(English Translation)

Consolidated Financial Results for the First Quarter ended March 31, 2016

May 12, 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

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Expected date of quarterly report submission: May 13, 2016
Expected date of dividend payment: -
Supporting material for quarterly results: Applicable
The briefing session of quarterly 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 the three months ended March 31, 2016 (January 1 through March 31, 2016)

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

(1) Consolidated financial results

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
For the three months ended		%		%		%		%
March 31, 2016	432,785	(28.2)	(8,137)	-	(8,807)	-	(6,942)	-
March 31, 2015	602,740	(25.6)	(18,941)	-	(18,823)	-	(14,354)	-

(Reference) Comprehensive income Three months ended March 31, 2016: (7,510) million yen; (- %)
Three months ended March 31, 2015: (13,218) million yen; (- %)

	Earnings per share	Diluted earnings per share
For the three months ended	Yen	Yen
March 31, 2016	(18.43)	-
March 31, 2015	(38.11)	-

(2) Consolidated financial position

	Total assets	Net assets	Net assets (excl. minority interests) to total assets
			%
As of March 31, 2016	882,203	227,482	23.5
As of December 31, 2015	957,665	243,328	23.2

(Reference) Net assets (excl. minority interest) As of March 31, 2016: 206,994 million yen
As of December 31, 2015:222,625 million yen

2. Dividends

	Dividend per share				
(Record date)	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
Full year 2016	-				
Full year 2016 (Forecast)		19.00	-	19.00	38.00

(Note) Revision of dividend forecast during this quarter: None

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 attributable to owners of the parent		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

(Note) Revision of forecast of consolidated results: None

* Notes

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

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements : None

(3) Changes in accounting principles, accounting estimates and restatement

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

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

c) Changes in accounting estimates : None

d) Restatement : None

(4) Number of shares issued (Common shares)

a) Number of shares issued (including treasury shares)	As of March 31, 2016 :	376,850,400	As of December 31, 2015 :	376,850,400
b) Number of treasury shares	As of March 31, 2016 :	218,884	As of December 31, 2015 :	218,724
c) Average number of shares	As of March 31, 2016 :	376,631,581	As of March 31, 2015 :	376,633,830

* Presentation regarding the status of implementation of the quarterly review procedures

These quarterly results are exempt from the quarterly review procedures pursuant to the Financial Instruments and Exchange Act, and the review procedures with respect to the quarterly financial statements pursuant to the Financial Instruments and Exchange Act have not been completed as of the date of disclosure of such quarterly results.

* Explanation regarding appropriate use of the business forecast, 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 “1. (3) Qualitative information concerning the forecast of consolidated financial results” in [Supporting material] on page 3.

[Supporting material]

Contents

1. Qualitative information concerning consolidated financial statements etc.

(1) Qualitative information concerning consolidated financial results

Showa Shell Sekiyu Group (“the Group”) posted consolidated net sales of 432.7 billion yen, a decrease (in income) of 28.2 % compared to the same period a year ago, consolidated operating loss of 8.1 billion yen, an increase (in profit) of 10.8 billion yen compared to the same period a year ago, and consolidated ordinary loss of 8.8 billion yen, an increase (in profit) of 10 billion yen compared to the same period a year ago, for the current three month period of FY2016. Those increases in profit over the same period of the previous year are derived despite the additional loss in the inventory valuation due to the crude oil price fall in the oil business, the profit has largely improved compared to the previous year. The relevant consolidated ordinary income excluding the impact of the inventory valuation was 9.2 billion yen, an increase of 1.2 billion yen compared to the same period a year ago.

(Crude oil prices and foreign exchange rate)

	Dubai crude oil price (USD/Barrel)	Exchange rate (JPY/USD)
1Q/2015	51.8	119.2
1Q/2016	30.6	115.4
Difference	(21.2)	(3.8)

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

The business results by segment are as follows.

