(English Translation)

Summary of Consolidated Full Year Results for 2016

February 14, 2017

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 30, 2017 Expected date of dividend payment: March 31, 2017
Expected date of security report submission: March 30, 2017
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 2016 (January 1 thorough December 31, 2016)

(1) Consolidated financial results

(Note) Percentages represent changes from the previous year.

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
		%		%		%		%
Full year 2016	1,726,075	(20.7)	46,410	-	47,840	-	16,919	-
Full year 2015	2,177,625	(27.4)	(12,209)	-	(13,282)	-	(27,467)	-

(Note) Comprehensive income for: FY 2016 14,685 million yen (-%) FY 2015 (26,838) 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 2016	44.92	-	7.6	4.9	2.7
Full year 2015	(72.93)	-	(11.1)	(1.2)	(0.6)

(Note) Equity in net earnings of affiliates for: FY 2016 (1,448) million yen FY 2015 (1,126) 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 2016	976,134	242,518	22.7	587.56
Full year 2015	957,665	243,328	23.2	591.10

(Note) Net assets (excluding minority interests): As of December 31, 2016 221,291 million yen As of December 31, 2015 222,625 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 2016	80,922	(16,543)	(33,778)	49,126
Full year 2015	74,819	(43,685)	(56,182)	15,355

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 2015	-	19.00	-	19.00	38.00	14,313	-	5.8
Full year 2016	-	19.00	-	19.00	38.00	14,313	84.6	6.4
Full year 2017 (Forecast)	-	19.00	-	19.00	38.00		34.1	

3. Forecast of consolidated financial results for full year 2017 (January 1 through December 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
		%		%		%		%	Yen
Interim 2017	1,000,000	17.4	35,000	123.3	35,000	164.5	20,000	282.2	53.10
Full year 2017	2,080,000	20.5	63,000	35.7	68,000	42.1	43,000	154.1	114.17

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, 2016:	376,850,400	As of December 31, 2015:	376,850,400
(ii) Number of treasury shares	As of December 31, 2016:	219,702	As of December 31, 2015:	218,724
(iii) Average number of shares issued	As of December 31, 2016:	376,631,260	As of December 31, 2015:	376,633,002

【Reference】 Summary of non-consolidated financial results

1. Non-consolidated financial results for full year 2016 (January 1 through December 31, 2016)

(1) Non-consolidated financial results

(Note) Percentages represent changes from the previous year.

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Full Year 2016	1,566,996	(21.4)	55,628	-	67,517	-	48,809	-
Full Year 2015	1,994,487	(27.7)	(10,553)	-	(8,860)	-	(16,909)	-

	Earnings per share	Diluted earnings per share
	Yen	Yen
Full Year 2016	129.58	-
Full Year 2015	(44.89)	-

(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 2016	859,412	200,566	23.3	532.46
Full Year 2015	814,316	166,232	20.4	441.31

(Note) Net assets: As of December 31, 2016 200,566 million yen As of December 31, 2015 166,232 million yen

2. Forecast of non-consolidated financial results for full year 2017 (January 1 through December 31, 2017)

(Note) Percentages represent changes from previous year.

	Net sales		Ordinary income		Net income		Earnings per Share
		%		%		%	Yen
Interim 2017	916,000	20.0	37,000	69.5	24,000	89.3	63.72
Full Year 2017	1,910,000	21.9	59,000	(12.6)	37,000	(24.2)	98.24

* 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 2017” on page 5 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, the employment income environment improved and the gradual recovery trend continued under the "Abenomics" efforts in Japan. On the other hand, the global political situations drastically changed as observed in the EU withdrawal supported by the British referendum in June and the election of the new president in the US in November, and such changes gave significant impacts to the stock market, bond market, crude oil market, and foreign exchange market. Under the situation, the global economic situation become unstable and the consequence was unknown.

The Dubai crude oil prices fell to the 20 dollars barrel level in January amid oversupply concerns due to the slowdown in the emerging economies. Thereafter, the oil price was relatively stable within the range of 40 dollars to 50 dollars per barrel supported by the active discussions among the OPEC member countries and non-OPEC oil producing countries for output cut, and a decline in crude oil inventory due to firm demand in the US and emerging countries. OPEC agreed to reduce the production for the first time in 8 years by the end of November, and the oil price exceeded $50 a barrel towards the end of the year.

In the foreign exchange markets, the USD/JPY exchange rate was at around 120 yen in the beginning of the year. Yen appreciated gradually as a result of the referendum of the UK and the fall back in the prospect of the rate raise in the United States, the yen was temporarily in the level of 100 yen per dollar. The yen continued its keynote for a while, but following the results of the US presidential election in November, the yen was largely depreciated again to 116 yen per dollar level in the new year.

(Crude oil prices and foreign exchange rate)

	The Dubai crude oil price (USD/Barrel)	Exchange rate (JPY/USD)
Full year 2015	50.8	121.1
Full year 2016	41.4	108.8
Difference	(9.4)	(12.3)

(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 1,726 billion yen, a decrease of 20.7 % year on year.

The Group reported an operating income of 46.4 billion yen, an increase of 58.6 billion yen from the previous fiscal year, and an ordinary income of 47.8 billion yen, an increase of 61.1 billion yen year on year. This is mainly attributable to the inventory valuation gains in the consolidated fiscal year under review, while inventory valuation loss occurred in the previous consolidated fiscal year. CCS ordinary income (current cost of supply basis, excluding the impact of inventory valuation) totalled 36.6 billion yen, a decrease of 4.9 billion yen from the previous fiscal year.

The Group reported net extraordinary loss of 7.1 billion yen, with extraordinary losses, such as impairment losses and losses on disposal of fixed assets, exceeding extraordinary income, such as subsidy income and gain on sale of fixed assets. There was a net income before taxes of 40.6 billion yen, an increase of 61.9 billion yen from the previous fiscal year. As a result, net income attributable to owner of the parent after deducting income taxes and net income attributable to non controlling interests totalled 16.9 billion yen, an increase of 44.3 billion yen compared with the previous fiscal year.

Financial results of each segment are as follows:

[Oil Business]

In crude oil procurement, we worked to ensure optimal procurement for the Group's refineries, taking into account circumstances in the crude oil market. Specifically, this involved continuing to maintain our relationships with Saudi Aramco and other Middle East oil producers and the Shell Group, engaging in flexible procurement from Russia, South America and countries outside the Middle East, and taking steps to diversify our crude oil suppliers.

