*[The official language for TonenGeneral Sekiyu's filings with the Tokyo Stock Exchange and Japanese authorities, and for communications with our shareholders, is Japanese. We have posted English versions of some of the said information on our website. While these English versions have been prepared in good faith, TonenGeneral Sekiyu does not accept responsibility for the accuracy of the translations, and reference should be made to the original Japanese language materials.]*

# Consolidated Financial Results for the Third Quarter 2016
## (Japanese GAAP basis)

November 11, 2016


Company name: TonenGeneral Sekiyu K.K. Listed on: Tokyo Stock Exchange
Code number: 5012 URL: http://www.tonengeneral.co.jp
Representative: Jun Mutoh Representative Director and President
Contact person: Kosuke Kai Manager, Media Relations, Public Relations & CSR, EMG Marketing Godo Kaisha Tel: (03)-6713-4400


Scheduled date of filing Quarterly Securities Report: November 11, 2016
Scheduled date of start of dividends payment: -
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 third quarter 2016 (January 1, 2016 through September 30, 2016)

**(1) Operating results** (Percentage figures are the changes from the same period prior year)

| | Net sales | | Operating income | | Ordinary income | | Profit (loss) attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| 3QYTD 2016 | 1,508,184 | (26.2) | 28,597 | 182.9 | 25,684 | 223.6 | 20,720 | - |
| 3QYTD 2015 | 2,043,781 | (21.9) | 10,109 | - | 7,937 | - | 1,556 | - |

(Note) Comprehensive income: 22,309 million yen [929.4%] for 3QYTD 2016 2,167 million yen [-%] for 3QYTD 2015

| | Earnings (loss) per share | Diluted earnings per share |
|---|---|---|
| | Yen | Yen |
| 3QYTD 2016 | 56.89 | 56.85 |
| 3QYTD 2015 | 4.27 | 4.27 |

**(2) Financial position**

| | Total assets | Net assets | Shareholders' equity ratio |
|---|---|---|---|
| As of | Million yen | Million yen | % |
| Sep. 30, 2016 | 1,115,652 | 242,284 | 21.7 |
| Dec. 31, 2015 | 1,209,364 | 234,106 | 19.3 |

(Reference) Net assets excluding non-controlling interests and subscription rights to shares:
241,882 million yen as of September 30, 2016 232,976 million yen as of December 31, 2015

### 2. Dividends

| | Annual dividend | | | | |
|---|---|---|---|---|---|
| | 1st quarter end | 2nd quarter end | 3rd quarter end | Year-end | Full-year |
| | Yen | Yen | Yen | Yen | Yen |
| 2015 | - | 19.00 | - | 19.00 | 38.00 |
| 2016 | - | 19.00 | - | | |
| 2016 (Forecast) | | | | 28.50 | 47.50 |

(Note) Revision to the most recent dividend forecast: No
(Note) Details of year-end dividends for the Full year 2016 (Forecast): Regular dividend 19.00 yen, Special dividend 9.50 yen

### 3. Projected consolidated operating results for 2016 (January 1, 2016 through December 31, 2016)

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

| | Net sales | | Operating income | | Ordinary income | | Profit (loss) attributable to owners of parent | | Earnings (loss) per share |
|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 2,100,000 | (20.1) | 48,000 | - | 47,000 | - | 31,000 | - | 85.11 |

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

## * Notes

(1) Change in major subsidiaries in the current quarter year-to-date period (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)

| | | | | | |
|---|---|---|---|---|---|
| 3Q2016 | 366,000,000 | shares | Full year 2015 | 565,182,000 | shares |

b. Number of treasury shares at the end of period

| | | | | | |
|---|---|---|---|---|---|
| 3Q2016 | 1,771,441 | shares | Full year 2015 | 200,936,131 | shares |

c. Average number of shares during the period

| | | | | | |
|---|---|---|---|---|---|
| 3QYTD2016 | 364,237,165 | shares | 3QYTD 2015 | 364,283,492 | shares |

- **Review status of Quarterly Securities Report *(Shihanki-Houkokusho)* for the Third Quarter 2016**

  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 LLC 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 Third Quarter 2016. The auditor expressed the conclusion on November 11, 2016 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 September 30, 2016, the results of their operations and their cash flows for the nine-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.

