(English Translation)

Consolidated Financial Results for the Third Quarter ended September 30, 2016

November 10, 2016

Listed Company Name: Showa Shell Sekiyu K. K. Listed Stock Exchange: Tokyo Stock Exchange 1st Section

Code Number: 5002 URL http://www.showa-shell.co.jp/english/index.html

Delegate: Title: CEO, Representative Director Name: Tsuyoshi Kameoka

Contact: Title: Controller, Executive Officer Name: Takashi Sakata Phone: (03) 5531-5594

Expected date of quarterly report submission: November 11,2016
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 nine months ended September 30, 2016 (January 1 through September 30, 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 nine months ended		%		%		%		%
September 30, 2016	1,263,749	(24.3)	27,289	-	24,568	-	11,235	-
September 30, 2015	1,668,949	(26.4)	(2,775)	-	(4,007)	-	(7,415)	-

(Reference) Comprehensive income Nine months ended September 30, 2016: 11,151 million yen; (-%)
Nine months ended September 30, 2015: (4,935) million yen; (-%)

	Earnings per share	Diluted earnings per share
For the nine months ended	Yen	Yen
September30, 2016	29.83	-
September30, 2015	(19.69)	-

(2) Consolidated financial position

	Total assets	Net assets	Net assets (excl. minority interests) to total assets
			%
As of September 30, 2016	883,909	238,985	24.6
As of December 31, 2015	957,665	243,328	23.2

(Reference) Net assets (excl. minority interest) As of September 30, 2016:217,565 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	-	19.00	-		
Full year 2016 (Forecast)				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
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 September 30, 2016 :	376,850,400	As of December 31, 2015 :	376,850,400
b) Number of treasury shares	As of September 30, 2016 :	219,330	As of December 31, 2015 :	218,724
c) Average number of shares	As of September 30, 2016 :	376,631,372	As of September30, 2015 :	376,633,285

* 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 1,263.7 billion yen, a decrease (in income) of 24.3 % compared to the same period a year ago, consolidated operating income of 27.2 billion yen, an increase (in profit) of 30 billion yen compared to the same period a year ago, and consolidated ordinary income of 24.5 billion yen, an increase (in profit) of 28.5 billion yen compared to the same period a year ago, for the current nine month period of FY2016. The increases in these incomes compared to the same period a year ago were mainly because there was a significantly negative impact to the inventory valuation in the Oil Business due to far more volatile crude oil prices last year, while there was less negative impact this year. The relevant consolidated ordinary income excluding the impact of the inventory valuation was 24.4 billion yen, a decrease of 8.9 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)
3Q/2015	54.4	121.0
3Q/2016	39.1	108.6
Difference	(15.3)	(12.4)

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

The business results by segment are as follows.

[Oil Business]

Since April after the crude oil prices bottomed out early this year, CIF Japan crude oil prices in yen terms have remained relatively low compared to the same period a year ago as the crude oil prices stayed almost within the range between 40 to 50 dollars per barrel and stronger yen against US dollar progressed. Under the circumstances, the domestic fuel demand in the nine-month period had been declining against the same period a year ago, but the speed of the decline was slower than that of last year. The Group’s domestic fuel sales in the period remained solid. Its sales volume in the sum of relatively valuable four products, gasoline, diesel oil, kerosene, and A fuel oil, exceeded that of the same period a year ago, and its year-on-year growth rate also exceeded the industry average. Regarding fuel prices, the domestic fuel margins had unstably declined compared to the same period a year ago mainly due to a rapid increase in fuel export from China that also caused a decline in export margins. Furthermore, the sharp drop in crude oil prices particularly in January and July drove the domestic margins down. Although all these external business environments remained unstable in the period, the Group continued to help itself maximize profits according to the medium-term business action plan. It also continuously advanced the product and service strategies to further develop its customer base at service stations, such as the new premium gasoline “Shell V-Power” and the joint point program “Ponta”. It also dedicated great efforts to lubricant and asphalt sales for industries, particularly focusing on high value-added product segments where it can offer such distinctive customer values as environmental protection and durability. In addition, product export, such as gasoline and diesel oil, continued in flexible response to ever changing market price situations in both international and domestic markets not to miss any profit opportunity, while maximal production in profitable petrochemicals, such as mixed xylene, also maintained.

As a result, the Oil Business segment reported net sales of 1,166.9 billion yen, a decrease of 26.3% compared to the same period a year ago, and operating income of 31.8 billion yen, an increase of 32.6 billion yen compared to the same period a year ago. The relevant consolidated operating income excluding the effects of inventory valuation was 31.7 billion yen, a decrease of 4.9 billion yen compared to the same period a year ago.

