November 29, 2016

Dear Our Shareholders,

Disclosure through the Internet relating to the Convocation Notice of the Extraordinary General Meeting of Shareholders

The contents of the financial statements, etc. for the most recent business year (from January 1, 2015 to December 31, 2015) of TonenGeneral Sekiyu K.K.

JX Holdings, Inc.

The contents above are provided to our shareholders by posting our website (http://www.hd.jx-group.co.jp/english/ir/stock/meeting/) pursuant to laws and regulations, and Article 15 of Articles of Incorporation of the Company.

BUSINESS REPORT

(For the year ended December 31, 2015)

1. Business Overview

(1) Developments and Results of Operations

General Business and Industry Conditions

In this period, Japan's overall economy showed a moderate recovery trend. Domestic demand growth continued to reflect improvement in corporate performance mainly among firms affected positively by the decline in commodity prices and the depreciation of the yen, as well as employment and income situation improvements. On the other hand, the slowdown in emerging economies had a negative impact on exports and production. As a result, the overall pace of growth in the economy was limited to a moderate level.

The Dubai spot price, used as a crude price benchmark in Asia, experienced a sharp decline overall but cycled up and down during the year. The price began at 54 dollars per barrel, and then declined to 42 dollars per barrel in January, followed by a rise to 66 dollars per barrel in the middle of the year. The price dropped in the latter half of the period, ending the year at 32 dollars per barrel. The average price for the year was 51 dollars per barrel, a decrease of 46 dollars (around 50 percent) versus the previous year. The yen-US dollar exchange rate (TTS) was relatively stable, hovering between 120 and 125 yen per dollar during the term. The average rate for the year was 122 yen per dollar, a depreciation of 15 yen versus the previous year. As a result, the yen equivalent average price for Dubai crude (at loading point) for the period was 38 yen per liter, a decrease of 26 yen (around 40 percent) versus the previous period.

As for domestic fuels, population demographics, the increase in hybrid vehicles, reduced fuel oil use for power generation and irregular weather conditions all contributed to lower demand. Nonetheless, the decline in gasoline demand was mitigated to some extent by lower prices. Decrease in crude oil and product prices contributed to significant inventory valuation losses adversely impacting the earnings of oil companies.

In the petrochemical market, ethylene margins were favorable, especially in the first-half of the year, attributable to a tightened supply demand balance due to plant turnarounds in the Asian region. As for the aromatics market, margins continued to be low due to new capacity additions in the region.

TonenGeneral Sekiyu's Results for the Term

TonenGeneral Sekiyu K.K. (TG) consolidated net sales for 2015 amounted to 2,627.9 billion yen, a decrease of 823.2 billion yen or 23.9 percent versus 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 growth in product exports.

Consolidated operating income was 2.0 billion yen, compared to a loss of 72.9 billion yen for the previous year. Oil segment operating income was a loss of 4.4 billion yen, compared to a loss of 68.0 billion yen for the previous year. The Chemical segment had 23.9 billion yen of operating income, compared to 12.4 billion yen for the previous year. There was a 17.5 billion yen amortization of goodwill, compared to 17.3 billion yen for the previous year, which is not allocated by segment but is included in operating income and is reflected in the "Adjustment" column in the table below. Oil segment income had inventory valuation losses of 84.3 billion yen, compared to losses of 85.7 billion yen for the previous year, caused by the significant crude and product price decline. Oil segment income excluding inventory effects was 79.8 billion yen, a 62.2 billion yen increase from the previous year, reflecting a favorable margin environment for domestic petroleum products and product exports and an increase in the sales volume of petroleum products. Our advantages in terms of flexible crude acquisition, sales channel optimization and mogas focus under the integrated supply chain of production, distribution and marketing were also contributing factors. Chemical segment income excluding inventory effects was 26.7 billion yen, a 13.5 billion yen increase from the previous year, primarily due to higher olefins margins and the absence of the turnaround of the Kawasaki steam-cracker in 2014.

With non-operating items including dividend income, foreign exchange losses, interest expense, and other adjustments, consolidated ordinary income was a loss of 0.3 billion yen, compared to a loss of 73.4 billion yen for the previous year. Adding extraordinary items, including a 9.6 billion yen gain on the change in equity as a result of the formation of Gyxis Corporation, an LP gas integrated company, and income taxes, consolidated net income was 51 million yen, compared to a loss of 14.0 billion yen for the previous year. Income taxes reflect adverse adjustments amounting to 13.6 billion yen due to revisions to the statutory effective tax rate and other effects arising from the amendment of the Income Tax Act.

The following table shows net sales and segment income by segment in 2015.

Unit: Million yen

	Oil	Chemicals	Total	Adjustment	Consolidated Statement Income Amount
Net Sales	2,355,490	272,360	2,627,850	-	2,627,850
Segment Income (loss)	(4,446)	23,914	19,468	(17,451)	2,017

Note: 1. Goodwill amortization of 17,451 million yen is shown in the adjustment column as it is not allocated to each segment.

2. Total segment income plus adjustment is the same as operating income in the Consolidated Statement of Income.

The Company paid an interim dividend of 19 yen per share in accordance with a resolution made at the Board of Directors Meeting held on August 14, 2015.

Oil Business Results

- Production -

Crude runs of the four refineries of the Company Group in 2015 were 32,914 thousand kl and utilization of the pipestills was 81%. At the Sakai and Wakayama refineries, we accomplished scheduled turnarounds and at the same time made facility modifications in order to improve reliability and efficiency. After completion of the merger of the 100% owned affiliate Kyokuto Petroleum Industries, Ltd. (KPI) into the Company, we sought further four-refinery integration and continued to enhance and implement our profit improvement programs. These programs include optimal utilization of secondary units, full capture of integration synergies among the refining and chemical businesses, and diversification of our sources of manufacturing feedstock. Closer sales and production coordination contributed to profit improvement as well.

Capacity and Operating Efficiency

The Company reduced atmospheric distillation capacity by 10 KBD for optimal utilization of the units at the Kawasaki refinery in March 2015. As a result, atmospheric distillation utilization of the Company Group improved. In addition, we operated our four refineries in a fully integrated way to promote operational optimization ranging from crude oil procurement to production and supply, and effected an increase in the yield of higher value products and moderation of inventory levels. With an intense focus on the effective use of energy, the Company and the former KPI were recognized by the Ministry of Economy, Trade and Industry for having achieved the energy benchmarks included in the Energy Conservation Law for the fourth consecutive year and first time, respectively.

Collaboration in Industrial Complexes

The Company and Cosmo Oil Co., Ltd. formed Keiyo Seisei JV G.K. in January 2015. The JV has developed refinery operation plans to optimize the neighboring TG Chiba and Cosmo Chiba refineries using existing facilities ahead of completion of the pipeline between the two refineries. As a result, the companies achieved production optimization through product exchange and transfers of semi-products by coastal vessels.