In production and supply, we placed top priority on ensuring safe and stable operations at our refineries while also striving to achieve optimal production levels at all of the Group's refineries in order to maximize profits by taking an agile approach in responding to trends in demand both in Japan and overseas and addressing changes in the market for our products. During the fiscal year under review, we experienced a substantial decrease year on year with respect to export volume of fuels such as gasoline, diesel and jet fuel, partially as a result of having performed large-scale scheduled maintenance and repair work at two of the Group's refineries. Even under such circumstance, in order to maximize profits we flexibly handled product exports taking advantage of opportunities to generate revenue.

In domestic fuel sales, we have been facing a scenario of falling demand brought about by structural factors that include the aging of Japan's population and falling birth rates, widespread uptake of fuel-efficient vehicles, and a trend of companies shifting to use of other forms of energy with respect to fuels for industrial applications. However, demand for domestic fuels decreased at a slower pace than has been the case in recent years largely due to a downturn in prices of oil products associated with lower crude oil prices. Under such circumstances, in order to achieve our objective of enhancing profitability in the oil business as stated in our Medium-Term Business Action Plan, we have been continuing to focus on differentiating our products and services while tirelessly carrying out sales promotion measures that include efforts involving our "Shell Starlex Card" which boasts the strongest point return rate in the industry, our "Shell V-Power" high-performance premium gasoline, and "Ponta" cross-industry joint reward points service. As a result, the Company's aggregate fuel oil sales volume which includes gasoline, kerosene, diesel oil and heavy fuel oil and other products exceeded the level achieved in the previous fiscal year amid solid sales performance relative to the pace of decline in domestic demand.

In addition, we pursued opportunities involving synergies between our oil business and electric power business during the fiscal year under review, and accordingly in April rolled out our "electricity plan with gasoline price discount program (Drivers' Plan)" geared to supplying low-voltage electricity to homes and targets households with drivers who make use of service stations. The launch of our distinctive and differentiated electric power pricing plans has gained a very favorable reputation among our numerous customers.

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, we have been redoubling our efforts to market differentiated products that provide substantial added value. For instance, we released our "Shell Rimula R4 X 15W-40," a high performance diesel engine oil which provides outstanding oxidation control and engine protection while offering the convenience of being readily available even overseas, and we also released "Shell Turbo S4 X 32," a high performance turbine oil that offers extended service life, minimal sludge, resistance to foaming and other such benefits using high-performance base oil derived from natural gas. In asphalt, we also have been focusing our efforts on sales of high-value-added products by leveraging our strengths as Japan's only integrated asphalt manufacturer. For instance, we introduced "New Mellowphalte A," a new colored asphalt product that uses technology of the "CARIMEX ART" product which has gained a favorable reputation with respect to offering substantially improved workability and coatability.

In the petrochemical business, product margins have been firm overall given support derived from robust demand amid an increasingly stable economic situation in China which constitutes the largest source of demand among the Asian nations. In May we completed construction of toluene disproportionation process facilities geared to increasing our production of mixed xylene and benzene at the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd., and started commercial operations in June.

In addition to the initiatives described above, in the field of research and development, as a result of the technical cooperation beyond the wall of the business, such as the cooperation with the energy solution business, we became the first in the world to succeed in directly synthesizing water and carbon dioxide into hydrocarbons through artificial photosynthetic technologies that make use of gas diffusion electrodes (*1). These technologies enable conversion of carbon dioxide greenhouse gas into beneficial resources through the use of clean solar energy, and as such could potentially contribute greatly to making a sustainable society a reality looking toward the future. Going forward, we are committed to forging ahead with our research and development efforts geared to practical applications.

As a result, the oil business reported net sales of 1,595.5 billion yen, a decrease of 22.2% year on year, and operating income of 53.8 billion yen, an increase of 57.6 billion yen. As a result of our efforts described above, CCS consolidated operating income (current cost of supply basis, excluding the impact of inventory valuation) amounting to 42.6 billion yen, a decrease of 8.3 billion yen compared with the previous fiscal year, despite consistent earnings results amid a challenging business environment.

*1. Gas diffusion electrodes

Gas diffusion electrodes are electrodes structured in a manner that enables water and carbon dioxide in a gaseous state to come into simultaneous contact with a catalyst.

[Energy Solutions Business]

In the solar business, we have been developing business through Solar Frontier K.K., a wholly-owned subsidiary, but continue facing a challenging business environment both in Japan and overseas.

In the domestic market, although revision of the renewable energy feed-in tariff scheme has resulted in lower sales prices of solar modules, we have been actively engaging in sales activities given that we see this as a market particularly worthy of focus because profitability in comparison with overseas markets remains high and because we anticipate ongoing growth in demand mainly involving residential sales. With respect to residential sales, we have been redoubling efforts involving sales initiatives geared to new distributors and homebuilders, as well as marketing initiatives geared to existing distributors, in anticipation of substantial profitability through not only sales of solar modules, but also through sales of solar systems encompassing power conditioning units, batteries and other types of peripheral equipment. As for non-residential sales, we have been involved with initiatives that entail proposing a shift to Solar Frontier panels for industrial-application power generation projects that have already received facility approval under the renewable energy feed-in tariff scheme, but have not yet broken ground. As a result of these initiatives, solar module sales volume in the domestic market during the fiscal year under review remained on par with previous fiscal year levels.

Overseas, solar module sales volume for the overseas market during the fiscal year under review underperformed those made in the previous fiscal year, as a result of sales being held down in the latter half of the fiscal year with the strong yen weighing on profitability.

We also continued to promote development of our BOT (build-own-transfer) business which generates substantial added value by engaging in integrated operations covering all areas from project development and design through to financing, system construction, operation and power wholesaling, and during the fiscal year under review we sold projects exceeding 100MW total generation capacity in Japan and overseas, and consequently made gains on sales that were significantly higher than those achieved in the previous fiscal year. In addition, we have been diligently forging ahead with construction both in Japan and overseas involving projects where decisions to embark on development have already been made.

As for solar module production, we have been consistently operating our main Kunitomi Plant (Miyazaki Prefecture, nominal annual production capacity: 900MW) at a high rate of capacity utilization, and have been making steady progress with respect to cutting production costs. Also, we shifted to commercial production and started shipping out products in June at our Tohoku Plant (Miyagi Prefecture, nominal annual production capacity: 150MW), which is equipped with the latest mass-production technologies and is capable of operating at significantly lower cost. In order to improve rate of capacity utilization of Tohoku Plant more, we have continued to take initiatives.

As a result of these initiatives, solar module shipment volume, including provided to BOT business, during the fiscal year under review increased slightly year on year. Nevertheless, we incurred an operating loss as a result of drop of the domestic and overseas unit sales price brought about by the strong yen and a downturn in market prices.

