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## Consolidated Financial Results for the Second Quarter 2015 (Japanese GAAP basis)

August 14, 2015

Company name: TonenGeneral Sekiyu K.K. Listed on: Tokyo Stock Exchange  
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Scheduled date of filing Quarterly Securities Report: August 14, 2015

Scheduled date of start of dividends payment: September 11, 2015

Preparation of presentation material for quarterly results: Yes

Briefing for institutional investors: Yes

(Amounts shown in truncated millions of yen)

### 1. Consolidated financial results for the second quarter 2015 (January 1, 2015 through June 30, 2015)

#### (1) Operating results

(Percentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2QYTD 2015	1,384,144	(18.2)	40,716	-	40,154	-	23,270	-
2QYTD 2014	1,692,402	8.7	(16,427)	-	(17,529)	-	(14,933)	-

(Note) Comprehensive income: 23,794 Million yen [- %] for 2QYTD 2015 (14,642) Million yen [-%] for 2QYTD 2014

	Net income per share	Diluted net income per share
	Yen	Yen
2QYTD 2015	63.88	63.85
2QYTD 2014	(40.99)	-

#### (2) Financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	Million yen	Million yen	%
Jun. 30, 2015	1,277,982	271,160	21.1
Dec. 31, 2014	1,376,212	262,753	19.0

(Reference) Net assets excluding minority interests and subscription rights to shares:

270,084 Million yen as of June 30, 2015 261,699 Million yen as of December 31, 2014

### 2. Dividends

	Annual dividend				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Full-year
	Yen	Yen	Yen	Yen	Yen
2014	-	19.00	-	19.00	38.00
2015	-	19.00			
2015(Forecast)			-	19.00	38.00

(Note) Revision to the most recent dividend forecast: No

### 3. Projected consolidated operating results for 2015 (January 1, 2015 through December 31, 2015)

(Percentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,700,000	(21.8)	32,000	-	31,000	-	15,000	-	41.18

(Note) Revision to the most recent consolidated earnings forecast: Yes

**\* Notes**

(1) Change in major subsidiaries in the current quarter year-to-date (change in designated subsidiaries resulting in a change in the scope of consolidation): No

(2) Adoption of special accounting method in preparing quarterly consolidated financial statements: No

(3) Change in accounting policy, change in accounting estimates and restatements

- a. Change in accounting policy with accounting standards revisions : Yes
- b. Change in accounting policy other than above : No
- c. Change in accounting estimates : No
- d. Restatements : No

(4) Number of shares issued (Common Stock)

a. Number of shares issued at the end of period (includes treasury shares)					
2Q2015	565,182,000	shares	Full year 2014	565,182,000	shares
b. Number of treasury shares at the end of period					
2Q2015	200,902,823	shares	Full year 2014	200,876,446	shares
c. Average number of shares during the period					
2QYTD2015	364,289,681	shares	2Q YTD 2014	364,354,217	shares

• **Review status of Quarterly Securities Report (*Shihanki-Houkokusho*) for the second quarter 2015**

This report is not required to be included and is not included in the scope of external audit quarterly review conducted pursuant to the Financial Instruments and Exchange Act of Japan. However, PricewaterhouseCoopers Aarata has separately completed their quarterly review of the quarterly consolidated financial statements included in “Financial information,” a part of the Quarterly Securities Report for the Second Quarter 2015. The auditor expressed the conclusion on August 14, 2015 that “nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the TonenGeneral Sekiyu K.K. (the “Company”) and its consolidated subsidiaries as of June 30, 2015, the results of their operations and their cash flows for the six-month period then ended in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan.”

• **Explanatory note on the use of projections / other notes**

This filing contains forward-looking statements based on projections and estimates that involve many variables. The Company operates in an extremely competitive business environment and in an industry characterized by rapid changes in supply-demand balance. Certain risks and uncertainties including, without limitation, general economic conditions in Japan and other countries, crude and product prices and the exchange rate between the yen and the U.S. dollar, could cause the Company’s results to differ materially from any projections and estimates presented.

For further information regarding the projections above, please refer to (Attachments) “1. Discussion of quarterly consolidated financial results (3) Discussion of projected consolidated operating results” on page 3.

