurrent assets	-		-				-
Reversal of for advanced depreciation reserve of noncurrent assets	-		-				-
Reserve for special depreciation reserve	-		-				-
Reversal of special depreciation reserve	-		-				-
Purchase of treasury stock		(2)	(2)				(2)
Disposal of treasury stock		0	0				0
Net changes in items other than those shareholders' equity				471	800	1,271	1,271
Total changes during the year	(38,091)	(2)	(38,094)	471	800	1,271	(36,822)
Balance at December 31, 2014	144,996	(140)	201,128	1,629	289	1,919	203,047

Current year (January 1 through December 31, 2015)

(Unit: Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Advanced depreciation reserve of noncurrent assets	Special depreciation reserve	General reserve	Retained earnings brought forward
Balance at January 1, 2015	34,197	22,045	28	22,074	6,749	14,967	1,600	5,550	116,129
Cumulative effect of change in accounting principle									(5,196)
Restated balance at January 1, 2015	34,197	22,045	28	22,074	6,749	14,967	1,600	5,550	110,933
Changes during the year									
Dividends from surplus									(14,314)
Net income (loss)									(16,909)
Reserve for advanced depreciation reserve of noncurrent assets									
Reversal of for advanced depreciation reserve of noncurrent assets						(257)			257
Reserve for special depreciation reserve						771			(771)
Reversal of special depreciation reserve							83		(83)
Purchase of treasury stock							(233)		233
Disposal of treasury stock			0	0			68		(68)
Net changes in items other than those in shareholders' equity									
Total changes during the year	-	-	0	0	-	514	(80)	-	(31,656)
Balance at December 31, 2015	34,197	22,045	28	22,074	6,749	15,482	1,519	5,550	79,276

	Shareholders' equity			Valuation and translation adjustments			Total net assets
	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized holding gain on securities	Unrealized gain (loss) from hedging instruments	Total valuation and translation adjustments	
	Total retained earnings						
Balance at the beginning of current year	144,996	(140)	201,128	1,629	289	1,919	203,047
Cumulative effect of change in accounting principle	(5,196)		(5,196)				(5,196)
Restated balance at January 1, 2015	139,800	(140)	195,932	1,629	289	1,919	197,851
Changes during the year							
Dividends from surplus	(14,314)		(14,314)				(14,314)
Net income (loss)	(16,909)		(16,909)				(16,909)
Reserve for advanced depreciation reserve of noncurrent assets							
Reversal of for advanced depreciation reserve of noncurrent assets	-		-				-
Reserve for special depreciation reserve	-		-				-
Reversal of special depreciation reserve	-		-				-
Purchase of treasury stock		(2)	(2)				(2)
Disposal of treasury stock		0	0				0
Net changes in items other than those shareholders' equity				(21)	(371)	(393)	(393)
Total changes during the year	(31,223)	(2)	(31,226)	(21)	(371)	(393)	(31,619)
Balance at December 31, 2015	108,577	(142)	164,706	1,607	(81)	1,525	166,232

(4) Notes for premises of going concern

Not applicable