[Oil Business]

With regard to the sales situation of oil products, the domestic fuel sales volume of gasoline, kerosene, diesel oil, and A-type fuel oil, in the first quarter grew year on year despite unstable weather conditions, such as mild temperature in the first half of January and sudden heavy snow fall in the middle of the month. In the meantime, crude oil prices fell again soon after the year of 2016 came in, while yen became stronger from February. These factors brought down crude procurement costs in yen terms and swayed domestic fuel margins. Under the circumstances, the Group continued to implement such product and service differentiation strategies as the new premium gasoline, Shell V-Power, and the joint point program, Ponta. It also maximized efforts for product export, such as gasoline and diesel oil, swiftly responding to global market environmental change. The decline in crude oil procurement cost in yen terms contributed to reduction in refinery fueling and distribution costs. The Group’s continuous efforts for structural cost reduction also supported the profitability.
As a result, the Oil Business segment reported net sales of 392.8 billion yen, a decrease of 31.7% compared to the same period a year ago, and operating loss of 8 billion yen, an increase of 10.4 billion yen compared to the same period a year ago. The relevant consolidated operating income excluding the effects of inventory valuation was 9.9 billion yen, an increase of 1.7 billion yen compared to the same period a year ago.

[Energy Solutions Business]

With regard to the Solar Business, new domestic demand is expected to gradually slowdown mainly in the nonresidential market due to upcoming review in the feed-in-tariff system on solar power, while global demand has been continuously growing. In this environment, panel selling prices are in the declining trend. The Group sold panels domestically and internationally, leading the shipment volume in the first quarter to significantly increase year on year. Concerning domestic sales, the Group focused on the residential market where expected sustainable demand will deliver relatively higher sales margins. It also captured new sales outlets in the international market as well as promoted a high value-added project development business in the United States. One of these examples is the fact that its second U.S. project with 20MW capacity captured a buyer. Regarding panel production, its flagship plant, Kunitomi, remained highly operational. Tohoku Plant, which is expected to play a critical role for future overseas plant deployment as a model plant, stayed in the final phase before moving into commercial operation. The Group continuously tried to reduce production costs according to its annual action plan.
In the Electric Power Business, The Group’s power plants, including Keihin Biomass Power Plant (49,000 kW) launched in November 2015, more than one month earlier than plan, and Ohgishima Power Station Unit 3 (400,000 kW, including 100,000 kW for the Group’s equity) launched in February 2016, continued stable operations. In sales, the Group continuously strived for sales portfolio optimization and profitability improvement. It also advanced strategies to start residential power sales in the first quarter, represented by the fact that “Electricity supply with gasoline price discount program (Drivers’ Plan)” and joint sales system with

LPG marketers kicked off, just before further market de-regulation comes in April.

As a result, the Energy Solutions Business reported net sales of 37.9 billion yen, an increase of 49.9% compared to the same period a year ago, and operating loss of 0.4 billion yen, an increase of 0.2 billion yen compared to the same period a year ago.

[Other Business]

Other Business segment reported net sales of 1.9 billion yen and an operating income of 0.3 billion yen for the period.

(2) Qualitative information concerning consolidated financial position

Total assets reached 882.2 billion yen at the end of the first quarter, a decrease of 75.4 billion yen from the end of the previous year.

Consolidated total liabilities were 654.7 billion yen, a decrease of 59.6 billion yen compared to the end of the previous year. Short- and long-term interest-bearing liabilities (borrowing, CP, and bonds) were 159.1 billion yen, an increase of 3.7 billion yen from the end of the previous year.

Net assets were 227.4 billion yen, a decrease of 15.8 billion yen from the end of the previous year. This was mainly attributable to negative factors, such as net losses and the fact that the final dividend payment occurred in the first quarter.

As a result, capital adequacy stands at 23.5 % at the end of the first quarter.

(3) Qualitative information concerning the forecast of consolidated financial results

There is no change in the earnings forecasts for the full year 2016, which were published on February 10, 2016. The earnings forecasts were prepared based on information available on the announcement date of this document. Actual results may differ from those included in the forecasts due to various factors.

2. Notes

(1) Changes in scope of significant consolidated subsidiaries during the period

None

(2) Adoption of special accounting methods for preparing quarterly consolidated financial statements

None

(3) Changes in accounting principles, accounting estimates and restatement

(Accounting Changes)

Effective from the beginning of the first quarter of FY2016, Showa Shell Sekiyu Group ("the Group") adopted the "Revised Accounting Standard for Business Combinations"(Accounting Standard Board of Japan (ASBJ) Statement No.21, issued on September13, 2013, hereinafter referred to as the "Accounting Standard for Business Combinations"), "Revised Accounting Standard for Consolidated Financial Statements"(ASBJ Statement No.22, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Consolidation") and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, issued on September 13, 2013, hereinafter referred to as the "Accounting Standard for Business Divestitures").