(Attachments)

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# 1. Discussion of quarterly consolidated financial results

## (1) Discussion of consolidated operating results

Consolidated net sales for the third quarter year-to-date period amounted to 1,508.2 billion yen, a decrease of 535.6 billion yen or 26.2 % versus the same period of the previous year, primarily due to lower product prices in response to the lower crude prices as well as lower sales volume.

Consolidated operating income amounted to 28.6 billion yen, an increase of 18.5 billion yen versus the same period of the previous year due to gains mainly from a decrease in inventory valuation losses.

Consolidated ordinary income, which incorporates non-operating items including share of loss of entities accounted for using equity method, foreign exchange losses and interest expenses, was 25.7 billion yen, an increase of 17.7 billion yen versus the same period of the previous year.

Profit attributable to owners of parent which incorporates extraordinary items and income taxes was 20.7 billion yen, an increase of 19.2 billion yen versus the same period of the previous year. Income taxes reflect adjustments in line with revisions to the statutory effective tax rate as further described in the section titled "3. Quarterly consolidated financial statements (4) Additional information".

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

### a. Oil segment

Oil segment income for the third quarter year-to-date period was 11.4 billion yen, an increase of 8.3 billion yen versus the same period of the previous year. Oil segment income excluding inventory valuation losses of 9.5 billion yen, versus losses of 58.0 billion yen in the same period of the previous year, was 20.9 billion yen, a decrease of 40.2 billion yen versus the same period of the previous year, reflecting the environment of margins for domestic petroleum products and product exports.

Oil segment income compared with the same period of the previous year

(Unit: Billion yen)

| | 3Q YTD 2015 | 3Q YTD 2016 | Difference |
|---|---|---|---|
| Segment income as reported | 3.1 | 11.4 | 8.3 |
| Inventory effects (losses) | (58.0) | (9.5) | 48.5 |
| Segment income excluding above inventory effects | 61.1 | 20.9 | (40.2) |

### b. Chemical segment

Chemical segment income for the third quarter year-to-date period was 30.3 billion yen, an increase of 10.2 billion yen versus the same period of the previous year. Chemical segment income excluding inventory valuation losses of 1.3 billion yen, versus losses of 2.1 billion yen in the same period of the previous year, was 31.6 billion yen, an increase of 9.3 billion yen versus the same period of the previous year, largely reflecting favorable olefins margins and aromatics margins recovery.

Chemical segment income compared with the same period of the previous year

(Unit: Billion yen)

| | 3Q YTD 2015 | 3Q YTD 2016 | Difference |
|---|---|---|---|
| Segment income as reported | 20.1 | 30.3 | 10.2 |
| Inventory effects (losses) | (2.1) | (1.3) | 0.9 |
| Segment income excluding above inventory effects | 22.3 | 31.6 | 9.3 |

## (2) Discussion of consolidated financial condition

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

Total assets as of September 30, 2016 were 1,115.7 billion yen, a 93.7 billion yen decrease from December 31, 2015, mainly due to decreases in cash and deposits and notes and accounts receivable - trade.

Total liabilities as of September 30, 2016 amounted to 873.4 billion yen, a 101.9 billion yen decrease from December 31, 2015, attributable mainly to decreases in gasoline taxes payable and short-term and long-term loans payable. Total net assets as of September 30, 2016 amounted to 242.3 billion yen, an 8.2 billion yen increase from December 31, 2015, due mainly to profit attributable to owners of parent exceeding dividend payments.

199,182,000 treasury shares were canceled on February 29, 2016. This cancelation decreased retained earnings and treasury shares by 141.0 billion yen each.

### b. Cash flows

At the end of the September 2016, the outstanding balance of cash and cash equivalents was 30.3 billion yen, a decrease of 69.8 billion yen versus December 31, 2015. Key factors influencing cash flows are summarized below.