**(Reference) Summary of non-consolidated financial results****1. Non-consolidated financial results for the second quarter 2015 (January 1, 2015 through June 30, 2015)****(1) Operating results**

(Percentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2QYTD 2015	1,152,349	(22.4)	27,587	-	27,766	-	11,364	-
2QYTD 2014	1,484,291	(0.1)	(21,575)	-	(21,641)	-	(13,405)	-

	Net income per share	Diluted net income per share
	Yen	Yen
2QYTD 2015	31.20	31.18
2QYTD 2014	(36.79)	-

**(2) Financial position**

	Total assets	Net assets	Shareholders' equity ratio
	Million yen	Million yen	%
As of			
Jun. 30, 2015	1,227,909	340,613	27.7
Dec. 31, 2014	1,296,635	335,858	25.9

(Reference) Net assets excluding subscription rights to shares:

340,443 Million yen as of June 30, 2015

335,712 Million yen as of December 31, 2014

**2. Projected non-consolidated operating results for 2015 (January 1, 2015 through December 31, 2015)**

(Percentage figures are the changes from the same period prior year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	2,600,000	(12.7)	25,000	-	25,000	207.2	12,000	(84.2)	32.94

(Note) Revision to the most recent consolidated earnings forecast: Yes

(Attachments)

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## 1. Discussion of quarterly consolidated financial results

### (1) Discussion of consolidated operating results

Consolidated net sales for the second quarter year-to-date period amounted to 1,384.1 billion yen, a decrease of 308.3 billion yen or 18.2 % versus the same period of the previous year, primarily due to lower product prices in response to the lower current crude prices, which was partly offset by a sales volume increase attributable to the expanded sales network resulting from the acquisition of MOC Marketing G.K. (previously, Mitsui Oil Co. Ltd.).

Consolidated operating income was 40.7 billion yen, an increase of 57.1 billion yen versus the same period of the previous year, primarily reflecting higher oil product margins partly offset by inventory valuation losses caused by the crude and product price decline.

Consolidated ordinary income which incorporates non-operating items including share of profit of entities accounted for using equity method, foreign exchange losses and interest expenses was 40.2 billion yen, an increase of 57.7 billion yen versus the same period of the previous year.

Consolidated net income which incorporates extraordinary items including a 9.6 billion yen gain on change in equity as described in “(8) Business combinations” of “3. Quarterly consolidated financial statements” and income taxes was 23.3 billion yen, an increase of 38.2 billion yen versus the same period of the previous year. Income taxes reflect adverse adjustments due to revisions to the statutory effective tax rate in line with the amendment of the Income Tax Act, as further described in “(4) Additional information” of “3. Quarterly consolidated financial statements”.

Segment results based on operating income less goodwill amortization are shown as follows:

#### a. Oil segment

Oil segment income for the second quarter year-to-date period was 34.6 billion yen, an increase of 54.3 billion yen versus the same period of the previous year. Oil segment income includes an inventory loss of 19.8 billion yen, a loss increase of 16.7 billion yen versus the same period of the previous year. Excluding inventory effects, Oil segment income was 54.4 billion yen, a 71.0 billion yen increase versus the same period of the previous year, reflecting an increase in the sales volume of petroleum products, and an environment of strong margins for domestic petroleum products and product exports.

Oil segment income (loss) compared with the same period of the previous year

	(Unit: Billion yen)		
	2Q YTD 2014	2Q YTD 2015	Difference
Segment income (loss) as reported	(19.7)	34.6	54.3
Inventory effects (inventory valuation gains (losses))	(3.0)	(19.8)	(16.7)
Segment income (loss) excluding above inventory effects	(16.6)	54.4	71.0

#### b. Chemical segment

Chemical segment income for the second quarter year-to-date period was 14.8 billion yen, an increase of 3.0 billion yen versus the same period of the previous year. The amount reflects 2.3 billion yen of negative inventory effects, a loss increase of 1.8 billion yen versus the same period of the previous year. Excluding inventory effects, the chemical segment income was 17.2 billion yen, an increase of 4.8 billion yen versus the same period of the previous year, primarily due to higher olefins margins.

### (2) Discussion of consolidated financial condition

#### a. Total assets, liabilities and net assets

Total assets as of June 30, 2015 were 1,278.0 billion yen, a 98.2 billion yen decrease from December 31, 2014, mainly due to decreases in accounts receivable - trade and inventories caused by the crude and product price decline and income tax receivable partially offset by an increase in investment securities primarily as a result of holding 25% of the shares of Gyxis Corporation, an LP gas integrated company, as described in “(8) Business combinations” of “3. Quarterly consolidated financial statements”.