In the electric power business, during the fiscal year under review, we launched operations in February as planned of the third unit at the Ohgishima Power Station (407MW output), a large and highly-efficient natural gas-fired thermal power plant in which Showa Shell has a stake. We also kept the Keihin Biomass Plant (49MW output), which is fueled mainly by wood pellets and palm kernel shells, operating at a high rate of capacity utilization throughout the year. Moreover, total power generated by the Group's power plants during the fiscal year under review increased by roughly 20% year on year, as a result of our other existing power plants also having consistently maintained stable and efficient operations throughout the year.

We also actively worked to increase electricity sales, in conjunction with such efforts to increase capacity of the Group's power plants. During the fiscal year under review, we also entered the low-voltage retail electricity sales business, which became possible after complete deregulation of retail electric power in Japan. We have been swiftly developing a sales framework in Japan's recently liberalized low-voltage retail electricity market, and to that end have successively rolled out a series of services in that regard. For instance, in April we began offering our "electricity plan with gasoline price discount program (Drivers' Plan)" targeting households with drivers who use service stations; in July we began offering our "electricity plan with an advantage in night time as well as in day time (Home Plan)" as a favorable electricity option for households without vehicles; and in November we began offering the "Low Voltage Power Plan" geared to customers who operate large air conditioning units, motors and other such equipment. In addition, to ensure a more consistent earnings platform we have been working on various initiatives geared to building an optimal sales portfolio that involves sales through multiple channels such as retail, wholesale and power exchanges. As a result of these initiatives, operating income for the fiscal year under review increased in comparison with the previous fiscal year.

As a result of these initiatives, the energy solutions business reported net sales of 121.3 billion yen, an increase of 1.5% from the previous fiscal year, and an operating loss of 9.1 billion yen, an increase of 1.0 billion yen compared with the previous fiscal year.

[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 9.2 billion yen, an increase of 12.7% year on year, and an operating income of 1.7 billion yen, a decrease of 0 billion yen.

B. Outlook for 2017

As for the outlook for 2017, we estimate the 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 solar business, we anticipate a substantial improvement in the business performance by reducing production cost accompanied with a loss in fixed asset impairment in 2016, and by introducing new sales strategy by focusing more on the domestic market. In the electric power business, we expect to ensure stable profits by securing efficient operations at electric power plants and by establishing optimized sales portfolio.

In consideration of the above, we estimate that consolidated net sales will be 2,080.0 billion yen (1,910.0 billion yen on a nonconsolidated basis), consolidated ordinary income for the period will be 68.0 billion yen (59.0 billion yen on a nonconsolidated basis) and consolidated net income will be 43.0 billion yen (37.0 billion yen on a nonconsolidated basis). We expect that the relevant consolidated ordinary income will be 48.0 billion yen, excluding the impact of inventory valuation. The above forecast is estimated using the assumption that crude oil price is 55 dollars per barrel and the exchange rate is 115 yen per dollar.

(2) Analysis of financial conditions

A. Balance sheet analysis

Consolidated total assets as of the end of the year were 976.1 billion yen, an increase of 18.4 billion yen compared with the end of the previous year. This is mainly due to an increase in cash, deposits and accounts receivable. Consolidated net assets as of the end of the year were 242.5 billion yen, a decrease of 0.8 billion yen compared with the end of the previous year. This was mainly attributable to recording deferred hedge gains and losses.

Consolidated total liabilities were 733.6 billion yen, an increase of 19.2 billion yen compared with the end of the previous year. This was mainly attributable to an increase in accounts payable. Interest-bearing debts (borrowings, CP, and bonds) were 137.6 billion yen, a decrease of 17.7 billion yen compared with the end of the previous fiscal year.

As a result, equity ratio at the end of the year was 22.7%. The net asset (excluding minority interests) per share based on the total number of shares issued as of the end of the year was 587.56 yen, compared with 591.10 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 49.1 billion yen, an increase of 33.7 billion yen compared with the previous year. The details are as follows:

a) Cash flow from operating activities

Operating activities provided net cash of 80.9 billion yen (compared with 74.8 billion yen net cash provided in the same period of the previous fiscal year). This is due to factors such as increases in income before income tax and non controlling interests and depreciation expense exceeding decreasing factors such as an increase in notes and accounts receivable and an increase in inventories.

b) Cash flow from investing activities

Investing activities used net cash of 16.5 billion yen (compared with 43.6 billion yen net cash used in the same period of the previous fiscal year). This was mainly due to factors such as purchase of tangible fixed assets and decrease in expenditures due to long-term loans, etc., exceeding the factors such as the decrease in short-term loans.

c) Cash flow from financing activities

Financing activities used net cash of 33.7 billion yen (compared with 56.1 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 137.6 billion yen, a decrease of 17.7 billion yen compared with the end of the previous fiscal year.

The indexes related to cash flow are summarised as follows.

		2012 Year end	2013 Year end	2014 Year end	2015 Year end	2016 Year end
Shareholders’ equity ratio	(%)	20.3	23.2	23.1	23.2	22.7
Market value of shareholders’ equity ratio	(%)	14.9	31.0	38.1	38.9	41.9
Interest-bearing debts /Cash flow from operating activities	(Times)	6.3	2.3	2.9	2.1	1.7
Interest coverage ratio	(Times)	9.7	23.8	20.8	28.7	38.2

(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 Bank, Ltd. As of the end of current fiscal year, there is no outstanding loan balance for the contracts above mentioned.