In the third quarter year-to-date 2016 period, cash flows from operating activities were positive 30.2 billion yen versus positive 66.3 billion yen in the same period of the previous year. This is mainly due to the fact that positive factors such as

profit before income taxes, a decrease in trade account receivables and a decrease in trade account payables outweighed negative factors such as a decrease in payables largely reflecting payment of 10 months equivalent of gasoline taxes during the 9 month period.
Cash flows from investing activities were negative 20.5 billion yen versus negative 31.8 billion yen in the same period of the previous year. This is mainly due to capital expenditures.
Cash flows from financing activities were negative 78.3 billion yen versus negative 49.3 billion yen in the same period of the previous year. This is mainly due to repayment of short-term and long-term loans payable.

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

Projections of consolidated net sales for full year 2016 have been revised downward reflecting lower product prices.
In addition to the full-year dividend of 38 yen per share, on the condition of a business integration with JX Holdings, Inc. (“JXHD”), a special dividend of 9.5 yen per share will be paid.
Please see “2. Information relating to Notes in summary (5) Issues to be addressed” regarding the business integration with JXHD.

Revision of consolidated earnings forecast figures for full-year 2016 (January 1 through December 31, 2016)

(Unit: Million yen)

| | Net Sales | Operating Income | Ordinary Income | Profit (loss) attributable to owners of parent | Earnings (loss) per share (yen) |
|---|---|---|---|---|---|
| Previous forecast (A) | 2,300,000 | 48,000 | 47,000 | 31,000 | 85.11 |
| Revised forecast (B) | 2,100,000 | 48,000 | 47,000 | 31,000 | 85.11 |
| Difference (B-A) | (200,000) | - | - | - | - |
| Increase/ (decrease) (%) | (8.7) | - | - | - | - |

## 2. Information relating to Notes in summary

### (1) Change in major subsidiaries in the current quarter year-to-date period

Not applicable.

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

- Application of Accounting Standard for Business Combinations, etc.

The Company has adopted the “Accounting Standard for Business Combinations” (The Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013) and so forth effective from the first quarter 2016 period. Changes in ownership interests in subsidiaries remaining under the control of the Company are accounted to capital surplus and acquisition related costs are expensed in the incurred year’s consolidated financial statements. For a business combination carried out on and after the beginning of the first quarter 2016 period, revisions for its purchase price allocation as a result of finalizing provisional accounting treatment is reflected in the quarterly financial statements for the quarter when the business combination is created. In addition, changes in presentation for net income and so on, and presentation from minority interests to non-controlling interests are implemented. In order to reflect these changes in presentation, reclassification has been made for the quarterly consolidated financial statements and the consolidated financial statements in the third quarter year-to-date 2015 period and the fiscal year 2015.
Application of Accounting Standard for Business Combinations, etc. have been adopted from the beginning of the first quarter 2016 period in accordance with transitional measures provided in Paragraph 58-2 (4) of the Accounting Standards for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There are no impacts on the quarterly financial statements.

- Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the second quarter 2016 period, and changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining balance method to the straight line method.

The effect of this change on the quarterly financial statements is immaterial.

### (3) Number of shares issued

Based on a February 12, 2016 resolution by the Board of Directors of the Company, 199,182,000 treasury shares were canceled on February 29, 2016. As a result, the number of shares issued is 366,000,000 shares at the end of September, 2016.

### (4) Business and other risks

There were no material changes to the business and other risks which were already reported in the year-end report for 2015.

### (5) Issues to be addressed

As a result of detailed examinations and discussion of a business integration with JXHD ("the Business Integration"), the Company reached a final agreement, and based on a resolution adopted at its Board of Directors meeting held on August 31, 2016, a business integration agreement and other agreements were concluded on the same day.

Demand for petroleum products in Japan has declined about 23% over the past 10 years. With the decreasing population, the growth of fuel-efficient vehicles, and the shift to gas, electric power and other types of energy, this decline is expected to continue at a rate of around 2% per year. Meanwhile, overseas, demand for petroleum and petrochemical products is increasing in China, India and other Asian countries; however, there are already large-scale plants in Korea and elsewhere, and the construction of new or additional, highly cost-competitive plants is anticipated in developing countries as well. For these reasons, international competition in the Asian market, including Japan, is expected to increase dramatically.

Up to this point, JXHD and the Company have endeavored to realize further rationalization and efficiency improvement in their respective companies through business integrations, business reforms and other initiatives; however, taking into account the severe business climate that is expected to continue both in Japan and abroad, the two companies mutually acknowledged the need for even more drastic rationalization and efficiency improvement, which neither company would likely be able to achieve individually. Therefore, JXHD and the Company agreed to consummate the Business Integration in order to maximize their enterprise value by combining the business resources of their company groups and carrying out intensive business reforms.