In the Kawasaki area, the Company sought feed optimization with the Keihin refinery of Toa

Sekiyu Kabushiki Kaisha using the existing pipelines between TG's Kawasaki and Toa's Keihin refineries. The optimization activity diminished the yield of lower value products by shifting fuel oil C to blend stock, the volume of which was increased threefold from the previous year. In 2015, we started a middle distillate shift as well to optimize the facilities of both refineries.

-Marketing-

Overall sales volumes and net sales for oil products in 2015 increased by 2.0 percent to 32,505 thousand kl and decreased by 24.1 percent to 2,355,490 million yen, respectively. The following table shows sales results by product.

Oil Product	Sales Volume Thousand kl	Net Sales Million yen
Gasoline	11,815	1,253,037
Kerosene and Diesel Fuel	9,593	538,110
Fuel Oil and Crude	5,267	210,284
Lubricants	524	77,836
LPG and Other	5,306	276,222
Total	32,505	2,355,490

Strengthen alliances with strategic partners; enhance marketing brand value

In our Retail business, we have endeavored to be customers' first choice under the slogan, "The One – endeavor to be the best". As fundamental strategies to be customers' first choice, we have implemented cost competitiveness improvement through close cooperation among supply, our refineries and fuels marketing as an integrated business team, through marketing excellence with brand program execution, and through continuous investment in attractive-format service stations (SS).

As for marketing strategies, we have strengthened our offerings by introducing one-to-one marketing programs meeting individual customer requirements in addition to executing existing brand programs offering competitiveness and differentiation. We have continued to strengthen the network of the self-service brand Express, at the core of our marketing excellence. The number of Express SS reached 1,110 at the end of 2015. Fuel sales volume per Express SS in 2015 exceeded the sales volume per Express SS in 2014 and far exceeded the industry average per SS. The number of sites with our most effective service station format, Express SS with Seven-Eleven convenience stores, reached 100 in June 2015 and exceeded 120 at the end of 2015. As for Express SS with Doutor coffee shops, we have improved value to customers by renovating two-thirds of SS to provide separate smoking areas. The strong alliance with the SEVEN & i group allows us to issue Speedpass Plus nanaco (payment tool / electronic money) at service stations including full service stations; issuance exceeded 600,000 in 2015. We are also the first among major Japanese oil companies to have introduced electronic payment with electronic money, including nanaco, at service stations, thereby increasing customer convenience and preparing for future customer needs for increased electronic money payment. As for car care programs, by year-end 2015 we had completed development of a new total car care program, which we intend to roll out extensively in 2016.

In our Lubricants business, we have focused on marketing activities related to the environment and fuel efficiency, which were similar themes last year. For Mobil 1, our flagship automotive lubricants, we increased sales volume by expanding into low-viscosity grades, which contribute to vehicle engine fuel efficiency. For industrial lubricants, we achieved volume growth, especially for Mobil SHC, a product line of synthetic industrial lubricants with advanced technology that have applications in the power sector. Furthermore, by leveraging the technological edge and competitiveness of our products, we successfully acquired new customers in the aviation and marine sectors. In addition, with close cooperation with the Wakayama refinery, Lubricants focused on improving operational efficiency in lubricants manufacturing, and also increased specialties exports and optimized the base oil export mix. We also achieved higher lubricants blending capacity utilization at our Tsurumi plant with Cosmo Oil consignment manufacturing, which began in November 2015.

Integration of LPG Business

As part of strengthening our core business, the Company established Gyxis Corporation jointly with Cosmo Oil Co., Ltd., Showa Shell Sekiyu K. K. and Sumitomo Corporation in order to integrate the LPG businesses of each group through a spin-off on April 1, 2015. The LPG import and wholesale operations and overseas trading operations of the four corporate groups, including the Company, were consolidated into an integrated structure to achieve a more efficient and competitive LPG import and wholesale company.

Chemical Business Results

Overall sales volumes and net sales for chemical products in 2015 increased by 5.2% to 2,679 thousand tons and decreased by 21.5% to 272,360 million yen, respectively. The following table shows sales results by product.

Chemical Product	Sales Volume Thousand tons	Net Sales Million yen
Olefins and Other	1,413	134,860

Aromatics	865	76,242
Specialties	401	61,258
Total	2,679	272,360

In the Olefins market, ethylene margins remained favorable in 2015. Given the continued decline in domestic demand, we benefited from our expansion of shipping capacity, which provided improved logistics and greater flexibility for product exports to capture the growing overseas market.

We continued to focus on maximized and optimized utilization of aromatics fractions at our four refineries in a timely manner through an integrated optimization effort between aromatics and mogas production. The construction of a new mixed xylene recovery unit at our Chiba refinery is on plan and is expected to be on stream in the middle of 2016.

As for Specialty chemicals, our Technical Research Center installed R&D functionality and initiated technical support for existing products, new product development, and applications development for petroleum resin products. In addition, we successfully built our own distributor network to expand Specialty sales in all Asian markets.

NUC Corporation, a wholly owned subsidiary, successfully developed new high-voltage cable products and expanded their sales of wire & cable products in the latter part of last year.

In terms of cost reduction and efficiency improvement, we continued to focus on efficiency improvement and energy cost reduction under the integrated operation of petrochemical and refining, and also further integrated production, distribution and marketing. Tonen Chemical Corporation has been officially recognized for having achieved the standards required for energy benchmarks based on the Energy Conservation Law, and was the only company out of 10 petrochemical base product manufacturers evaluated to have achieved the benchmarks for three consecutive years.

Electric Power Business Results

We established our electric power business in August 2014, and in autumn of that year we invested in the biomass power generation business. In 2015, we announced activities to evaluate natural gas fueled power generation in Shimizu and coal fired thermal power generation in Chiba. In preparation for full deregulation of the electric power market in April of this year, we have registered as an electric power retailer and in January of 2016 began accepting advance applications for our services.

We have designated our electric power business, an energy business related to our core businesses, as a long-term growth option as stated in our medium-term management plan, and we have been making preparations for the further development of this business. To ensure a long-term, stable supply of electric power, we are planning to expand this business in a way that combines power generation and sales as an integrated strategy.

Overseas Business Results

In August 2015, the Company established TQ Holdings Australia Pty Limited, a 50/50 joint venture company with Qube Holdings Limited, a major provider of import and export logistics services in Australia. This joint venture intends to develop a fuel storage facility in New South Wales, Australia with a potential capacity of 230 thousand kl and expects to complete construction in mid to late 2017. This development will enable low supply chain and operating costs in Australia, a major export market for the Company.

Tonen General Group Corporate Philosophy

With more than three years having elapsed since launching the new TonenGeneral Group in June 2012, we have revisited the TonenGeneral Group Corporate philosophy. We also formulated the new corporate slogan “Think deeply. Shape the future.” to express our corporate philosophy.

With this slogan, we established the following mission.

― For Society

Contribute to the development of a vibrant society by maintaining a stable supply of energy and high-quality products and services.

― For the Environment

Make effective use of limited resources and seek to maintain a sustainable environment.

― For Our Stakeholders

Create value that is chosen and appreciated by customers, employees, shareholders, business partners and local communities.