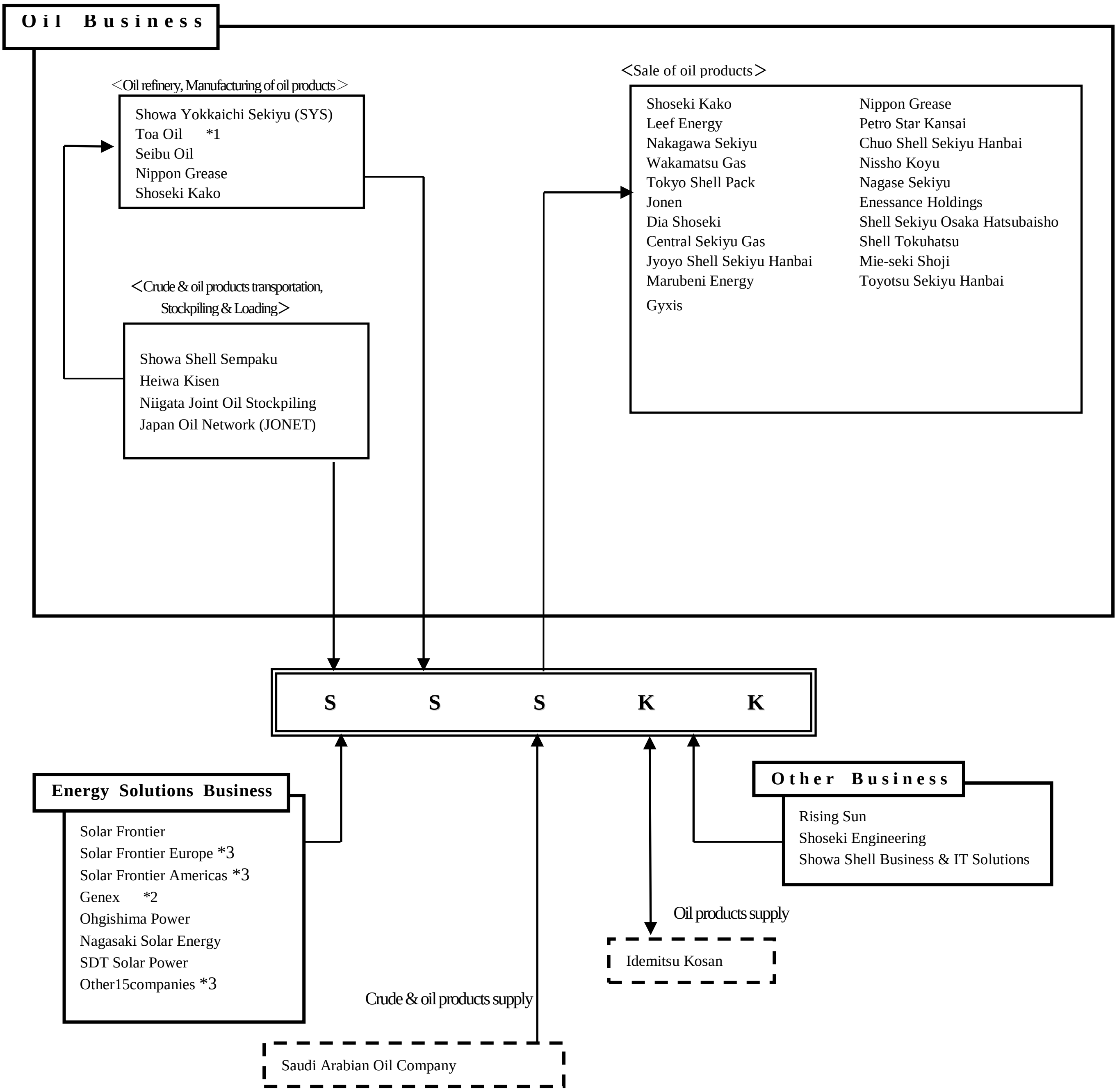
(3) Basic policy for distribution of profits

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 37, and equity associates are 16. 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 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 power business	(SSSKK) Solar Frontier Solar Frontier Europe	Genex Solar Frontier Americas Other 15 companies	Ohgishima Power Nagasaki Solar Energy SDT Solar 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

*3・・・Subsidiaries of Solar Frontier

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 left off because there is no significant change from the Management Policy in the flash report of the previous year released on February 10, 2016.

You can see the flash report of the previous year if you click on 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 2017

In the oil business, the domestic demand in oil products continues to decline in Japan as structural problems such as the growing shift to energy conservation, improvement in fuel efficiency, and Japan's aging society. Under such circumstances, aggregation in the supply and demand balance is a concern in Japan in the future. In order to respond to the current situations, the Secondary Sophistication Act has been promulgated, and by the end of March 2017, oil refiners and wholesalers are required to improve their capability to process residual oil at refineries. The Showa Shell Group has already prepared 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. A large-scale periodic repair is planned at our refinery in 2017. We will also make efforts for safe operation, and at the same time, we will actively invest in the environmental challenges and for enhancing our competitive strength. We will further promote our differentiation strategy we have been developing for petroleum products, and will continue to examine the future service station models from a long-term perspective.

In the solar business, new demand for industrial mega solar power plants in the domestic market is slowing. Profitability declined due to the fluctuations in the foreign exchange and the fall in the panel selling prices. In the mean time, the grid parity requirement (the power generation cost of renewable energy such as solar power is equivalent to the cost of normal grid electricity) has been achieved for residential solar power applications in Japan due to the system cost reduction. The demand for residential housing is expected to increase in the future with the support of the ZEH (net zero energy house) project promoted by the Ministry of Economy, Trade and Industry. The CIS thin-film solar cell (*1) developed based on the proprietary technology has been continuously improving panel output (conversion efficiency) even after the Kunitomi factory started operation in 2011. Further improvement in the output and the production cost reduction are expected in the future as well. Based on these circumstances, we plan to sell “SmaCIS”, the solar power systems for residential use, in July 2017, to focus on the domestic rooftop market(*2) where stable demand and high profitability are expected in the future. In addition, we will accelerate research and development activities, and promote the introduction of strategic products with the aim of developing new markets and building new business models.

In the electric power business, demand for domestic electric power is gradually decreasing due to the declining birthrate, aging of the population and promotion of energy conservation. Despite the situation, due to the liberalization in the electricity market, for companies that have competitive power sources such as our own has much potential for growth. We will continue to consider developing and securing a competitive power supply, and we will work to build a more stable and profitable 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 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.

*2 Domestic rooftop market

It is a general term that refer to the Japanese solar power market in which solar power generation systems are installed on roofs. The market is roughly divided into two categories; residential such as general households and industrial such as factory and commercial facilities. Because of ZEH (net zero energy house) and ZEB (net zero energy building) promoted by Ministry of Economy, Trade and Industry, the demand for constructing houses and buildings that should respond to energy saving requirement will increase, and we assume that the demand for the solar power generation system will steadily grow.