Total liabilities as of June 30, 2015 amounted to 1,006.8 billion yen, a 106.6 billion yen decrease from December 31, 2014, attributable mainly to decreases in gasoline taxes payable, short-term loans payable and commercial papers. Total net assets as of June 30, 2015 amounted to 271.2 billion yen, an 8.4 billion yen increase from December 31, 2014, reflecting an increase in retained earnings due mainly to net income exceeding cash dividends paid.

#### b. Cash flows

At the end of June 2015, the outstanding balance of cash and cash equivalents was 15.3 billion yen, a decrease of 19.8 billion yen versus December 31, 2014. Key factors influencing cash flows are summarized below.

In the second quarter year-to-date 2015, cash flow from operating activities were positive 26.5 billion yen versus a negative 14.8 billion yen in the same period of the previous year. Positive factors such as net income before income taxes and minority interests outweighed negative factors such as a decrease in payables reflecting payment of seven months equivalent of gasoline tax during the six months period.

Cash flows from investing activities were negative 18.8 billion yen versus a negative 35.7 billion yen in the same period of the previous year. The current period cash outflows are mainly due to capital expenditures. The prior period included the acquisition of MOC Marketing G.K.

Cash flows from financing activities were negative 27.7 billion yen versus a positive 60.4 billion yen in the same period of the previous year. This is mainly due to a decrease in commercial paper outstanding, repayment of long-term loans, and dividends paid. Cash flows in the previous year included an increase in short-term and long-term loans payable primarily to

finance the negative cash flow from operations and the acquisition of MOC Marketing G.K.

### (3) Discussion of projected consolidated operation results

Projected consolidated operating income for full year 2015 is unchanged from the prior full year forecast due to significant offsetting factors. On the positive side, second quarter Oil and Chemical results exceeded the prior forecast and the stronger Chemical margins are anticipated to continue in the second half. Conversely, in the Oil segment second half results will be impacted by anticipated weaker domestic and export margins in the third quarter. Further, due to lower oil prices, 45 billion yen of inventory losses are now projected versus the 30 billion yen assumed in the prior forecast. Consolidated net income is projected to be 6 billion yen higher due to positive tax effects from the merger with Kyokuto Petroleum Industries, Ltd. in July previously assumed to be neutral. The Company reaffirms the full year dividend of 38 yen per share stated in our previous announcement.

Revision of consolidated earnings forecast figures for full-year 2015 (January 1 through December 31, 2015)

(Unit: million yen)

	Net Sales	Operating Income	Ordinary Income	Net Income	Net Income per share (yen)
Previous forecast (A)	2,600,000	32,000	31,000	9,000	24.71
Revised forecast (B)	2,700,000	32,000	31,000	15,000	41.18
Difference (B-A)	100,000	-	-	6,000	-
Increase/ (decrease) (%)	3.8	-	-	66.7	-

## 2. Information relating to Notes in summary

### (1) Summary of change in major subsidiaries

Not applicable.

### (2) Changes in accounting policy, change in accounting estimates and restatements

- Application of Accounting Standard, etc. for Retirement Benefits

For the “Accounting Standard for Retirement Benefits” (The Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) (the “Accounting Standard”), and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015) (the “Guidance”), effective from the first quarter period, the Company has additionally applied the provisions set forth in the main clause of paragraph 35 of the Accounting Standard, and the main clause of paragraph 67 of the Guidance. Accordingly, the Company has reviewed its calculation method for retirement benefit obligations and service costs, and changed the method for determining the discount rate. The Company continues the straight line-basis for the attribution method of the estimated amount of retirement benefits to periods.

The Accounting Standard and the Guidance are applied in accordance with the transitional measures provided in paragraph 37 of the Accounting Standard. The amount of impact resulting from the changes in the calculation method for retirement benefit obligations and service costs has been deducted from retained earnings as of January 1, 2015.

The effect of this change on the quarterly consolidated balance sheet and the quarterly consolidated statement of income is immaterial.

### (3) Business and other risks

No new business risks or other risks have arisen during the second quarter year-to-date period.

There were no material changes to the business and other risks which were already reported in the year-end report for 2014.

### (4) Issues to be addressed

There were no material changes to the business issues to be addressed by the Company Group (the Company and the eight subsidiaries) during the second quarter year-to-date period.