After the Business Integration, the two companies aim to establish a strong company group (the "Integrated Group") under a holding company in order to develop into one of the most prominent and internationally-competitive comprehensive energy, natural resource, and materials company groups in Asia, and to contribute to the development of a sustainable and vigorous economy and society.

In order to achieve the foregoing objectives, JXHD and the Company will establish a management system capable of implementing capital efficiency-oriented strategies for investments and business portfolios.

Moreover, premised on safe and stable operations and stable supply, the Integrated Group will further strengthen the business foundation by promptly implementing intensive business reforms and establishing a management system which allows the development and expansion of a business that will be a mainstay of the future.

The Business Integration is subject to approval at the general meetings of shareholders of both companies, the approval of the relevant governmental authorities, and other conditions.

# 3. Quarterly consolidated financial statements

## (1) Quarterly consolidated balance sheet

(Unit: Million yen)

| | 2015 (December 31, 2015) | 3Q 2016 (September 30, 2016) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 100,161 | 30,344 |
| Notes and accounts receivable - trade | 172,650 | 153,616 |
| Merchandise and finished goods | 64,274 | 61,468 |
| Semi-finished goods | 35,332 | 32,723 |
| Raw materials | 83,692 | 94,267 |
| Supplies | 10,003 | 9,451 |
| Income taxes receivable | 4,100 | 3,458 |
| Deferred tax assets | 1,733 | 929 |
| Other | 24,682 | 18,832 |
| Allowance for doubtful accounts | (282) | (7) |
| Total current assets | 496,348 | 405,083 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Machinery, equipment and vehicles, net | 36,247 | 40,234 |
| Land | 174,562 | 173,469 |
| Other, net | 96,918 | 97,903 |
| Total property, plant and equipment | 307,728 | 311,607 |
| Intangible assets | | |
| Goodwill | 288,865 | 275,776 |
| Other | 21,503 | 21,494 |
| Total intangible assets | 310,368 | 297,271 |
| Investments and other assets | | |
| Investment securities | 33,922 | 30,915 |
| Deferred tax assets | 45,391 | 53,458 |
| Other | 15,677 | 17,365 |
| Allowance for doubtful accounts | (74) | (49) |
| Total investments and other assets | 94,918 | 101,689 |
| Total non-current assets | 713,015 | 710,568 |
| Total assets | 1,209,364 | 1,115,652 |

(Unit: Million yen)

| | **2015 (December 31, 2015)** | **3Q 2016 (September 30, 2016)** |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 129,769 | 153,136 |
| Gasoline taxes payable | 244,907 | 188,886 |
| Short-term loans payable | 118,180 | 79,435 |
| Income taxes payable | 1,761 | 4,902 |
| Provision | 1,743 | 4,525 |
| Other | 100,287 | 90,648 |
| Total current liabilities | 596,649 | 521,535 |
| Non-current liabilities | | |
| Bonds payable | 85,000 | 85,000 |
| Long-term loans payable | 131,027 | 106,542 |
| Deferred tax liabilities | 319 | 257 |
| Net defined benefit liability | 132,993 | 130,801 |
| Provision for repairs | 23,634 | 22,018 |
| Other | 5,633 | 7,211 |
| Total non-current liabilities | 378,609 | 351,831 |
| Total liabilities | 975,258 | 873,367 |
| Net assets | | |
| Shareholders’ equity | | |
| Capital stock | 35,123 | 35,123 |
| Capital surplus | 48,473 | 49,419 |
| Retained earnings | 309,049 | 174,896 |
| Treasury shares | (142,278) | (1,256) |
| Total shareholders’ equity | 250,367 | 258,182 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,054 | 483 |
| Revaluation reserve for land | (32) | (47) |
| Remeasurements of defined benefit plans | (18,412) | (16,736) |
| Total accumulated other comprehensive income | (17,390) | (16,300) |
| Subscription rights to shares | 170 | 199 |
| Non-controlling interests | 959 | 202 |
| Total net assets | 234,106 | 242,284 |
| Total liabilities and net assets | 1,209,364 | 1,115,652 |