Integrating the best from Japan and around the world, we offer unique solutions for a brighter future.

― ENERGY SOLUTIONS Support for day-to-day life

― PRODUCT SOLUTIONS Creation of new value

― PROCESS SOLUTIONS Optimization

Basic Policy on Corporate Governance

On February 22, 2016, the Company set forth this “Basic Policy on Corporate Governance” in order to build an appropriate cooperative relationship with its stakeholders, including customers, employees, shareholders, business partners and local community members, and to enhance its corporate value in the medium and long term. This policy is posted on the Company's website at http://www.tonengeneral.co.jp/english/citizenship/governance/corporategovernance.html.

CSR Management

Approach to CSR

The TG Group believes that a company is one of the citizens that make up a society, and we strive to be a good corporate citizen in every community where we operate. Throughout our long history, we have adhered to an approach that includes rigorous safety standards, solid business controls, the implementation of global standards and best practices, and a relentless focus on continuous improvements. These activities are now firmly rooted in our corporate culture and are a source of strength for the TG Group. We will maintain these corporate ideals and continue to comply with relevant laws and regulations as we improve and expand initiatives that contribute to the development and vitalization of the communities around us.

Since reorganizing as the TG Group in June 2012, we have implemented various initiatives focusing on the strengthening of our core business and the development of growth options. As mentioned above, we summarized the TonenGeneral Group Corporate Philosophy and established a threefold mission. The TG Group will make every effort to fulfill this mission, and we will continue to contribute to society as a good corporate citizen, trusted by our stakeholders.

Promotion of CSR activities

The TG Group promotes CSR activities through the CSR Promotion Council, which has been established as an advisory board and is chaired by the president of the Company. The council formulates CSR policy and action plans, conducts advancement and promotion of CSR principles, provides guidance on policy for improvements, and confirms the effectiveness of the CSR-related activities. It comprises seven committees: 1) Corporate Ethics Committee, 2) SSH&E Committee, 3) Human Rights Promotion and Human Resource Development Committee, 4) Social Contribution Committee, 5) Product Quality Committee, 6) Risk Management Committee, and 7) Disclosure Committee. The seven committees review the CSR-related activities within their respective areas and report the status to the CSR Promotion Council, thereby contributing to the monitoring and improvement of the Company's 18 policies of the Standards of Business Conduct.

In carrying out our mission, the TG Group places great importance on communication with our stakeholders, which include customers, employees, shareholders, business partners, and local communities, and endeavors to build up cooperative relationships with them. Please refer to our CSR Report, which we issue periodically, for more information about our CSR activities.

(2) Financing

The outstanding net debt balance of TG on a consolidated basis was 234.0 billion yen at the end of 2015, a decrease of 116.6 billion yen versus 2014. This was mainly attributable to free cash flow of 126.8 billion yen driven by strong operating income excluding inventory effects in 2015. Our basic policy is to maximize earnings by efficient operation and selected investments meeting our rigorous return criteria while maintaining a resilient financial condition, i.e., maintaining net D/E ratio within a reasonable range in the mid-long term.

(3) Capital Investment

Capital expenditures for 2015 totaled 41.6 billion yen. In Refining, we continued our storage tank modification program at each refinery to improve safety in the event of earthquakes. In addition, we invested in reliability improvements for the H-Oil unit in the Kawasaki refinery. In Fuels Marketing, investments continued for service stations with Seven-Eleven convenience stores and for the conversion to Express service stations. In our Chemical segment, investment in the new aromatics production unit at the Chiba refinery continued.

(4) Issues to be addressed by the TG Group

The Company and JX Holdings, Inc. ("JXHD") signed a Memorandum of Understanding on December 3, 2015 regarding a business integration through the merger of the two groups and agreed on a target date of April 2017 for the business integration and merger. The companies acknowledged the necessity of maximizing their enterprise value through the business integration in an environment in which demand for oil in Japan is decreasing in order to develop into one of the most prominent and internationally-competitive comprehensive energy, natural resource and materials company groups in Asia, and contribute to the development of a sustainable and vigorous economy and society. The two companies plan to conduct detailed examinations of and discussions on the integration, based on mutual trust and in the spirit of equal partnership, in order to execute a definitive agreement concerning the business integration with a target date for definitive agreements of August 2016. Subject to regulatory approvals and the approval of shareholders, the merger of the groups is projected for April of 2017.

The Company has been promoting the steady development of projects in growth areas such as the electric power business and overseas business while solidifying its core oil and petrochemical businesses since the Company released its first mid-term management plan in February 2013. The Company will continue to implement measures based on the policy stated in the mid-term management plan.

The TG Group shall endeavor to meet the challenges which we have stated, while coping with the changing environment. The continued interest and support of our shareholders is highly appreciated.

(5) Changes in Financial Results and Asset Status of the Group

	93rd Term (2012)	94th Term (2013)	95th Term (2014)	96th Term (2015)
Sales revenue (M ¥)	2,804,929	3,241,150	3,451,097	2,627,850
Operating income (M¥)	27,298	52,289	△72,948	2,017
Ordinary income (M¥)	22,529	49,816	△73,383	△294
Net income (M ¥)	54,770	22,902	△13,975	51
Net income per share (¥)	122.38	62.84	△38.36	0.14
Total assets (M¥)	1,385,014	1,409,081	1,376,212	1,209,364
Net assets (M ¥)	288,384	294,640	262,753	234,106

Note: 1. The business year of the Company is from January 1 each year to December 31 same year.

2. Net income per share is calculated on the basis of the average number of shares outstanding during the term (excluding the number of treasury shares held during the term).

3. "△" denotes loss.

4. Incomes of the 95th term showed a large loss which was mainly due to inventory valuation losses of 85.7 billion yen caused by the sharp crude price decline at that year-end.

5. Developments of the 96th term are described in "(1) Developments and Results of Operations - TonenGeneral Sekiyu's Results for the Term."

(6) Major Affiliates and Business Alliance (as of December 31, 2015)

1) Consolidated Companies and Equity Companies

The numbers of consolidated companies and equity companies are seven and six, respectively, as follows.

(i) Consolidated Companies

Name of Company	Capital	Ownership	Major Business
	Million yen	%	
Oil Segment			
TonenGeneral Kaiun Yugen Kaisha	243	100.0	Marine transportation of crude oil and petroleum

			products
TGSH Godo Kaisha	50	100.0	Stock and equity share holding
Chuo Sekiyu Hanbai Kabushiki Kaisha	30	100.0	Sales of petroleum products
MOC Marketing Godo Kaisha	3,000	100.0	Sales of petroleum products
EMG Marketing Godo Kaisha	20,000	99.0	Sales of petroleum products
Chemical Segment			
Tonen Chemical Corporation	1,000	100.0	Manufacture and sale of petrochemicals
NUC Corporation	2,000	100.0	Manufacture and sale of petrochemicals

Note: 1. Ownership ratio includes a portion of indirect holding via subsidiaries.