**3. Quarterly consolidated financial statements****(1) Quarterly consolidated balance sheet**

(Unit: Million yen)

	<b>2014</b> <b>(December 31, 2014)</b>	<b>2Q 2015</b> <b>(June 30, 2015)</b>
<b>Assets</b>		
Current assets		
Cash and deposits	35,048	15,277
Notes and accounts receivable - trade	221,098	197,330
Merchandise and finished goods	101,860	81,010
Semi-finished goods	70,701	56,702
Raw materials	167,362	185,969
Supplies	10,599	9,918
Income taxes receivable	25,232	164
Deferred tax assets	7,711	1,407
Other	18,471	22,212
Allowance for doubtful accounts	(320)	(287)
Total current assets	657,765	569,707
Non-current assets		
Property, plant and equipment		
Machinery, equipment and vehicles, net	36,075	34,616
Land	176,022	175,418
Other, net	82,512	88,284
Total property, plant and equipment	294,610	298,318
Intangible assets		
Goodwill	306,316	297,590
Other	22,802	21,622
Total intangible assets	329,118	319,213
Investments and other assets		
Investment securities	19,870	30,129
Deferred tax assets	58,703	44,346
Other	16,262	16,341
Allowance for doubtful accounts	(118)	(74)
Total investments and other assets	94,718	90,742
Total non-current assets	718,447	708,275
Total assets	1,376,212	1,277,982

(Unit: Million yen)

	2014 (December 31, 2014)	2Q 2015 (June 30, 2015)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	174,552	211,249
Gasoline taxes payable	248,473	176,911
Short-term loans payable	153,347	144,208
Commercial papers	15,000	-
Income taxes payable	2,905	6,935
Provision	1,683	1,768
Other	131,592	81,485
Total current liabilities	727,554	622,558
Non-current liabilities		
Bonds payable	85,000	85,000
Long-term loans payable	132,298	132,009
Deferred tax liabilities	7,317	7,705
Net defined benefit liability	132,997	130,290
Provision for repairs	23,863	24,641
Other	4,427	4,616
Total non-current liabilities	385,904	384,263
Total liabilities	1,113,459	1,006,821
<b>Net assets</b>		
Shareholders' equity		
Capital stock	35,123	35,123
Capital surplus	57,400	49,018
Retained earnings	322,911	339,188
Treasury shares	(142,201)	(142,238)
Total shareholders' equity	273,233	281,092
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	576	1,008
Revaluation reserve for land	-	(32)
Remeasurements of defined benefit plans	(12,109)	(11,983)
Total accumulated other comprehensive income	(11,533)	(11,007)
Subscription rights to shares	146	170
Minority interests	907	905
Total net assets	262,753	271,160
Total liabilities and net assets	1,376,212	1,277,982

**(2) Quarterly consolidated statement of income and comprehensive income**  
**a. Quarterly consolidated statement of income**  
**Second quarter YTD period**

(Unit: Million yen)

	2Q YTD 2014 (January 1, 2014 through June 30, 2014)	2Q YTD 2015 (January 1, 2015 through June 30, 2015)
Net sales	1,692,402	1,384,144
Cost of sales	1,661,177	1,292,520
Gross profit	31,225	91,624
Selling, general and administrative expenses	47,652	50,907
Operating income (loss)	(16,427)	40,716
Non-operating income		
Interest income	65	72
Dividend income	196	253
Share of profit of entities accounted for using equity method	407	154
Compensation income	292	52
Other	324	375
Total non-operating income	1,286	909
Non-operating expenses		
Interest expenses	1,564	1,201
Foreign exchange losses	456	79
Bond issuance cost	155	-
Other	212	190
Total non-operating expenses	2,388	1,471
Ordinary income (loss)	(17,529)	40,154
Extraordinary income		
Gain on sales of non-current assets	208	150
Gain on change in equity	-	9,617
Gain on step acquisitions	431	-
Total extraordinary income	639	9,767
Extraordinary losses		
Loss on sales and retirement of non-current assets	1,604	956
Impairment loss	82	88
Settlement package	1,169	-
Total extraordinary losses	2,856	1,045
Income (loss) before income taxes and minority interests	(19,745)	48,877
Income taxes	(4,856)	25,599
Income (loss) before minority interests	(14,889)	23,277
Minority interests in income	43	7
Net income (loss)	(14,933)	23,270

**b. Quarterly consolidated statement of comprehensive income**  
**Second quarter YTD period**

(Unit: Million yen)

	<b>2Q YTD 2014</b> <b>(January 1, 2014</b> <b>through June 30, 2014)</b>	<b>2Q YTD 2015</b> <b>(January 1, 2015</b> <b>through June 30, 2015)</b>
Income (loss) before minority interests	(14,889)	23,277
Other comprehensive income		
Valuation difference on available-for-sale securities	247	409
Remeasurements of defined benefit plans, net of tax	-	115
Share of other comprehensive income of entities accounted for using equity method	0	(8)
Total other comprehensive income	247	516
Comprehensive income	(14,642)	23,794
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(14,687)	23,796
Comprehensive income attributable to minority interests	45	(1)