In applying these revised accounting standards, the Company records any differences arising from changes in ownership interest in a subsidiary when it retains control as capital surplus and the corresponding acquisition-related costs are recognized as expenses when incurred. Also, regarding business combinations conducted after the beginning of the first quarter of FY2016, the disclosure method was revised with regard to the retrospective adjustment of purchase price allocation based on provisional accounting applicable to the quarterly consolidated financial statements of the fiscal period in which the business combination occurred.

In addition, the presentation method of net income was amended and the reference to "minority interests" was changed to "non-controlling interests". To reflect these changes in the presentation, the quarterly consolidated financial statements and consolidated financial statements in the previous fiscal year have been reclassified.

Concerning the application of the Accounting Standards for Business Combinations and others, based on the provisional treatment set out in Section 58-2(4) of the Accounting Standard for Business Combinations, in Section 44-5(4) of the Accounting Standard for Consolidation and in Section 57-4(4) of the Accounting Standard for Business Divestitures, these changes are effective from the beginning of the first quarter of FY 2016.

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

(4) 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)

According to the enactment of the "Act on Partial Revision of the Income Tax Act" and the "Act on Partial Revision of the Local Tax Act" on March 29, 2016, the effective tax rate which the Company used for calculation of deferred tax assets and deferred tax liabilities for the first quarter 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 1,593 million yen and income tax-deferred increased by 1,454 million yen.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheet

(Unit: Millions of yen)

	Previous year end As of December 31, 2015	Current 1st quarter end As of March 31, 2016
Assets		
Current assets		
Cash and deposits	16,554	20,323
Notes and accounts receivable-trade	212,659	181,991
Merchandise and finished goods	81,203	61,660
Work in process	977	4,204
Raw materials and supplies	81,432	66,646
Other	55,465	46,114
Allowance for doubtful accounts	(71)	(277)
Total current assets	448,220	380,664
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	91,614	90,445
Machinery, equipment and vehicles, net	102,695	97,988
Land	142,272	141,878
Other, net	29,097	32,514
Total property, plant and equipment	365,680	362,827
Intangible assets	8,796	8,644
Investments and other assets		
Other	135,229	130,329
Allowance for doubtful accounts	(261)	(261)
Total investments and other assets	134,967	130,068
Total noncurrent assets	509,445	501,539
Total assets	957,665	882,203
Liabilities		
Current liabilities		
Notes and accounts payable-trade	210,388	180,638
Short-term loans payable	52,265	56,009
Accounts payable-other	154,648	123,411
Income taxes payable	4,184	1,303
Provision for damages to the submarine pipeline	6,589	6,524
Provision	2,254	3,863
Other	49,005	49,291
Total current liabilities	479,334	421,043
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	83,205	83,190
Provision for special repairs	16,258	17,369
Liability for retirement benefits	90,143	89,207
Other	25,396	23,911
Total noncurrent liabilities	235,002	233,678
Total liabilities	714,337	654,721

(Unit: Millions of yen)

	Previous year end As of December 31, 2015	Current 1st quarter end As of March 31, 2016
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,123	22,123
Retained earnings	171,721	156,940
Treasury stock	(185)	(185)
Total shareholders' equity	227,857	213,076
Accumulated other comprehensive income:		
Unrealized holding gain (loss) on securities	2,128	1,618
Unrealized gain (loss) from hedging instruments	(81)	(351)
Foreign currency translation adjustment	-	(148)
Retirement benefits liability adjustment	(7,278)	(7,199)
Total accumulated other comprehensive income	(5,232)	(6,081)
Non controlling interests	20,702	20,487
Total net assets	243,328	227,482
Total liabilities and net assets	957,665	882,203

(2) Quarterly consolidated statement of income and Consolidated statement of comprehensive income
Quarterly consolidated statement of income
The Three-Month Period Ended March 31