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, 2015	Current year end As of December 31, 2016
Assets		
Current assets		
Cash and deposits	16,554	50,317
Notes and accounts receivable-trade	212,659	233,123
Merchandise and finished goods	81,203	78,810
Work in process	977	16,106
Raw materials and supplies	81,432	92,067
Deferred tax assets	12,986	11,085
Other	42,478	28,981
Allowance for doubtful accounts	(71)	(97)
Total current assets	448,220	510,396
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	300,977	299,876
Accumulated depreciation and impairment loss	(209,363)	(213,404)
Buildings and structures, net	91,614	86,472
Oil tanks	78,541	79,012
Accumulated depreciation and impairment loss	(68,481)	(69,469)
Oil tanks, net	10,060	9,543
Machinery, equipment and vehicles	586,863	608,235
Accumulated depreciation and impairment loss	(484,167)	(516,449)
Machinery, equipment and vehicles, net	102,695	91,785
Land	142,272	140,850
Construction in progress	13,043	3,056
Other	25,488	25,344
Accumulated depreciation and impairment loss	(19,495)	(19,634)
Other, net	5,993	5,709
Total property, plant and equipment	365,680	337,418
Intangible assets		
Goodwill	171	149
Leasehold right	3,718	3,630
Software	4,726	5,974
Other	179	210
Intangible assets	8,796	9,964
Investments and other assets		
Investment securities	67,277	60,938
Long-term loans receivable	9,629	8,786
Deferred tax assets	39,449	28,673
Assets for retirement benefits	126	103
Other	18,746	20,112
Allowance for doubtful accounts	(261)	(258)
Total investments and other assets	134,967	118,355
Total noncurrent assets	509,445	465,738
Total assets	957,665	976,134
Liabilities		
Current liabilities		
Notes and accounts payable-trade	210,388	254,242
Short-term loans payable	52,265	42,952
Current portion of bonds	-	10,000
Accounts payable-other	154,648	140,442
Income taxes payable	4,184	4,219
Accrued expenses	9,582	16,913
Provision for bonuses	2,195	2,382
Provision for Directors' bonuses	59	79
Provision for damages to the submarine pipeline	6,589	94
Other	39,422	42,527
Total current liabilities	479,334	513,853
Noncurrent liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	83,205	74,741
Deferred tax liabilities	2,656	3,279
Provision for special repairs	16,258	15,494
Provision for damages to the submarine pipeline	-	2,409
Liability for retirement benefits	90,143	91,874
Other	22,740	21,962
Total noncurrent liabilities	235,002	219,761
Total liabilities	714,337	733,615

(Unit: Millions of yen)

	Previous year end As of December 31, 2015	Current year end As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,123	22,123
Retained earnings	171,721	173,645
Treasury stock	(185)	(186)
Total shareholders' equity	227,857	229,780
Accumulated other comprehensive income		
Unrealized holding gain on securities	2,128	2,352
Unrealized gain (loss) from hedging instruments	(81)	(855)
Foreign currency translation adjustments	-	418
Retirement benefits liability adjustments	(7,278)	(10,404)
Total accumulated other comprehensive income	(5,232)	(8,488)
Non controlling interests	20,702	21,226
Total net assets	243,328	242,518
Total liabilities and net assets	957,665	976,134

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

(Unit: Millions of yen)

	Previous year From January 1, 2015 To December 31, 2015	Current year From January 1, 2016 To December 31, 2016
Net sales	2,177,625	1,726,075
Cost of sales	2,078,535	1,576,275
Gross profit	99,089	149,799
Selling, general and administrative expenses		
Freightage related expenses	35,389	35,097
Personal expenses	25,766	23,581
Rent expenses	3,795	3,553
Depreciation	4,935	4,071
Other	41,411	37,085
Total selling, general and administrative expenses	111,298	103,388
Operating income (loss)	(12,209)	46,410
Non-operating income		
Interest income	178	151
Dividends income	646	1,256
Reversal of allowance for doubtful accounts	150	-
Gain on investments in silent partnership	1,603	1,111
Gain on transfer of business	-	2,951
Other	1,384	2,292
Total non-operating income	3,963	7,763
Non-operating expenses		
Interest expenses	1,326	1,094
Sales discounts	1,225	979
Foreign exchange losses	585	1,376
Equity in losses of affiliates	1,126	1,448
Other	773	1,434
Total non-operating expenses	5,037	6,333
Ordinary income (loss)	(13,282)	47,840
Extraordinary income		
Gain on sales of noncurrent assets	1,340	4,262
Gain on sales of investment securities	55	1
Subsidy	4,252	2,837
Gain on changes in equity	3,450	-
Other	838	310
Total extraordinary income	9,936	7,411
Extraordinary loss		
Loss on disposal of noncurrent assets	2,673	1,688
Impairment loss	6,669	11,331
Loss on damages to the submarine pipeline	7,275	160
Other	1,334	1,407
Total extraordinary losses	17,952	14,588
Income (loss) before income taxes and non-controlling interests	(21,298)	40,663
Income taxes-current	5,161	7,571
Income taxes-deferred	(1,137)	14,818
Total income taxes	4,024	22,389
Net income (loss)	(25,323)	18,274
Net income attributable to non controlling interests	2,144	1,354
Net income(loss) attributable to owners of the parent	(27,467)	16,919

Consolidated statement of comprehensive income

(Unit: Millions of yen)

	Previous year From January 1, 2015 To December 31, 2015	Current year From January 1, 2016 To December 31, 2016
Net income (loss)	(25,323)	18,274
Other comprehensive income		
Unrealized holding gain (loss) on securities	(7)	283
Unrealized gain (loss) from hedging instruments	(371)	(548)
Foreign currency translation adjustment	-	276
Remeasurements of defined benefit plans	(1,134)	(3,323)
Share of other comprehensive income in affiliates	(2)	(276)
Total other comprehensive income	(1,515)	(3,589)
Comprehensive income	(26,838)	14,685
Comprehensive income attributable to		
Sharholders of Showa Shell Sekiyu K.K.	(28,886)	13,664
Non controlling interests	2,047	1,020

(3) Consolidated statement of changes in net assets

Previous 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					
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				Non-controlling 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						-
Net changes in items other than those in shareholders' equity	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

Current year (January 1 through December 31, 2016)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at January 1, 2016	34,197	22,123	171,721	(185)	227,857
Changes during the year					
Dividends from surplus			(14,313)		(14,313)
Net income (loss)			16,919		16,919
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		0		0	0
Change in scope of consolidation			(681)		(681)
Net changes in items other than those in shareholders' equity					
Total changes during the year	-	0	1,924	(1)	1,923
Balance as of December 31, 2016	34,197	22,123	173,645	(186)	229,780

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities	Unrealized gain (loss) from hedging instruments	Foreign currency translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Balance at January 1, 2016	2,128	(81)	-	(7,278)	(5,232)	20,702	243,328
Changes during the year							
Dividends from surplus							(14,313)
Net income (loss)							16,919
Purchase of treasury stock							(1)
Disposal of treasury stock							0
Change in scope of consolidation		(142)	141		(1)		(682)
Net changes in items other than those in shareholders' equity	224	(630)	276	(3,125)	(3,255)	523	(2,731)
Total changes during the year	224	(773)	418	(3,125)	(3,256)	523	(809)
Balance as of December 31, 2016	2,352	(855)	418	(10,404)	(8,488)	21,226	242,518

(4) Consolidated statement of cash flows

(Unit: Millions of yen)