**(3) Quarterly consolidated statement of cash flows**

(Unit: Million yen)

	2Q YTD 2014 (January 1, 2014 through June 30, 2014)	2Q YTD 2015 (January 1, 2015 through June 30, 2015)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(19,745)	48,877
Depreciation	10,827	11,223
Amortization of goodwill	8,593	8,725
Share of (profit) loss of entities accounted for using equity method	(407)	(154)
Impairment loss	82	88
Increase (decrease) in provision for retirement benefits	(2,690)	-
Increase (decrease) in liability for retirement benefits	-	(2,707)
Increase (decrease) in provision for repairs	(1,585)	778
Interest and dividend income	(262)	(326)
Interest expenses	1,564	1,201
Foreign exchange losses (gains)	-	(169)
Loss (gain) on step acquisitions	(431)	-
Loss (gain) on change in equity	-	(9,617)
Settlement package	1,169	-
Compensation income	(292)	(52)
Loss (gain) on sales and retirement of non-current assets	1,396	806
Decrease (increase) in notes and accounts receivable - trade	66,036	23,767
Decrease (increase) in inventories	3,030	12,638
Increase (decrease) in notes and accounts payable - trade	(21,729)	36,696
Decrease (increase) in accounts receivable - other	1,069	(1,979)
Increase (decrease) in accounts payable - other	(44,571)	(99,527)
Other, net	(4,156)	(5,076)
Subtotal	(2,103)	25,192
Interest and dividend income received	1,094	1,133
Interest expenses paid	(1,545)	(1,247)
Income taxes refund	3,954	25,450
Income taxes paid	(15,361)	(24,084)
Settlement package paid	(1,169)	-
Proceeds from compensation	292	52
Net cash provided by (used in) operating activities	(14,839)	26,498
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,579)	(14,849)
Proceeds from sales of property, plant and equipment	831	1,002
Purchase of intangible assets	(2,475)	(2,843)
Proceeds from sales of intangible assets	-	321
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(25,503)	-
Purchase of investment securities	-	(3,023)
Other, net	39	633
Net cash provided by (used in) investing activities	(35,687)	(18,757)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	48,105	(1,938)
Repayments of long-term loans payable	(45,651)	(7,229)
Proceeds from long-term loans payable	30,000	3,440
Net decrease in commercial papers	-	(15,000)
Proceeds from issuance of bonds	34,844	-
Cash dividends paid	(6,923)	(6,921)
Other, net	(22)	(32)
Net cash provided by (used in) financing activities	60,352	(27,682)
Effect of exchange rate change on cash and cash equivalents	-	169
Net increase (decrease) in cash and cash equivalents	9,826	(19,771)
Cash and cash equivalents at beginning of period	18,655	35,048
Cash and cash equivalents at end of period	28,481	15,277

**(4) Additional information**

- Amendment to amount of deferred tax assets and liabilities due to change in corporate income tax rate, etc.

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act on Partial Amendment of the Local Tax Act, etc.” (Act No. 2 of 2015) have been promulgated on March 31, 2015. With this amendment, the corporate income tax rates, etc. are to be reduced effective from the fiscal year beginning on or after April 1, 2015. In conjunction with this, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities is changed from the previous rate of 35.6%. The rate is 33.1% for temporary differences expected to be realized in the fiscal year beginning on January 1, 2016, and 32.3% for temporary differences expected to be realized in the fiscal year beginning on or after January 1, 2017.

As a result, net deferred tax assets decreased by 2,419 million yen, revaluation reserve for land decreased by 32 million yen, remeasurements of defined benefit plans decreased by 568 million yen, income taxes - deferred increased by 2,655 million yen, investment securities increased by 32 million yen, capital surplus increased by 757 million yen, and valuation difference on available-for-sale securities increased by 46 million yen.

Moreover, the system of deduction for losses carried forward has been revised. The limit of deduction from taxable income applicable to losses carried forward is amount equivalent to 65% of the income before loss carried forward effective from the fiscal year beginning on and after April 1, 2015, and 50% effective from the fiscal year beginning on and after April 1, 2017.

As a result, net deferred tax assets decreased by 15,631 million yen, capital surplus decreased by 3,000 million yen, and income taxes - deferred increased by 12,630 million yen.

**(5) Notes on assumption of going concern**

Not applicable.