2. Toyo Sekiyu Hanbai Kabushiki Kaisha, which was a consolidated company, was merged into Chuo Sekiyu Hanbai Kabushiki Kaisha on April 1, 2015, and delisted from consolidated companies.

3. MOC Marketing Godo Kaisha (formerly Mitsui Oil Co., Ltd), after transferring all of its business to other group companies, dissolved on June 30, 2015, and went into liquidation.

4. The Company, after acquiring full ownership of the equity of Kyokuto Petroleum Industries, Ltd. ("KPI"), which was a consolidated company from EMG Marketing Godo Kaisha, on July 1, 2015, merged KPI into the Company on the same day. As a result, KPI was delisted from consolidated companies.

(ii) Equity Companies

Name of Company	Capital	Ownership	Major Business
	Million yen	%	
Oil Segment			
Kobe Standard Sekiyu K. K.	70	43.1	Sales of petroleum products
Nissei Corporation	80	38.7	Sales of petroleum products
Standard Sekiyu Osaka Hatsubaisho Co., Ltd.	198	36.3	Sales of petroleum products
Shimizu LNG Co., Ltd	3,000	35.0	Purchase and sale of LNG
Gyxis Corporation	11,000	25.0	Manufacture, storage, transport, sale and import/export of LPG
Japan Biofuels Supply Limited Liability Partnership	400	24.5	Procurement and delivery of biofuels

Note: 1. Ownership ratio includes a portion of indirect holding via subsidiaries.

2. The Company, Cosmo Oil Co., Ltd., Showa Shell Sekiyu K. K. and Sumitomo Corporation jointly established Gyxis Corporation on April 1, 2015, with each making a 25% investment in the new integrated LPG business company, following which it became an equity company.

2) Important Business Alliance

In June 2012, the Company entered into alliance agreements with Exxon Mobil Corporation subsidiaries. The major agreements are those pertaining to trademark licensing in the area of fuel products, a business alliance regarding the manufacture and sale of lubricant products (including trademark and technical licensing), and licensing for technologies and intellectual properties for production of petroleum and petrochemical products.

(7) Major Business of the Group (as of December 31, 2015)

Segment	Business	Major Products Handled
Oil Segment	Manufacturing, processing and sales of petroleum products, and transportation of crude oil and petroleum products	Gasoline, Naphtha, Kerosene, Jet Fuel, Automotive Diesel Oil, Fuel Oils, Lube Oils, LPG, etc.
Chemical Segment	Manufacturing, processing and sales of petrochemical products	Olefins (Ethylene and other), Aromatics (Paraxylene and other), Hydrocarbon Fluids, Petroleum Resins, Polyethylene, etc.

(8) Principal Places of Operation of the Group (as of December 31, 2015)

Company Name	Division	Location
TonenGeneral Sekiyu K.K.	Head Office	Minato-ku, Tokyo
	Kawasaki Refinery	Kawasaki City, Kanagawa Pref.
	Sakai Refinery	Sakai City, Osaka Pref.
	Wakayama Refinery	Arida City, Wakayama Pref.
	Chiba Refinery	Ichihara City, Chiba Pref.
	Research Center	Kawasaki City, Kanagawa Pref.
	Singapore Branch	Singapore
	Abu Dhabi Office	United Arab Emirates
	Doha Office	Qatar
Tonen Chemical Corporation	Head Office	Minato-ku, Tokyo
	Kawasaki Plant	Kawasaki City, Kanagawa Pref.
EMG Marketing Godo Kaisha	Head Office	Minato-ku, Tokyo
	Tsurumi Lube Oil Blending Plant	Yokohama City, Kanagawa Pref.
	East Japan Branch	Sendai City, Miyagi Pref.
	Tokyo No. 1 Branch	Chiyoda-ku, Tokyo
	Tokyo No. 2 Branch	Yokohama City, Kanagawa Pref.
	Kanto Branch	Chiyoda-ku, Tokyo
	Nagoya Branch	Nagoya City, Aichi Pref.
	Osaka No. 1 Branch	Toyonaka City, Osaka Pref.
	Osaka No.2 Branch	Toyonaka City, Osaka Pref.
	Chushikoku Branch	Takamatsu City, Kagawa Pref.
	Kyushu Branch	Fukuoka City, Fukuoka Pref.

Note: 1. The Company merged Kyokuto Petroleum Industries, Ltd. (KPI) on July 1, 2015 and KPI Chiba refinery was renamed TonenGeneral Sekiyu K.K. Chiba refinery.

2. The Company established its Doha office in March 2016.

(9) Employees of the Group (as of December 31, 2015)

Segment	Number of Employees	Change from Previous Term
Oil Segment	2,786	Decrease of 113
Chemical Segment	597	Decrease of 16
Total	3,383	Decrease of 129

Note: 1. The number of employees above indicates the number of regular employees.

2. In addition to the above, the average numbers of temporary employees during the current term are 2,789, including 2,673 for the Oil segment and 116 for the Chemical segment.

3. The decrease vs. the previous term end is mainly due to the increase in the number of mandatory retirees.

(10) Major Sources of Loans (as of December 31, 2015)

Lender	Amount of Loan Outstanding
	Million yen
Japan Oil, Gas and Metals National Corporation	97,909

Note: In addition to the above, there were borrowings via syndicated loans of 110,000 million yen in total.

(11) Other Important Items for the Group

There are no applicable items.

2. Shares of the Company (as of December 31, 2015)

(1) Total number of shares authorized to be issued: 880,937,982 shares

(2) Total number of shares issued: 565,182,000 shares

(Number of treasury shares included in the above: 200,936,131 shares)

(3) Number of shareholders: 39,862

(4) Major Shareholders (Top 10)

Name	Number of Shares Held	Shareholding Ratio
	Thousands	%
Mitsui & Co., Ltd.	36,000	9.88
The Master Trust Bank of Japan, Ltd. (Trust account)	14,584	4.00
Japan Trustee Services Bank, Ltd. (Trust account)	14,575	4.00
Kochi Shinkin Bank	8,547	2.35
State Street Bank West Client – Treaty 505234	7,261	1.99
State Street Bank and Trust Company – Treaty 505223	6,116	1.68
Barclays Securities Japan Limited	6,000	1.65
Mobil Oil Exploration And Producing Southeast Inc.	5,970	1.64
Japan Trustee Services Bank, Ltd. (Trust account 9)	5,185	1.42
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	4,275	1.17

Note: 1. Treasury shares (200,936 thousand shares) are excluded from the above major shareholders.

2. Shareholding ratio represents the number of common shares held, divided by the number of common shares issued excluding treasury shares.

(5) Cancellation of Treasury Shares

The Board of Directors of the Company resolved the cancellation of treasury shares as stated below, in accordance with the provision of Article 178 of the Companies Act.

1) Class of shares to be cancelled Common shares

2) Number of shares to be cancelled 199,182,000 shares

3) Date of cancellation February 29, 2016

The number of shares issued after cancellation will be 366,000,000 shares.