	Previous year From January 1, 2015 To December 31, 2015	Current year From January 1, 2016 To December 31, 2016
Operating activities		
Income (loss) before income taxes and minority interests	(21,298)	40,663
Depreciation and amortization	38,898	36,923
Impairment loss	6,669	11,331
Loss (gain) on disposal of noncurrent assets	2,673	1,688
Loss (gain) on sales of noncurrent assets	(1,340)	(4,262)
Gain on changes in equity	(3,450)	-
Gain on business transfer	-	(2,951)
Increase (decrease) in allowance for doubtful accounts	(332)	(155)
Increase (decrease) in liability for retirement benefits	(2,721)	(2,846)
Decrease (increase) in asset for retirement benefits	(11)	22
Increase (decrease) in provision for damages to the submarine pipeline	6,589	(4,085)
Increase (decrease) in provision for special repairs	4,661	(764)
Interest and dividends income	(824)	(1,408)
Interest expense and sales discount	2,552	2,074
Decrease (increase) in notes and accounts receivable-trade	80,343	(20,237)
Decrease (increase) in inventories	76,166	(13,080)
Increase (decrease) in notes and accounts payable-trade	(79,903)	29,516
Increase (decrease) in accounts payable-other	(35,497)	134
Other, net	7,094	18,230
Subtotal	80,267	90,794
Interest and dividends received	794	1,028
Interest paid	(2,605)	(2,119)
Income taxes (paid) refund	(3,636)	(8,780)
Net cash provided by operating activities	74,819	80,922
Investing activities		
Purchase of property, plant and equipment	(31,835)	(21,541)
Purchase of intangible assets	(1,000)	(2,889)
Proceeds from sales of property, plant and equipment	3,555	5,587
Purchase of investment securities	(9)	(10)
Proceeds from sales of investment securities	111	40
Net decrease (increase) in short-term loans receivable	(7,438)	10,590
Long-term loans receivable made	(2,232)	(11,145)
Collection of long-term loans receivable	3	2
Purchase of subsidiaries' share	(5,375)	(274)
Payments for investments in capital	(1,254)	(2,606)
Proceeds from transfer of business	-	6,001
Other, net	1,792	(297)
Net cash (used in) provided by investing activities	(43,685)	(16,543)
Financing activities		
Net increase (decrease) in short-term loans payable	6,956	(17,353)
Proceeds from long-term loans payable	4,000	200
Repayment of long-term loans payable	(50,811)	(623)
Purchase of treasury stock	(2)	(1)
Proceeds from sales of treasury stock	0	0
Repayments of lease obligations	(1,261)	(1,190)
Cash dividends paid	(14,314)	(14,313)
Cash dividends paid to non controlling interests	(749)	(496)
Others, net	(0)	(0)
Net cash (used in) provided by financing activities	(56,182)	(33,778)
Effect of exchange rate changes on cash and cash equivalents	-	(199)
Net increase (decrease) in cash and cash equivalents	(25,048)	30,401
Cash and cash equivalents at beginning of the year	43,877	15,355
Increase due to inclusion in consolidation	-	3,369
Decrease due to exclusion from consolidation	(3,473)	-
Cash and cash equivalents at end of year	15,355	49,126

(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 37 companies

Showa Yokkaichi Sekiyu, Toa Oil, Showa Shell Sempaku, Heiwa Kisen, Shoseki Engineering, Nippon Grease, Shoseki Kako, Rising Sun, Chuo Shell Sekiyu Hambai, Leef Energy, Tokyo Shell Pack, Nakagawa Sekiyu, Petro Star Kansai, Wakamatsu Gas, Genex, Nissho Koyu, Solar Frontier, Nagase Sekiyu, Jonen, Showa Shell Business & IT Solutions, Solar Frontier Americas , Solar Frontier Europe and other 15 companies.

In the year ended as of December 31, 2016, during the consolidated fiscal year under review, Solar Frontier Americas, its 10 subsidiaries and Solar Frontier Europe are included in the scope of consolidation since they have increased their importance. 5 subsidiaries of Solar Frontier Americas are included in the scope of consolidation since they are newly established.

Hayashi Bussan, a consolidated subsidiary, has resolved for dissolution and are excluded from the scope of consolidation due to the completion of the liquidation process in the current consolidated fiscal year.

(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 16 companies

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, Nagasaki Solar Energy, SDT Solar Power.

In the current consolidated fiscal year, Nagasaki Solar Energy and SDT Solar Power are included in the scope of affiliates accounted for by the equity-method since their importance are increased.

(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 5 subsidiaries

October 31 1 subsidiary

December 31 31 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 Method of amortization of actual gain or loss and prior service costs

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 13 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 13 years though 14 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)

Showa Shell Sekiyu Group ("The Group") adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013, hereinafter the "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013, hereinafter the "Consolidation Accounting Standard"), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013, hereinafter the "Accounting Standard for Business Divestitures") and others effective from January 1, 2016. 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 is accounted for as capital surplus, and acquisition related costs are expensed in the year in which the costs are incurred. For any business combinations on or after the beginning of the fiscal year ended December 31, 2016, adjustments to the provisional amount of the purchase price allocation is reflected in the consolidated financial statements for the period to which the date of that business combination occurs. In addition, the presentation method of net income was amended, the reference to "Minority interests" was changed to "Non-controlling interests".

The aforementioned accounting standards are adopted on or after the beginning of the fiscal year ended December 31, 2016 and thereafter, according to the transitional treatment provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidation Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures..

In the consolidated statement of the cash flow for the fiscal year ended December 31, 2016, the cash flow from the changes in the ownership interests in subsidiaries that do not result in a change in the scope of the consolidation are recognized as the "cash flow from financing activities," whereas the cash flow concerning the cost related to the purchase of the ownership interests in subsidiaries that result in a change in the scope of the consolidation or the expenses incurred in relation to the changes in the ownership interests in subsidiaries that do not result in a change in the scope of the consolidation are recognized as the "cash flow from operating activities."

This change has no impact on the quarterly consolidated financial statements.

(Accounting standards issued but yet effective)

Implementation Guidance on Recoverability of Deferred Tax Assets

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26 of December 28, 2016)

(1) Overview

Regarding the treatment of the recoverability of deferred tax assets, a review was conducted following the framework of the Japanese Institute of Certified Public Accounting Audit Committee Report No.66 "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby companies are categorized into five categories and deferred tax assets are calculated based on each of these categories.