(Unit: Millions of yen)

	For the three months ended March 31, 2015 (January 1 through March 31, 2015)	For the three months ended March 31, 2016 (January 1 through March 31, 2016)
Net sales	602,740	432,785
Cost of sales	591,554	415,725
Gross profit	11,186	17,059
Selling, general and administrative expenses		
Freightage related expenses	9,626	9,329
Personal expenses	7,603	6,156
Other	12,898	9,709
Total selling, general and administrative expenses	30,127	25,196
Operating income (loss)	(18,941)	(8,137)
Non-operating income		
Interest income	34	52
Dividends income	213	395
Equity in earnings of affiliates	160	-
Gain on investments in silent partnership	259	464
Reversal of allowance for doubtful accounts	134	-
Other	512	334
Total non-operating income	1,315	1,246
Non-operating expenses		
Interest expenses	771	574
Equity in loss of affiliates	-	451
Foreign exchange losses	245	680
Other	180	210
Total non-operating expenses	1,197	1,917
Ordinary loss	(18,823)	(8,807)
Extraordinary income		
Gain on sales of noncurrent assets	177	528
Subsidy	2,199	2,644
Other	11	9
Total extraordinary income	2,389	3,183
Extraordinary losses		
Loss on disposal of noncurrent assets	171	208
Impairment loss	480	54
Loss on sales of investment securities	-	106
Provision for damages to the submarine pipeline	-	108
Other	35	33
Total extraordinary losses	687	511
Loss before income taxes and non-controlling interests	(17,122)	(6,136)
Income taxes-current	1,693	1,162
Income taxes-deferred	(5,419)	(666)
Total income taxes	(3,725)	496
Net loss	(13,397)	(6,632)
Net income attributable to non controlling interests	957	310
Net income attributable to owners of the parent	(14,354)	(6,942)

Quarterly consolidated statement of comprehensive income

The Three-Month Period Ended March 31

(Unit: Millions of yen)

	For the three months ended March 31, 2015 (January 1 through March 31, 2015)	For the three months ended March 31, 2016 (January 1 through March 31, 2016)
Loss before minority interests	(13,397)	(6,632)
Other comprehensive income		
Unrealized holding gain (loss) on securities	152	(581)
Unrealized gain (loss) from hedgind instruments	109	(127)
Foreign currency translation adjustment	-	(290)
Remeasurements of defined benefit plans	(85)	76
Share of other comprehensive income of affiliates accounted for by the equity method	2	46
Total other comprehensive income	178	(877)
Comprehensive income	(13,218)	(7,509)
Comprehensive income attributable to		
Sharholders of Showa Shell Sekiyu K.K.	(14,202)	(7,790)
Non controlling interests	984	281

(3) Note for premises of going concern

None

(4) Note in case of significant changes in shareholders' equity

None

(5) Segment Information

For the three months ended March 31, 2015 (January 1 through March 31, 2015)

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consoli-dated
Net sales							
(1) Sales to customers	575,404	25,331	600,736	2,004	602,740	-	602,740
(2) Inter-segment sales and transfers	2,782	1,633	4,415	2,302	6,718	(6,718)	-
Total	578,187	26,964	605,152	4,307	609,459	(6,718)	602,740
Operating Income/(losses)	(18,566)	(667)	(19,234)	286	(18,948)	7	(18,941)

Notes:
1. "Others" is a business segment that is not considered a reportable segment. It includes leases of properties, construction works, sales and leases of automobile accessories and others.
2. Adjustment of operating income of 7 million yen is treated as intersegment elimination.
3. Operating income (loss) in the table above is reconciled to operating income (loss) in the accompanying consolidated statements of income.

For the three months ended March 31, 2016 (January 1 through March 31, 2016)

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consoli-dated
Net sales							
(1) Sales to customers	392,831	37,972	430,804	1,980	432,785	-	432,785
(2) Inter-segment sales and transfers	1,756	914	2,670	2,048	4,719	(4,719)	-
Total	394,588	38,887	433,475	4,028	437,504	(4,719)	432,785
Operating Income/(losses)	(8,078)	(418)	(8,497)	355	(8,141)	4	(8,137)

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