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

### a. Quarterly consolidated statement of income

### Third quarter YTD period

(Unit: Million yen)

| | 3Q YTD 2015 (January 1, 2015 through September 30, 2015) | 3Q YTD 2016 (January 1, 2016 through September 30, 2016) |
|---|---|---|
| Net sales | 2,043,781 | 1,508,184 |
| Cost of sales | 1,956,772 | 1,397,423 |
| Gross profit | 87,008 | 110,760 |
| Selling, general and administrative expenses | 76,899 | 82,163 |
| Operating income | 10,109 | 28,597 |
| Non-operating income | | |
| Interest income | 89 | 94 |
| Dividend income | 267 | 168 |
| Compensation income | 52 | 65 |
| Other | 507 | 300 |
| Total non-operating income | 917 | 629 |
| Non-operating expenses | | |
| Interest expenses | 1,790 | 1,581 |
| Foreign exchange losses | 542 | 685 |
| Share of loss of entities accounted for using equity method | 391 | 1,120 |
| Other | 365 | 153 |
| Total non-operating expenses | 3,089 | 3,542 |
| Ordinary income | 7,937 | 25,684 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 269 | 2,301 |
| Compensation income for expropriation | – | 179 |
| Gain on change in equity | 9,617 | – |
| Total extraordinary income | 9,886 | 2,480 |
| Extraordinary losses | | |
| Loss on sales and retirement of non-current assets | 1,688 | 1,443 |
| Impairment loss | 91 | 136 |
| Loss on sales of investment securities | – | 357 |
| Total extraordinary losses | 1,780 | 1,937 |
| Profit before income taxes | 16,043 | 26,227 |
| Income taxes | 14,470 | 5,008 |
| Profit | 1,573 | 21,218 |
| Profit attributable to non-controlling interests | 17 | 498 |
| Profit attributable to owners of parent | 1,556 | 20,720 |

### b. Quarterly consolidated statement of comprehensive income
### Third quarter YTD period

(Unit: Million yen)

| | 3Q YTD 2015 (January 1, 2015 through September 30, 2015) | 3Q YTD 2016 (January 1, 2016 through September 30, 2016) |
|---|---|---|
| Profit | 1,573 | 21,218 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 82 | (545) |
| Remeasurements of defined benefit plans, net of tax | 517 | 1,679 |
| Share of other comprehensive income of entities accounted for using equity method | (6) | (43) |
| Total other comprehensive income | 593 | 1,090 |
| Comprehensive income | 2,167 | 22,309 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,166 | 21,811 |
| Comprehensive income attributable to non-controlling interests | 0 | 498 |

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

(Unit: Million yen)

| | 3Q YTD 2015 (January 1, 2015 through September 30, 2015) | 3Q YTD 2016 (January 1, 2016 through September 30, 2016) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 16,043 | 26,227 |
| Depreciation | 17,460 | 18,244 |
| Amortization of goodwill | 13,088 | 13,088 |
| Share of (profit) loss of entities accounted for using equity method | 391 | 1,120 |
| Impairment loss | 91 | 136 |
| Increase (decrease) in net defined benefit liability | (3,762) | (2,192) |
| Increase (decrease) in provision for repairs | 1,275 | (1,615) |
| Interest and dividend income | (357) | (262) |
| Interest expenses | 1,790 | 1,581 |
| Foreign exchange losses (gains) | 38 | 1,166 |
| Loss (gain) on sales and retirement of non-current assets | 1,418 | (855) |
| Compensation income for expropriation | – | (179) |
| Compensation income | (52) | (65) |
| Loss (gain) on change in equity | (9,617) | – |
| Loss (gain) on sales of investment securities | – | 357 |
| Decrease (increase) in notes and accounts receivable - trade | 54,969 | 18,759 |
| Decrease (increase) in inventories | 88,777 | (4,607) |
| Increase (decrease) in notes and accounts payable - trade | (23,364) | 23,367 |
| Decrease (increase) in accounts receivable - other | (11,602) | 7,335 |
| Increase (decrease) in accounts payable - other | (77,510) | (60,230) |
| Other, net | (951) | (5,559) |
| Subtotal | 68,128 | 35,817 |
| Interest and dividend income received | 1,171 | 1,023 |
| Interest expenses paid | (1,875) | (1,703) |
| Income taxes refund | 25,525 | 3,866 |
| Income taxes paid | (26,657) | (8,864) |
| Proceeds from compensation | 52 | 65 |
| Net cash provided by (used in) operating activities | 66,344 | 30,205 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (25,745) | (21,385) |
| Proceeds from sales of property, plant and equipment | 1,292 | 3,407 |
| Purchase of intangible assets | (3,145) | (2,628) |
| Proceeds from sales of intangible assets | 321 | 0 |
| Proceeds from compensation for expropriation | – | 179 |
| Purchase of investment securities | (5,127) | (303) |
| Proceeds from sales of investment securities | 555 | 152 |
| Other, net | 89 | 62 |
| Net cash provided by (used in) investing activities | (31,759) | (20,514) |