[Energy Solutions Business]

Regarding the solar business, the domestic solar demand for non-residential application is in a declining trend mainly due to the revision in the feed-in-tariff system, the reductions in the feed-in-tariff rate, and the decreasing availability of suitable lands for solar power plants. On the other hand, the domestic solar demand for residential application is expected to grow in the future partly due to strong governmental supports for ZEH (Zero Energy House). The global solar demand is fast growing and expected to grow continuously. Under the circumstances, the Group has advanced its medium-term strategies to strengthen marketing efforts in both domestic and overseas markets, leading to an increase in panel sales volume during the nine-month period against the same period a year ago. Panel selling prices have been declining both domestically and internationally. In particular, stronger yen has weighed on the profitability of the overseas sales. While panel selling prices went down, the Group continued its efforts to expand the residential sales in the domestic market and the BOT business in the overseas market. Regarding panel production, Kunitomi Plant, the flagship manufacturing plant, remained highly operational, while Tohoku Plant applying the newest CIS mass production technology turned into a commercial production in June. The new plant also started product shipments from August but still remained on the way to stable operations. Regarding cost reductions, production costs are coming down in line with the annual plan, including a contribution from stronger yen to reduce materials/parts procurement costs. The Group also extended its efforts to review sales and administration costs, helping itself keep up with the ongoing tough business environment.

In the electric power business, the Group's power plants maintained stably and highly operational almost throughout the nine-month period, including the two newly launched power plants of Keihin Biomass Power Plant (49 thousand kW) and Ohgishima Power Station Unit 3 (400 thousand kW, out of which 100 thousand kW is the Group's equity). The Group continued its efforts to optimize the sales portfolio in search of better profitability as well as expand sales according to the power generation capacity additions. The sales volume for relatively profitable retail and wholesale segments has grown, and the intensified efforts to capture customers for household electricity supply continued in close tie with the Oil Business since the de-regulation in this market segment took place in April.

As a result, the Energy Solutions Business reported net sales of 90.5 billion yen, an increase of 14.9% compared to the same period a year ago, and operating loss of 5.5 billion yen, a decrease of 2.4 billion yen compared to the same period a year ago.

[Other Business]

Other Business segment reported net sales of 6.3 billion yen and an operating income of 1.0 billion yen for the period.

(2) Qualitative information concerning consolidated financial position

Total assets reached 883.9 billion yen at the end of the third quarter, a decrease of 73.7 billion yen from the end of the previous year.

Consolidated total liabilities were 644.9 billion yen, a decrease of 69.4 billion yen compared to the end of the previous year. Short- and long-term interest-bearing liabilities (borrowing, CP, and bonds) were 147.7 billion yen, a decrease of 7.7 billion yen from the end of the previous year.

Net assets were 238.9 billion yen, a decrease of 4.3 billion yen from the end of the previous year. This was mainly attributable to the negative factors such as the final dividend payment for the current nine month period exceeded the positive factors such as the net income.

As a result, capital adequacy stands at 24.6 % at the end of the third quarter.

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

There has been no changes in the earnings forecast for the full year 2016, which is published on 10th February, 2016 and in the relevant consolidated ordinary income for the fiscal year 2016, excluding the effect of the inventory valuation, which is published on 10th August, 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 on April 1, 2017.

At this point, the date of the launch of the NewCo is undecided because the effective date of the Business Integration will be on April 1, 2017 after the shareholders' meetings of both parties, in order for both parties to secure sufficient time for consultations with each stake holder. Another reason is because, at this point, it is judged that it is not appropriate to state the date of the Business Integration after changes.

(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 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 31, 2016, the effective tax rate which the Company used for calculation of deferred tax assets and deferred tax liabilities for the third 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 1,371 million yen and income tax-deferred increased by 1,242 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 3st quarter end As of September 30, 2016
Assets		
Current assets		
Cash and deposits	16,554	23,409
Notes and accounts receivable-trade	212,659	179,633
Merchandise and finished goods	81,203	80,923
Work in process	977	12,062
Raw materials and supplies	81,432	65,274
Other	55,465	42,190
Allowance for doubtful accounts	(71)	(62)
Total current assets	448,220	403,432
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	91,614	87,707
Machinery, equipment and vehicles, net	102,695	102,713
Land	142,272	141,379
Other, net	29,097	17,893
Total property, plant and equipment	365,680	349,694
Intangible assets	8,796	9,203
Investments and other assets		
Other	135,229	121,838
Allowance for doubtful accounts	(261)	(259)
Total investments and other assets	134,967	121,578
Total noncurrent assets	509,445	480,476
Total assets	957,665	883,909
Liabilities		
Current liabilities		
Notes and accounts payable-trade	210,388	176,645
Short-term loans payable	52,265	35,112
Current portion of bonds	-	10,000
Commercial paper	-	10,000
Accounts payable-other	154,648	131,313
Income taxes payable	4,184	4,025
Provision for damages to the submarine pipeline	6,589	4,889
Provision	2,254	4,166
Other	49,005	44,819
Total current liabilities	479,334	420,972
Noncurrent liabilities		
Bonds payable	20,000	10,000
Long-term loans payable	83,205	82,600
Provision for special repairs	16,258	19,926
Liability for retirement benefits	90,143	87,424
Other	25,396	23,999
Total noncurrent liabilities	235,002	223,950
Total liabilities	714,337	644,923