3. Stock Acquisition Rights of the Company

(1) Stock acquisition rights ("SAR") held by the Directors of the Company at the end of the current term

Name of SAR (Issuing date)	Number of SAR	Class and number of shares upon exercise of SAR	Value of SAR	Amount to be contributed upon exercise of SAR	Exercise period for SAR	Number of holders
2013 SAR (May 15, 2013)	693 units	Common stock 83,400 shares	870 yen per share	1 yen per share	From May 16, 2013 to May 15, 2043	Four Directors
2014 SAR (May 15, 2014)	891 units	Common stock 89,100 shares	831 yen per share	1 yen per share	From May 16, 2014 to May 15, 2044	Six Directors
2015 SAR (May 15, 2015)	363 units	Common stock 36,300 shares	993 yen per share	1 yen per share	From May 16, 2015 to May 15, 2045	Seven Directors

Note: 1. Principle condition for exercise of stock acquisition rights: A person who has been granted stock acquisition rights shall be entitled to exercise such rights the earlier of the day four years after the day following the day of allotment, or the day following the person's retirement from a Director's position in the Company.

2. The Directors shown above as holders do not include Outside Directors.

(2) Stock acquisition rights granted to employees of the Company during the current term

There are no applicable items.

(3) Other important items on stock acquisition rights

There are no applicable items.

4. Directors and Statutory Auditors of the Company

(1) Directors and Statutory Auditors (as of December 31, 2015)

Name	Position	Responsibility and Important Concurrent Status
Jun Mutoh	Representative Director and President	(Coverage) Chemical, Corporate Planning, Audit, Treasurer’s, Controller’s, IR, Corporate functions
Takashi Hirose	Representative Director and Vice President	(Coverage) Refining & Distribution, Manufacturing Technology & Engineering, Research, Marketing & Sales, Lubricants & Specialties, Marketing & Supply Coordination, Supply & Trading, Product Quality, Electric Power Business President, EMG Marketing Godo Kaisha
D. R. Csapo	Managing Director	Controller’s, IR
Tomohide Miyata	Managing Director	Refining &Distribution, Manufacturing Technology & Engineering, Research, Electric Power Business
Yasushi Onoda	Managing Director	Corporate functions, Treasurer’s
Yuji Saita	Director	Supply & Trading, Product Quality
Hiroyuki Yokota	Director	Chemical President, Tonen Chemical Corporation
Yoshikazu Yokoi	Director	Marketing & Sales, Lubricants & Specialties, Marketing & Supply Coordination Vice President, EMG Marketing Godo Kaisha
Makoto Matsuo	Outside Director	Attorney-at- law; Outside Director, Capcom Co., Ltd. ; Outside Director, Demel Japan Co., Ltd.; Outside Statutory Auditor, Nike Japan Inc.; Outside Statutory Auditor, Burberry Japan K. K.; Outside Statutory Auditor, Solasia Pharma K. K.; Outside Statutory Auditor, Ceolia Pharma Co., Ltd.; Outside Statutory Auditor, K. K. Katokichi Resort
Yoshiiku Miyata	Outside Director	
Masahiro Iwasaki	Full-time Statutory Auditor	
Masaaki Ayukawa	Outside Statutory Auditor	Certified Public Accountant Outside Statutory Auditor, Kumagai Gumi Co., Ltd.
Kyoichi Ikeo	Outside Statutory Auditor	Professor, Meiji Gakuin University

Name	Position	Responsibility and Important Concurrent Status
Nobuko Takahashi	Outside Statutory Auditor	Outside Director, The Nishi-Nippon City Bank, Ltd. Outside Director, Aioi Nissay Dowa Insurance Co., Ltd. Outside Statutory Auditor, Japan Finance Corporation

Note:

1. Messrs. Yoshikazu Yokoi, Makoto Matsuo and Yoshiiku Miyata assumed the office of Director after having been newly elected at the Ordinary General Meeting of Shareholders held on March 25, 2015.
2. Mr. Kyoichi Matsuo and Ms. Nobuko Takahashi assumed the office of Statutory Auditor after having been newly elected at the Ordinary General Meeting of Shareholders held on March 25, 2015.
3. The Company has notified the Tokyo Stock Exchange that Messrs. Makoto Matsuo and Yoshiiku Miyata, Directors, are Independent Directors, and Messrs. Masaaki Ayukawa and Kyoichi Ikeo, and Ms. Nobuko Takahashi, Statutory Auditors, are Independent Statutory Auditors.
4. Mr. Masaaki Ayukawa, Statutory Auditor, is qualified as a Certified Public Accountant of Japan. Mr. Kyoichi Ikeo, Statutory Auditor, has been a professor of business administration. Therefore they have a significant amount of knowledge and experience concerning accounting and finance.
5. Corporate functions include Human Resources & General Affairs; Law; Public & Government Relations; Safety, Health & Environment; Information Systems; Procurement; and Executive Support.

6. Changes in positions and responsibilities of Directors during the current term

Name	New	Previous	Date of Change
Jun Mutoh	Representative Director, President (Coverage) Chemical, Corporate Planning, Audit, Treasurer's, Controller's, IR, Corporate functions	Representative Director, President (Coverage) Chemical, Corporate Planning, Audit, Financial Services, Corporate functions	March 25, 2015
Takashi Hirose	Representative Director, Vice President (Coverage) Refining & Distribution, Manufacturing Technology & Engineering, Research, Marketing & Sales, Lubricants & Specialties, Marketing & Supply Coordination, Supply & Trading; Product Quality, Electric Power Business	Representative Director, Vice President (Coverage) Refining & Distribution, Manufacturing Research & Engineering, Marketing & Sales, Lubricants & Specialties, Marketing & Supply Coordination, Supply & Trading, Product Quality, Electric Power Business	March 25, 2015
D. R. Csapo	Managing Director (In-charge) Controller's, IR	Managing Director (Coverage) Financial Services	March 25, 2015
Tomohide Miyata	Managing Director (In-charge) Refining & Distribution, Manufacturing Technology & Engineering, Research, Electric Power Business	Managing Director (In-charge) Refining & Distribution, Manufacturing Research & Engineering, Electric Power Business	March 25, 2015
Yasushi Onoda	Managing Director Corporate functions, Treasurer's	Managing Director Chemical	March 25, 2015
Hiroyuki Yokota	Director, Chemical	Director, Corporate functions	March 25, 2015
Yoshikazu Yokoi	Director (In-charge) Marketing & Sales, Lubricants & Specialties, Marketing & Supply Coordination	(Newly assumed as Director)	March 25, 2015

(2) Amount of Remuneration Paid to Directors and Statutory Auditors in 2015

	Current Payment	Number
Directors (Outside Directors listed above)	Million yen 277 (22)	13 (3)
Statutory Auditors (Outside Statutory Auditors listed above)	50 (28)	6 (5)
Total	327 (50)	19 (8)

(3) Matters concerning Outside Directors and Statutory Auditors

Major activities at Board Meetings

Mr. Makoto Matsuo, Director, attended all the Board of Directors meetings, which were convened thirteen times during the current term, since his assumption of the position, demonstrating his expertise as attorney-at-law specializing in corporate law and utilizing his experience derived from having been an outside director and outside statutory auditor of other companies, asking questions and offering opinions. The Company benefited from his active participation.