**(6) Notes on significant changes in the amount of shareholders' equity**

Not applicable.

**(7) Segment information****Second quarter YTD 2014 period (January 1, 2014 through June 30, 2014)**

## 1. Net sales and segment income (loss) by reportable segment

(Unit: Million yen)

	Oil	Chemical	Total	Adjustment (Note) 1, 2	Quarterly consolidated statement of income amount
Net sales					
Sales to customers outside the Company group	1,502,775	189,626	1,692,402	-	1,692,402
Internal transactions	1,081,353	33,631	1,114,984	(1,114,984)	-
Total	2,584,129	223,257	2,807,387	(1,114,984)	1,692,402
Segment income (loss)	(19,670)	11,837	(7,833)	(8,593)	(16,427)

(Note) 1. Adjustment of (1,114,984) million yen represents an elimination of inter-segment transactions.

2. Goodwill amortization of (8,593) million yen is shown in the adjustment column as it is not allocated to each segment.

3. Total segment income (loss) plus "Adjustment" is the same as operating loss in the quarterly consolidated statement of income.

**Second quarter YTD 2015 period (January 1, 2015 through June 30, 2015)**

## 1. Net sales and segment income (loss) by reportable segment

(Unit: Million yen)

	Oil	Chemical	Total	Adjustment (Note) 1, 2	Quarterly consolidated statement of income amount
Net sales					
Sales to customers outside the Company group	1,242,373	141,771	1,384,144	-	1,384,144
Internal transactions	947,834	24,912	972,746	(972,746)	-
Total	2,190,207	166,683	2,356,891	(972,746)	1,384,144
Segment income	34,596	14,846	49,442	(8,725)	40,716

(Note) 1. Adjustment of (972,746) million yen represents an elimination of inter-segment transactions.

2. Goodwill amortization of (8,725) million yen is shown in the adjustment column as it is not allocated to each segment.

3. Total segment income plus "Adjustment" is the same as operating income in the quarterly consolidated statement of income.

## 2. Disclosure of changes, etc. in reportable segments

## (Application of Accounting Standard, etc. for Retirement Benefits)

The Company has changed the calculation method for retirement benefit obligations and service costs effective from the first quarter period as noted in "Change in accounting policies."

The effect of this change on segment income for the second quarter year-to-date 2015 period is immaterial.

**(8) Business combinations**

## Formation of jointly controlled entity

## 1. Summary of the transaction

## (1) Name and description of the business

Name of the business	LP gas wholesale operations pursued by the Company and its consolidated subsidiary
Business description	LP gas import/procurement, logistics and domestic wholesale

## (2) Date of business combination

April 1, 2015

## (3) Legal form of business combination

Showa Shell Sekiyu K.K., Sumitomo Corporation, Enessance Holdings Co., Ltd. (established in 2008 by Showa Shell Sekiyu K.K. and Sumitomo Corporation with equity stakes of 51% and 49%, respectively) and the

Company carrying out absorption-type spin-offs with Cosmo Petroleum Gas K.K. as the absorption-type spin-off succeeding company

## (4) Entity name after business combination

Gyxis Corporation

## (5) Overview of transaction including purpose of transaction

The LP gas import and wholesale operations (LP gas import/procurement, shipping terminal operation, logistics, and domestic wholesaling) and overseas trading operations of the four corporate groups including the Company were consolidated into an integrated structure to create one of Japan's top-class LP gas import and wholesale companies.

## (6) Reason for judging the combination to be the formation of a jointly controlled company

Cosmo Oil Co., Ltd., Showa Shell Sekiyu K.K., Sumitomo Corporation and the Company entered into a shareholders' agreement to own Gyxis Corporation as a jointly controlled company.

In addition, there are no specific facts otherwise demonstrating a relationship of control with Gyxis Corporation. Accordingly, the business combination was judged as the formation of jointly controlled company.

## 2. Overview of implemented accounting treatment

Under the "Accounting Standard for Business Combinations" (The Accounting Standard Board of Japan (ASBJ) statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008), the Company treated this transaction as the formation of a jointly controlled company.

In addition, since Cosmo Oil Co., Ltd., Showa Shell Sekiyu K.K., Sumitomo Corporation and the Company each own 20,000 shares in Gyxis Corporation (equivalent to 25% of the total number of shares issued), Gyxis Corporation became an equity-method associate of the Company.

As a result of the business combination, the Company recognized 9,617 million yen as "gain on change in equity" in extraordinary gain on the consolidated statement of income in the second quarter year-to-date period.