(i) Treatment of companies that do not satisfy any of the category requirements for (Category1) through (Category 5)

(ii) Category requirements for (Category 2) and (Category 3)

(iii) Treatment related to future deductible temporary differences which cannot be scheduled in companies that qualify as (Category 2)

(iv) Treatment related to the reasonable estimable period of future pre-adjusted taxable income in companies that qualify as (Category 3)

(v) Treatment in cases that companies that satisfy the category requirements for (Category 4) but qualify as (Category 2) or (Category 3)

(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 methods)

(Consolidated statement of cash flows)

In the consolidated previous fiscal year, “Payments for investments in capital” which was indicated in “Others” under “Investing activities”, are stated independently from the fiscal year under review, as they have become significant in terms of amount. To reflect this change in presentation methods, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, the amount of 537 million yen indicated in “Others” under ” Investing activities” in the consolidated statement of income for the previous fiscal year, has been reclassified as (1,254) million yen of “Payments for investments in capital” and 1,792 million yen of “Others”.

(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 has been 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 on April 1, 2017.

However, to secure enough time for both companies to discuss with their respective stakeholders, we have decided that it is not appropriate to set the effective date of the Merger as April 1, 2017 pursuant to an extraordinary shareholders meeting or to specify an alternative effective date of the Merger at this moment.. Therefore, the date of the launch of the NewCo is undecided.

(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 the 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)

According to the "Act on Partial Revision of the Income Tax Act" and the "Act on Partial Revision of the Local Tax Act" enacted on March 29, 2016, the effective tax rate which the Company used for calculation of deferred tax assets and deferred tax liabilities for the period has been changed from 33.1% and 32.3% for the previous fiscal year to 30.9% for those which are expected to be recovered or paid from January 1, 2017 to December 31, 2018 and to 30.6% for those which are expected to be recovered or paid from January 1, 2019, respectively.

As a result, deferred tax assets after deducting deferred tax liabilities decreased by 2,079 million yen and income tax-deferred increased by 1,861 million yen.

(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, 2015)		Current year end (As of Dec. 31, 2016)	
Buildings and structures	11,142	[10,907]	10,438	[10,203]
Oil tanks	4,838	[4,838]	4,712	[4,712]
Machinery, equipment and vehicles	28,968	[28,968]	28,387	[28,387]
Lands	22,955	[13,038]	22,866	[13,038]
Others	7	[7]	59	[59]
Total	67,912	[57,760]	66,464	[56,401]

Details of secured debts are as follows.

	Previous year end (As of Dec. 31, 2015)		Current year end (As of Dec. 31, 2016)	
Long-term loans payable	85	[-]	25	[-]
Short-term loans payable	1,360	[-]	1,260	[-]
Accounts payable-other	65,199	[47,080]	66,983	[48,269]
Total	66,644	[47,080]	68,268	[48,269]

* 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, 2015)	Current year end (As of Dec. 31, 2016)
Japan Biofuels Supply LLP	3,199	3,745
Solar Frontier Americas Inc.	3,259	-
	6,458	3,745

2) Guarantees for employees' housing loans

	Previous year end (As of Dec. 31, 2015)	Current year end (As of Dec. 31, 2016)
Guaranteed amount	457	357

(Consolidated statements of income)

(Loss on damages to the submarine pipeline)

Previous year (January 1 through December 31,2015)

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.

Current year (January 1 through December 31, 2016)

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 160 million yen has been recognized for restoration costs in extraordinary losses for the year ended as of December 31, 2016.

(Consolidated statement of changes in net assets)

Previous 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

Current year (January 1 through December 31, 2016)

(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	218,724	1,146	168	219,702

(Note)

Increase due to purchases of odd shares 1,146 shares

Decrease due to sales of odd shares 168 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 29, 2016	Ordinary shares	7,156	19.00	December 31, 2015	March 30, 2016
The Board of Directors' meeting on August 10, 2016	Ordinary shares	7,156	19.00	June 30, 2016	September 7, 2016

2. Dividends with the cut-off date in the year ended December 31, 2016 and the effective date in the year ending December 31, 2017

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 30, 2017	Ordinary shares	Retained earnings	7,156	19.00	December 31, 2016	March 31, 2017

(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, 2015 To Dec. 31, 2015)	Current Year (From Jan. 1, 2016 To Dec. 31, 2016)
Cash and deposits	16,554	50,317
Time deposit with maturities of more than three months	(1,198)	(1,191)
Cash and cash equivalents	15,355	49,126

(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.

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

Previous 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.

Current year ended December 31, 2016

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consoli-dated
Sales							
(1) Sales to customers	1,595,529	121,300	1,716,829	9,245	1,726,075	-	1,726,075
(2) Inter-segment sales and transfers	5,161	3,089	8,251	9,208	17,460	(17,460)	-
Total	1,600,691	124,390	1,725,081	18,454	1,743,536	(17,460)	1,726,075
Operating Income/(loss)	53,842	(9,173)	44,668	1,746	46,415	(4)	46,410
Assets	810,617	145,122	955,739	36,458	992,197	(16,063)	976,134
Other items							
Depreciation expense	17,734	18,664	36,399	524	36,923	-	36,923
Amortization of Goodwill	15	-	15	5	20	-	20
Equity in net earnings of affiliates	(1,748)	299	(1,448)	-	(1,448)	-	(1,448)
Impairment loss	602	10,728	11,331	-	11,331	-	11,331
Unamortized amount of Goodwill	52	-	52	96	148	-	148
Capital Expenditures	17,935	6,083	24,019	161	24,180	-	24,180

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 (4) million yen is treated as intersegment elimination.
3. Adjustment of assets by the amount of (16,063) million yen is treated as intersegment elimination.
4. Operating income (loss) in the table above is reconciled to operating income in the accompanying consolidated statements of income.

(Per share information)

(Unit: Yen)

	Previous year (From January 1, 2015 To December 31, 2015)	Current year (From January 1, 2016 To December 31, 2016)
Net assets per share	591.10	587.56
Net income (loss) per share	(72.93)	44.92

(Note) 1. Diluted net income per share data for the previous consolidated fiscal year is not applicable, because net loss is posted and there is no contingent share.

Diluted net income per share data for this consolidated fiscal year is not applicable, because there is no contingent share.