Mr. Yoshiiku Miyata, Director, attended all the Board of Directors' meetings, which were convened thirteen times during the current term, since his assumption of the position, demonstrating his expertise and utilizing his experience as a corporate executive, asking questions and offering opinions. The Company benefited from his active participation.

Mr. Masaaki Ayukawa, Statutory Auditor, attended all the Board of Directors' meetings and the Board of Statutory Auditors' Meetings, both of which were convened sixteen times during the current term, demonstrating his expertise and utilizing his experience concerning accounting and finance, asking questions and offering opinions. The Company benefited from his active participation.

Mr. Kyoichi Ikeo, Statutory Auditor, attended all the Board of Directors' meetings and the Board of Statutory Auditors' Meetings, which were convened thirteen times and twelve times, respectively, during the current term, since his assumption of the position, demonstrating his expertise and utilizing his experience as a professor of business administration, asking questions and offering opinions. The Company benefited from his active participation.

Ms. Nobuko Takahashi, Statutory Auditor, attended all the Board of Directors' meetings and the Board of Statutory Auditors' Meetings, which were convened thirteen times and twelve times, respectively, during the current term, since her assumption of the position, demonstrating her useful experience as a freelance journalist, expertise concerning economics, and utilizing her experience derived from having been an outside director and outside statutory auditor of other companies, asking questions and offering opinions. The Company benefited from her active participation.

(4) Outline of Limited Liability Contracts

The Company has entered into limited liability contracts with Messrs. Makoto Matsuo and Yoshiiku Miyata, Outside Directors, and Messrs. Masaaki Ayukawa and Kyoichi Ikeo, and Ms. Nobuko Takahashi, Outside Statutory Auditors, to limit their liability for damages provided by Article 423, Paragraph 1 of the Companies Act to the amount provided by laws and ordinances.

5. Accounting Auditor

(1) Name of Accounting Auditor

PricewaterhouseCoopers Aarata

(2) Compensation Paid to Accounting Auditor

1) Compensation amount as an Accounting Auditor paid by the Company

153 million yen

2) Compensation amount of fee paid by the Company and its affiliates

162 million yen

Note: The amount in 1) above is the total of the compensation for auditing pursuant to the Companies Act and the compensation for auditing pursuant to the Financial Instruments and Exchange Law since the audit contract between the Company and the accounting auditor does not segregate these audits.

(3) Reasons for the Board of Statutory Auditors to Consent to the Compensation Amount as an Accounting Auditor

After comprehensively assessing the previous year’s audit results and evaluating the plan for this year including the time, expertise and resources required, the quoted compensation amount was considered reasonable.

(4) Content of Non-Auditing Activities

There are no applicable items.

(5) Policies for Decision-making on Dismissal or Non-reappointment of Accounting Auditor

The Company would propose dismissal or non-reappointment of the Accounting Auditor if it were judged that exercise of their duties could not be relied upon due to the occurrence of incidents such as those stipulated in Paragraph 1 of Article 340 of the Companies Act.

6. Systems and Actions for Ensuring Appropriate Business Conduct

(1) Systems for Ensuring Appropriate Business Conduct

The following was approved by a resolution of the Board of Directors as the Internal Governance System for the Company Group.

a. System for maintenance and preservation of information pertaining to exercise of duties of Directors and executing persons

To provide a system for the maintenance and preservation of information pertaining to the exercise of the duties of Directors and executing persons, all Directors and executing persons and employees shall comply with the Company Group's Information Protection and Management Guidelines and Records Management Guidelines, which have been previously adopted and made available to all Directors and executing persons and employees.

b. Regulations and other systems for management of risk of loss

To ensure appropriate management of risk of loss incurred by the Company Group, the following shall be required.

(1) All of the Company Group's plants, terminals, and owned and operated service stations shall be operated in accordance with the Operations Integrity Management System (OIMS) to help ensure management of risk of loss and to ensure safety, health and environmental soundness in all aspects of the Company Group's operations. OIMS has been adopted by the Company Group and information relating to it has been made available to all employees. The OIMS framework includes a number of elements, each with clearly defined expectations that must be achieved by all functions in the Company Group. These include: management leadership, commitment and accountability; risk assessment; facilities design and construction; information and documentation; personnel and training; operations and maintenance; management of change; third party services; incident investigation and analysis; community awareness and emergency preparedness; and assessment and improvement of OIMS.

(2) The Company Group's Controls Integrity Management System (CIMS), information relating to which has been made available to all employees, shall be complied with to ensure: (i) a systematic framework for the effective execution of controls; (ii) a structured, standardized, prevention-based approach to managing risks and control-related concerns; and (iii) a process for ensuring that corporate policies are implemented and effectively sustained over time. The system comprises a number of

elements including management leadership, commitment and accountability; risk assessment and management; business procedure management and improvement; personnel and training; management of change; reporting and resolution of control weaknesses; and controls integrity assessment.

c. Systems to ensure that the duties of Directors and executing persons are executed efficiently

To ensure that the duties of Directors and executing persons are executed efficiently, the following shall be required:

(1) Board of Directors meetings shall be held in accordance with the Company's Articles of Incorporation and the Rules of the Board of Directors. Items to be reviewed shall be decided in accordance with such rules and proposed by responsible functions.

(2) Directors and executing persons shall be required to follow the Company Group's established delegations of authority regarding review, endorsement and approval of business and other matters relating to the Company Group.

(3) Issuance of powers of attorney and use of corporate seals shall be implemented appropriately in accordance with the Guidelines for Powers of Attorney and Company Seal Administration Guide, respectively, to ensure, among other things, compliance with the authority delegations referred to in item (2) above.

d. Systems to ensure that the execution of duties of Directors and executing persons and employees shall be performed in conformity with applicable laws and regulations and the Articles of Incorporation

To ensure that the execution of duties of the Company Group's Directors and executing persons and employees are performed in conformity with applicable laws and regulations and the Articles of Incorporation, the following shall be required:

(1) Directors and executing persons and employees shall comply with the System of Management Control (SMC), which has been made available to all employees and defines the basic principles, concepts and standards that form our internal controls system. Internal controls comprise the means to direct, restrain, govern and check upon various business activities. The basic purpose of such internal controls is to assure that business is conducted properly in accordance with management's general and specific directives.

(2) Directors and executing persons and employees shall comply with the Standards of Business Conduct (SBC), which apply to all Directors and executing persons and employees. The SBC has been made available to all Directors and executing persons and employees and they are expected to review these policies annually in order to ensure compliance of all aspects of their work with the SBC. The foundation policies include, among others, the Ethics Policy, Conflicts of Interest Policy and Antitrust Policy. Also, formal Business Practices Review training sessions, antitrust compliance training, and new employee training are conducted periodically for employees to bring about appropriate understanding of the relevant requirements.