(Unit: Millions of yen)

	Previous year end As of December 31, 2015	Current 3st quarter end As of September 30, 2016
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,123	22,123
Retained earnings	171,721	167,962
Treasury stock	(185)	(186)
Total shareholders' equity	227,857	224,097
Accumulated other comprehensive income:		
Unrealized holding gain (loss) on securities	2,128	1,539
Unrealized gain (loss) from hedging instruments	(81)	(522)
Foreign currency translation adjustment	-	(768)
Retirement benefits liability adjustment	(7,278)	(6,781)
Total accumulated other comprehensive income	(5,232)	(6,531)
Non controlling interests	20,702	21,420
Total net assets	243,328	238,985
Total liabilities and net assets	957,665	883,909

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

Quarterly consolidated statement of income

The Nine-Month Period Ended September 30

(Unit: Millions of yen)

	For the nine months ended September 30, 2015 (January 1 through September 30, 2015)	For the nine months ended September 30, 2016 (January 1 through September 30, 2016)
Net sales	1,668,949	1,263,749
Cost of sales	1,590,978	1,161,221
Gross profit	77,971	102,527
Selling, general and administrative expenses		
Freightage related expenses	26,133	25,922
Personal expenses	19,655	17,776
Other	34,956	31,539
Total selling, general and administrative expenses	80,746	75,237
Operating income (loss)	(2,775)	27,289
Non-operating income		
Interest income	126	112
Dividends income	488	695
Gain on investments in silent partnership	971	878
Reversal of allowance for doubtful accounts	160	7
Other	1040	1274
Total non-operating income	2,787	2,968
Non-operating expenses		
Interest expenses	2,012	1,573
Foreign exchange losses	475	2,426
Equity in loss of affiliates	962	1,069
Other	570	620
Total non-operating expenses	4,020	5,690
Ordinary income(loss)	(4,007)	24,568
Extraordinary income		
Gain on sales of noncurrent assets	785	1,193
Subsidy	4,247	2,810
Gain on changes in equity	3,450	-
Other	376	162
Total extraordinary income	8,859	4,166
Extraordinary losses		
Loss on disposal of noncurrent assets	1,825	1,021
Impairment loss	786	217
Loss on sales of investment securities	3	108
Provision for damages to the submarine pipeline	5,806	154
Other	370	443
Total extraordinary losses	8,792	1,946
Income(loss) before income taxes and non-controlling interests	(3,941)	26,788
Income taxes-current	3,775	6,300
Income taxes-deferred	(2,143)	7,986
Total income taxes	1,631	14,286
Net income (loss)	(5,573)	12,502
Net income attributable to non controlling interests	1,842	1,266
Net income(loss) attributable to owners of the parent	(7,415)	11,235

Quarterly consolidated statement of comprehensive income

The Nine-Month Period Ended September 30

(Unit: Millions of yen)

	For the nine months ended September 30, 2015 (January 1 through September 30, 2015)	For the nine months ended September 30, 2016 (January 1 through September 30, 2016)
Net income (loss)	(5,573)	12,502
Other comprehensive income		
Unrealized holding gain (loss) on securities	(48)	(496)
Unrealized gain (loss) from hedgind instruments	100	(297)
Foreign currency translation adjustment	-	(910)
Remeasurements of defined benefit plans	342	514
Share of other comprehensive income of affiliates accounted for by the equity method	241	(160)
Total other comprehensive income	637	(1,350)
Comprehensive income	(4,935)	11,151
Comprehensive income attributable to		
Shareholders of Showa Shell Sekiyu K.K.	(6,804)	9,937
Non controlling interests	1,868	1,214

(3) Note for premises of going concern

None

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

None

(5) Segment Information

For the nine months ended September 30, 2015 (January 1 through September 30, 2015)

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consoli-dated
Net sales							
(1) Sales to customers	1,584,254	78,801	1,663,056	5,893	1,668,949	-	1,668,949
(2) Inter-segment sales and transfers	6,980	4,667	11,647	5,767	17,415	(17,415)	-
Total	1,591,234	83,468	1,674,703	11,661	1,686,365	(17,415)	1,668,949
Operating Income/(losses)	(742)	(3,137)	(3,879)	1,097	(2,782)	7	(2,775)

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 nine months ended September 30, 2016 (January 1 through September 30, 2016)

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consoli-dated
Net sales							
(1) Sales to customers	1,166,900	90,535	1,257,436	6,312	1,263,749	-	1,263,749
(2) Inter-segment sales and transfers	4,531	2,572	7,104	5,645	12,750	(12,750)	-
Total	1,171,432	93,108	1,264,541	11,958	1,276,499	(12,750)	1,263,749
Operating Income/(losses)	31,858	(5,552)	26,305	1,038	27,343	(53)	27,289

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 △53 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.