(Unit: Million yen)

| | 3Q YTD 2015 (January 1, 2015 through September 30, 2015) | 3Q YTD 2016 (January 1, 2016 through September 30, 2016) |
|---|---|---|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (17,011) | (38,038) |
| Repayments of long-term loans payable | (3,998) | (30,191) |
| Proceeds from long-term loans payable | – | 5,000 |
| Net increase (decrease) in commercial papers | (15,000) | – |
| Cash dividends paid | (13,270) | (13,841) |
| Repayments to non-controlling shareholders | – | (1,254) |
| Other, net | (46) | (16) |
| Net cash provided by (used in) financing activities | (49,326) | (78,342) |
| Effect of exchange rate change on cash and cash equivalents | (38) | (1,166) |
| Net increase (decrease) in cash and cash equivalents | (14,779) | (69,817) |
| Cash and cash equivalents at beginning of period | 35,048 | 100,161 |
| Cash and cash equivalents at end of period | 20,269 | 30,344 |

### (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. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) have been promulgated on March 31, 2016. With this amendment, the corporate income tax rates, etc. are to be reduced effective from the fiscal year beginning on and after April 1, 2016. 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 32.3%. The rate is 30.9% for temporary differences expected to be realized in the fiscal years beginning on January 1, 2017 and beginning on January 2018, and 30.6% for temporary differences expected to be realized in the fiscal years beginning on and after January 1, 2019.

As a result, deferred tax assets (after deducting deferred tax liabilities) decreased by 1,728 million yen, capital surplus decreased by 54 million yen, income taxes – deferred increased by 1,259 million yen, profit attributable to non-controlling interests increased by 2 million yen, valuation difference on available-for-sale securities increased by 28 million yen, remeasurements of defined benefit plans increased by 441 million yen, and non-controlling interests increased by 1 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 60% of the income before loss carried forward effective from the fiscal year beginning on January 1, 2017, 55% effective from the fiscal year beginning on January 1, 2018 and 50% effective from the fiscal years beginning on and after January 1, 2019. As a result, deferred tax assets (after deducting deferred tax liabilities) decreased by 479 million yen, capital surplus decreased by 17 million yen, and income taxes - deferred increased by 461 million yen.

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

Not applicable.

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

Based on a February 12, 2016 resolution by the Board of Directors of the Company, 199,182,000 treasury shares were canceled on February 29, 2016. This cancelation decreased capital surplus by 6 million yen, retained earnings by 141,032 million yen and treasury shares by 141,038 million yen in the third quarter year-to-date 2016 period.

### (7) Segment information

**Third quarter YTD 2015 period (January 1, 2015 through September 30, 2015)**

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 third parties | 1,831,985 | 211,796 | 2,043,781 | - | 2,043,781 |
| Internal transactions | 1,343,314 | 38,288 | 1,381,603 | (1,381,603) | - |
| Total | 3,175,300 | 250,085 | 3,425,385 | (1,381,603) | 2,043,781 |
| Segment income | 3,087 | 20,110 | 23,197 | (13,088) | 10,109 |

(Notes) 1. Adjustment of (1,381,603) million yen represents an elimination of inter-segment transactions.
2. Goodwill amortization of (13,088) 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.