(3) The Company shall continue to follow the Statutory Auditor system. The Statutory Auditors and the Board of Statutory Auditors (BOSA) are independent from the Board of Directors. Their major role is to audit the execution of duties by Directors. They monitor business decisions and execution by the Board of Directors to be compliant with laws and regulations, the Company's Articles of Incorporation, and the SBC. They also monitor the establishment and state of implementation of the Company's internal control systems, including the SMC, to ensure that the shareholders' interests are properly protected.

(4) Internal audit for the Company Group shall be conducted by the Audit Department of EMG Marketing Godo Kaisha (EMGM), the Company's subsidiary, pursuant to an agreement between the Company and EMGM under which administrative and service functions are entrusted by the Company to EMGM (the Comprehensive Service Agreement). The Audit Department shall independently assess compliance with policies and procedures of the Company and other Company Group companies, and evaluate the effectiveness of all control systems related to the business and financial reporting. Directors and managers shall be obligated to consider all internal audit findings and recommendations by the Audit Department and take appropriate actions.

(5) Using its existing internal control system, the Company shall, under the Financial Instruments and Exchange Act, evaluate the reliability and effectiveness of the Company's and the Company Group's financial reporting, and prepare a report on internal controls.

(6) The Company Group has reporting hotlines in place based on the Open Door Communication Policy of the Company Group and Directors and Statutory Auditors shall periodically receive a report on utilization of the hotlines and trends/statistics relative to information reported.

(7) Directors and employees of the Group, as appropriate, shall receive training to ensure awareness of the principles applicable to appropriate interactions among Group members.

e. Systems for ensuring the appropriateness of practices of the Company Group

Directors and employees shall be required to follow the Group's established delegations of authority regarding review, endorsement and approval of business and other matters relating to the Group. The Delegation of Authority Guide shall be adopted by the Company's subsidiaries and all matters exceeding the authority granted to subsidiaries shall require review, endorsement and approval of the Company.

f. Items concerning employees who will assist the Statutory Auditors in cases where such assistance is requested by the Statutory Auditors

Assistance to the Statutory Auditors shall, upon their request, be provided by all employees, including those in the Audit Department, pursuant to the Comprehensive Service Agreement. This assistance shall consist of:

(1) Discussions with the Statutory Auditors of the Company on Annual Audit Plans;

(2) Regarding the implementation of each internal audit:

(i) provision to the Statutory Auditors of the internal audit plan,

(ii) provision of a report on the internal audit results;

(3) Reporting to and consultation with the Statutory Auditors semiannually regarding material audit findings; and

(4) Investigations based on requests by the Statutory Auditors.

g. Items concerning independence of employees stated in paragraph f. above from the Directors and executing persons, and implementation assurance of the Statutory Auditors' instruction

Assistance to the Statutory Auditors is primarily provided by the Audit Department. No employees assigned to assist the Statutory Auditors in the Audit Department concurrently serve as staff responsible for businesses. The accountability for the Audit Department's duties, including assistance to the Statutory Auditors, is defined in the Internal Audit Charter to assure implementation of the Statutory Auditors' instructions.

h. Systems for reports to the Statutory Auditors from Directors and executing persons and employees, and other systems for reports to the Statutory Auditors

(1) A Director who has found a fact that is likely to cause significant damage to the Company shall present himself to the BOSA and report the fact at the BOSA.

(2) In support of the foregoing, each Director shall submit a written statement in the attached form to the BOSA at the end of each period.

(3) The Audit Department shall report in a timely manner to the BOSA any information it receives from an employee or any other source regarding the breach of duty of a Director or executing person. Reporting hotlines are available and all employees of the Group have been informed of these hotlines. No action shall be taken against any employee for reporting via the hotlines unless the employee acts with willful disregard of the truth. Retaliatory moves shall be considered a violation of the Open Door Communication Policy and may result in disciplinary action.

(4) Law, Controller's and other departments of EMGM shall report material items to the BOSA periodically and as necessary pursuant to the Comprehensive Service Agreement.

(5) Pursuant to the Rules of the BOSA, the Statutory Auditors shall have meetings with Representative Directors of the Company as required and exchange opinions on important audit-related matters.

i. System (in addition to the foregoing) to ensure that Statutory Auditors' audits are performed effectively

To ensure that the Statutory Auditors' audits are performed effectively, the following shall apply:

(1) The Statutory Auditors shall have access to important information of the Company Group, including receiving explanations of relevant matters in advance and access to employees and relevant service providers under the Comprehensive Service Agreement who may have knowledge of such information.

(2) The Statutory Auditors shall have access to the Company Group's Accounting Auditor and other appropriate outside professionals.

(3) The Statutory Auditors shall also have access to the services and assistance of Law, Controllers and other departments of EMGM pursuant to the Comprehensive Service Agreement.

(4) Expenses for the Statutory Auditors' duties shall be budgeted in an annual plan and settled following the Statutory Auditors' Audit Outline. When urgent or unplanned extra expenses are incurred, such spending shall be reimbursed to Statutory Auditors subsequently.

****

Date:
To: Statutory Auditors, TonenGeneral Sekiyu K.K.
From: Director

STATEMENT

I confirm that there is nothing that I should report to the Statutory Auditors under the provisions of Article 357 of the New Company Law for the year ended December 31, XXXX.

[Note]
Article 357: A director who has found a fact that is likely to cause significant damage to the Company shall immediately report it to the Statutory Auditors.

(2) Actions for Ensuring Appropriate Business Conduct

Information relating to the above systems for ensuring appropriate business conduct has been made available to all Directors, Statutory Auditors, and employees. Assessment is in place for each system to evaluate the effectiveness of existing processes and the assessment results are reported for the timely resolution of findings. When improvement opportunities are identified across the organizations, the lessons learned are shared to enhance the effectiveness of the systems.

Actions for ensuring appropriate business conduct of the Company Group include:

(1) System to ensure safety, health and environmental soundness in all aspects of the Company Group's operations

OIMS involves regular assessment by specialized Group staff, along with participants from other business sites, to gauge the degree to which the expectations are being satisfied. In 2015 the assessments were completed at TonenGeneral Research Center and Marketing & Sales. Utilizing the feedback from these assessments and the lessons of serious incidents both from the Company Group and the industry, the functional OIMS committees improve supportive management systems in quality continuously. Furthermore, the central OIMS committee, chaired by the president, provided high-level reviews on OIMS activities to ensure the involvement of top management and the implementation of its PDCA (plan-do-check-act) cycle.

(2) Effective internal audit system to independently assess compliance with policies and procedures of the Company Group and provide assistance to the Statutory Auditors

Under the Comprehensive Service Agreement, the Audit Department of EMGM conducts internal audits for the Company Group based on the Annual Audit Plans approved in Board of Directors meetings. The Audit Department conducted internal audits for 10 organizations in the Company Group in 2015. Results of each internal audit are shared with Directors and the Statutory Auditors of the Company and significant audit comments are explained and discussed with the Statutory Auditors. The Audit Department also reports the status for compliance with policies and procedures of the Company and utilization and trends / statistics of the hotlines based on the Open Door Communication Policy at Board of Directors meetings on a quarterly basis.