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

	Previous year (From January 1, 2015 To December 31, 2015)	Current year (From January 1, 2016 To December 31, 2016)
Net income (loss) attributable to owners of the parent (Millions of yen)	(27,467)	16,919
Net income not belonging to ordinary shareholders (Millions of yen)	-	-
Net income attributable to owners of the parent related to shares of common stock (Millions of yen)	(27,467)	16,919
Weighted average number of shares of common stock outstanding during the year (Thousands shares)	376,633	376,631

(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, 2015	Current year end As of December 31, 2016
Assets		
Current assets		
Cash and deposits	7,213	39,183
Notes receivable-trade	128	112
Accounts receivable-trade	195,207	211,533
Merchandise and finished goods	62,872	57,517
Raw materials and supplies	70,247	80,629
Prepaid expenses	914	879
Short-term loans receivable	125,509	105,093
Deferred tax assets	11,773	9,863
Other	11,989	16,289
Allowance for doubtful accounts	(570)	(586)
Total current assets	485,286	520,514
Noncurrent assets		
Property, plant and equipment		
Buildings	33,724	31,816
Structures	17,664	16,887
Oil tanks	3,967	3,692
Machinery and equipment	21,808	20,732
Vehicles	28	21
Tools, furniture and fixtures	2,478	2,432
Land	93,707	92,759
Lease assets	121	127
Construction in progress	1,001	772
Total property, plant and equipment	174,502	169,241
Intangible assets		
Leasehold right	3,501	3,418
Software	3,666	4,401
Others	38	32
Total intangible assets	7,205	7,853
Investments and other assets		
Investment securities	7,733	8,185
Stocks of subsidiaries and affiliates	77,528	101,141
Investments in capital	1,755	1,626
Investments in capital of subsidiaries and affiliates	1,671	1,188
Long-term loans receivable	18,619	19,402
Long-term prepaid expenses	905	1,118
Deferred tax assets	31,055	18,998
Other	8,143	10,223
Allowance for doubtful accounts	(90)	(81)
Total investments and other assets	147,322	161,803
Total noncurrent assets	329,030	338,898
Total assets	814,316	859,412

(Unit: Millions of yen)

	Previous year end As of December 31, 2015	Current year end As of December 31, 2016
Liabilities		
Current liabilities		
Accounts payable-trade	198,198	241,192
Short-term loans payable	49,815	40,592
Current portion of bonds	-	10,000
Lease obligations	260	236
Accounts payable-other	142,081	126,156
Income taxes payable	95	2,872
Accrued expenses	11,243	12,472
Advances received	21,603	20,421
Deposits received	32,813	35,199
Provision for bonuses	707	699
Provision for Directors' bonuses	52	70
Provision for damages to the submarine pipeline	6,589	94
Other	738	3,185
Total current liabilities	464,198	493,192
Noncurrent liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	82,000	74,000
Lease obligations	523	700
Provision for retirement benefits	64,926	62,235
Provision for special repairs	2,889	2,988
Provision for damages to the submarine pipeline	-	2,409
Other	13,545	13,319
Total noncurrent liabilities	183,885	165,653
Total liabilities	648,083	658,846
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	15,482	15,580
Special depreciation reserve	1,519	1,458
General reserve	5,550	5,550
Retained earnings brought forward	79,276	113,734
Total retained earnings	108,577	143,073
Treasury stock	(142)	(144)
Total shareholders' equity	164,706	199,201
Valuation and translation adjustments		
Unrealized holding gain on securities	1,607	1,996
Unrealized gain (loss) from hedging instruments	(81)	(630)
Total valuation and translation adjustments	1,525	1,365
Total net assets	166,232	200,566
Total liabilities and net assets	814,316	859,412

(2) Non-consolidated statement of income

(Unit: Millions of yen)

	Previous year From January 1, 2015 To December 31, 2015	Current year From January 1, 2016 To December 31, 2016
Net sales	1,994,487	1,566,996
Cost of sales	1,936,906	1,444,187
Gross profit	57,580	122,809
Selling, general and administrative expenses	68,134	67,180
Operating income (loss)	(10,553)	55,628
Non-operating income		
Interest income	486	370
Dividends income	2,684	13,318
Gain on investments in silent partnership	1,310	1,111
Reversal of allowance for doubtful accounts	385	-
Other	391	867
Total non-operating income	5,257	15,669
Non-operating expenses		
Interest expenses	2,562	2,145
Foreign exchange losses	425	609
Provision of allowance for doubtful accounts	-	0
Expenses of integration	-	433
Other	576	592
Total non-operating expenses	3,565	3,780
Ordinary income (loss)	(8,860)	67,517
Extraordinary income		
Gain on sales of noncurrent assets	883	3,930
Subsidy	137	13
Other	93	65
Total extraordinary income	1,114	4,010
Extraordinary loss		
Loss on disposal of noncurrent assets	1,771	1,466
Impairment loss	4,146	550
Loss on sales of investment securities	-	106
Loss on valuation of investment securities	-	1,075
Loss on damages to the submarine pipeline	6,637	-
Other	342	103
Total extraordinary losses	12,898	3,301
Income (loss) before income taxes	(20,644)	68,226
Income taxes-current	1	5,242
Income taxes-deferred	(3,736)	14,173
Total income taxes	(3,735)	19,416
Net income (loss)	(16,909)	48,809

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

Previous 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
Adjustment of reserve due to change in tax rate						771			(771)
Reserve for special depreciation reserve							83		(83)
Reversal of special depreciation reserve							(233)		233
Adjustment of special depreciation reserve due to change in tax rate							68		(68)
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	-	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						
	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 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	-		-				-
Adjustment of reserve due to change in tax rate	-		-				-
Reserve for special depreciation reserve	-		-				-
Reversal of special depreciation reserve	-		-				-
Adjustment of special depreciation reserve due to change in tax rate	-		-				-
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

Current year (January 1 through December 31, 2016)

(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, 2016	34,197	22,045	28	22,074	6,749	15,482	1,519	5,550	79,276
Changes during the year									
Dividends from surplus									(14,313)
Net income (loss)									48,809
Reversal of for advanced depreciation reserve of noncurrent assets						(269)			269
Adjustment of reserve due to change in tax rate						368			(368)
Reserve for special depreciation reserve							169		(169)
Reversal of special depreciation reserve							(259)		259
Adjustment of special depreciation reserve due to change in tax rate							28		(28)
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	-	98	(61)	-	(34,458)
Balance at December 31, 2016	34,197	22,045	28	22,074	6,749	15,580	1,458	5,550	113,734

	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 the beginning of current year	108,577	(142)	164,706	1,607	(81)	1,525	166,232
Changes during the year							
Dividends from surplus	(14,313)		(14,313)				(14,313)
Net income (loss)	48,809		48,809				48,809
Reversal of for advanced depreciation reserve of noncurrent assets							
Adjustment of reserve due to change in tax rate	-		-				-
Reserve for special depreciation reserve	-		-				-
Reversal of special depreciation reserve	-		-				-
Adjustment of special depreciation reserve due to change in tax rate	-		-				-
Purchase of treasury stock		(1)	(1)				(1)
Disposal of treasury stock		0	0				0
Net changes in items other than those shareholders' equity				388	(548)	(160)	(160)
Total changes during the year	(34,495)	(1)	(34,494)	388	(548)	(160)	34,333
Balance at December 31, 2016	143,073	(144)	199,201	1,996	(630)	1,365	200,566

(4) Notes for premises of going concern

Not applicable