**Third quarter YTD 2016 period (January 1, 2016 through September 30, 2016)**

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 third parties | 1,333,758 | 174,426 | 1,508,184 | - | 1,508,184 |
| Internal transactions | 959,046 | 24,120 | 983,167 | (983,167) | - |
| Total | 2,292,804 | 198,546 | 2,491,351 | (983,167) | 1,508,184 |
| Segment income | 11,400 | 30,285 | 41,686 | (13,088) | 28,597 |

(Notes) 1. Adjustment of (983,167) million yen represents an elimination of inter-segment transactions.
2. Goodwill amortization of (13,088) 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 Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

As listed in "2. Information relating to Notes in summary (2) Change in accounting policy, change in accounting estimates and restatements," the Company has applied the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" from the second quarter 2016 period, and changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining balance method to the straight line method.

The effect of this change is immaterial.

## (8) Significant subsequent events

The Company's Board of Directors on November 11, 2016, passed a resolution on an absorption-type merger (the "Merger") with its consolidated subsidiary EMG Marketing Godo Kaisha ("EMG Marketing," a designated subsidiary of the Company) to take place on January 1, 2017, with the Company remaining as the surviving company and EMG Marketing to be dissolved and both companies executed an absorption-type merger agreement on the same day.

1. Objectives of the Merger

The Company has agreed to consummate the Business Integration in order to maximize their enterprise value by combining the business resources of their company groups and carrying out intensive business reforms, considering that the international competition for petroleum and petrochemical product markets in Asia, including Japan, is expected to increase dramatically. After the Business Integration, the two companies aim to establish a strong corporate group under a holding company in order to develop into one of the most prominent and internationally-competitive comprehensive energy, natural resource, and materials company groups in Asia, and to contribute to the development of a sustainable and vigorous economy and society.

On January 1, 2017, prior to the Business Integration, the Company will merge with and absorb EMGM, one of the main subsidiaries within its company group. It is expected that by simplifying the business structure and operations of the Company group prior to the Business Integration, the benefit of such business integration will be more likely to be achieved and will be completed more expediently

2. Name of the partner company in the Merger

EMG Marketing Godo Kaisha

3. Method of the Merger and allotment in relation to the Merger

(1) Method of the Merger

The Company will remain as the surviving company, with EMG Marketing Godo Kaisha herewith to be dissolved.

(2) Details of stock allocation for the Merger

The Company will allocate and deliver to Mobil Oil Exploration & Producing Southeast Inc., which has 1% ownership of EMGM as of the last time of the day immediately before the day on which the Merger is consummated, 969,696 shares of the Company common stock in lieu of all of their equity interest. The company will use a part of its treasury stock (1,771,441 shares as of September 30, 2016) for the transaction, and will not issue any new shares.

The number of the Company shares which will be delivered is calculated by the following formula: the value of 1% ownership of EMGM divided by 979.6885 yen, which is the average of closing prices of the Company stock during the most recent three months period prior to November 10, 2016 (prices are rounded to the nearest fourth decimal place).

4. Details and scale of the main businesses of the partner company in the Merger

(1) Trade name, address of head office, name of representative, paid-in capital, net assets, total assets, and business

(As of September 30, 2016)

| | |
|---|---|
| Trade name | EMG Marketing Godo Kaisha |
| Address of head office | 1-8-15, Kohnan, Minato-ku, Tokyo, Japan |
| Name of representative | Representative TonenGeneral Sekiyu Kabushiki Kaisha<br>Executive Person Takashi Hirose |
| Paid-in capital | 20,000 million yen |
| Net assets | 38,508 million yen |
| Total assets | 246,127 million yen |
| Business | Sales of petroleum products and related products, management and control division operations |

(2) Net sales, operating income, ordinary income, and net income in the most recent fiscal year

(Unit: Million yen)

| | |
|---|---|
| Fiscal year | Fiscal year ended December 31, 2015 |
| Net sales | 1,452,035 million yen |
| Operating income | 11,036 million yen |
| Ordinary income | 11,061 million yen |
| Net loss | (62,106) million yen |

5. Schedules of the Merger

| | |
|---|---|
| Resolution of the Board of Directors | November 11, 2016 |
| Signing of the Merger agreement | November 11, 2016 |
| Merger date (effective date) | January 1, 2017 (scheduled) |