(3) System to assure that business is conducted properly in conformity with applicable laws and regulations, the Articles of Incorporation, and the Company Group's policies

CIMS is utilized to ensure that the policies are understood, implemented and effectively sustained over time. The SBC is annually communicated to and reviewed by all Directors, Statutory Auditors and employees. Each Managing Director, supervisor and employee in a required role, capacity or position completes the check list and submits a compliance statement to certify compliance in writing. Through the compliance certification process, it is confirmed that if there are questions or concerns about any matter related to the SBC or related guidelines, each person can and should raise his or her questions or concerns with his or her supervisor or through the alternate channels described in the SBC.

Consolidated Balance Sheet

As of December 31, 2015

(Unit: Million yen)

Account Title		Account Title	Amounts
Assets		**Liabilities**	
Current assets	**496,348**	**Current liabilities**	**596,649**
Cash and deposits	100,161	Notes and account payable-trade	129,769
Notes and accounts receivable-trade	172,650	Gasoline taxes payable	244,907
Merchandise and finished goods	64,274	Short-term loans payable	118,180
Semi-finished goods	35,332	Income taxes payable	1,761
Raw materials	83,692	Accrued consumption taxes	1,408
Supplies	10,003	Guarantee deposits payable	23,618
Income taxes receivable	4,100	Provision for bonuses	1,743
Deferred tax assets	1,733	Other	75,260
Other	24,682	**Noncurrent liabilities**	**378,609**
Allowance for doubtful accounts	(282)	Bonds payable	85,000
		Long-term loans payable	131,027
Noncurrent assets	**713,015**	Deferred tax liabilities	319
Property, plant and equipment	**307,728**	Net defined benefit liability	132,993
Buildings and structures	62,126	Provision for repairs	23,634
Tanks	7,903	Asset retirement obligations	3,210
Machinery, equipment and vehicles	36,247	Other	2,423
Tools, furniture and fixtures	2,640	**Total liabilities**	**975,258**
Land	174,562	**Net assets**	
Construction in progress	24,249	**Shareholders' equity**	**250,367**
Intangible assets	**310,368**	Capital stock	35,123
Goodwill	288,865	Capital surplus	48,473
Leasehold right	7,410	Retained earnings	309,049
Software	7,931	Treasury shares	(142,278)
Other	6,161	**Accumulated other comprehensive income**	**(17,390)**
Investments and other assets	**94,918**	Valuation difference on available-for-sale securities	1,054
Investment securities	33,922		
Deferred tax assets	45,391	Revaluation reserve for land	(32)
Net defined benefit asset	4,222	Remeasurements of defined benefit plans	(18,412)
Other	11,455	**Subscription rights to shares**	**170**
Allowance for doubtful accounts	(74)	**Minority interests**	**959**
		Total net assets	**234,106**
Total assets	**1,209,364**	**Total liabilities and net assets**	**1,209,364**

Consolidated Statement of Income

January 1, 2015 through December 31, 2015

(Unit: Million yen)

Account Title	Amounts	
Net sales		**2,627,850**
Cost of sales		**2,521,511**
Gross profit		**106,339**
Selling, general and administrative expenses		**104,322**
Operating profit		**2,017**
Non-operating income		
Interest income	123	
Dividends income	293	
Gain on sales of spent catalyst	155	
Compensation income	70	
Other	477	1,120
Non-operating expenses		
Interest expenses	2,347	
Foreign exchange losses	602	
Share of loss of entities accounted for using equity method	57	
Other	424	3,431
Ordinary loss		**294**
Extraordinary income		
Gain on sales of noncurrent assets	1,707	
Gain on change in equity	9,617	11,324
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	1,997	
Impairment loss	91	2,089
Profit before income taxes and minority interests		**8,940**
Income taxes - current	4,208	
Income taxes - deferred	4,564	8,772
Profit before minority interests		**168**
Minority interests in income		116
Net Profit		**51**

Consolidated Statement of Changes in Net Assets

January 1, 2015 through December 31, 2015

(Unit: Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders'
Balance at the beginning of current period	35,123	57,400	322,911	(142,201)	273,233
Cumulative effects of changes in accounting policies			(71)		(71)
Restated balance	35,123	57,400	322,840	(142,201)	273,161
Changes of items during the period					
Dividends from surplus			(13,843)		(13,843)
Net profit			51		51
Purchase of treasury shares				(89)	(89)
Disposal of treasury shares		4		13	17
Deferred tax adjustment due to purchase of treasury shares of prior year		(8,931)			(8,931)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(8,927)	(13,791)	(76)	(22,794)
Balance at the end of current period	35,123	48,473	309,049	(142,278)	250,367

	Accumulated other comprehensive income			
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance at the beginning of current period	576	-	(12,109)	(11,533)
Cumulative effects of changes in accounting policies				
Restated balance	576	-	(12,109)	(11,533)
Changes of items during the period				
Dividends from surplus				
Net profit				
Purchase of treasury shares				
Disposal of treasury shares				
Deferred tax adjustment due to purchase of treasury shares of prior year				
Net changes of items other than shareholders' equity	478	(32)	(6,302)	(5,856)
Total changes of items during the period	478	(32)	(6,302)	(5,856)
Balance at the end of current period	1,054	(32)	(18,412)	(17,390)

	Subscription rights to shares	Minority interests	Total net assets
Balance at the beginning of current period	146	907	262,753
Cumulative effects of changes in accounting policies			(71)
Restated balance	146	907	262,682
Changes of items during the period			
Dividends from surplus			(13,843)
Net profit			51
Purchase of treasury shares			(89)
Disposal of treasury shares			17
Deferred tax adjustment due to purchase of treasury shares of prior year			(8,931)
Net changes of items other than shareholders' equity	23	51	(5,781)
Total changes of items during the period	23	51	(28,575)
Balance at the end of current period	170	959	234,106

Notes to Consolidated Financial Statements

1. Significant accounting policies

   (1) Scope of consolidation

      a) Number of consolidated subsidiaries: 7 companies

      EMG Marketing G.K., Tonen Chemical Corporation, TGSH G.K., TonenGeneral Kaiun Y.K.,

      Chuo Sekiyu Hanbai K.K., NUC Corporation, MOC Marketing G.K.

      The Company acquired the entire equity interest in Kyokuto Petroleum Industries, Ltd. from the Company’s consolidated subsidiary EMG Marketing Godo Kaisha effective July 1, 2015, followed by an absorption-type merger of Kyokuto Petroleum Industries, Ltd., a designated and wholly-owned subsidiary, into the Company, also effective July 1, 2015. Kyokuto Petroleum Industries, Ltd. has been excluded from the scope of consolidation effective from the current period as a result of this.

      b) Names of major non-consolidated subsidiaries

      - Name of non-consolidated subsidiaries

      TonenGeneral Americas L.L.C., Shimizu LNG Thermal Power Generation G.K.

      - Reason for exclusion from scope of consolidation

      The size of each of the non-consolidated subsidiaries is small, and each company’s total assets, sales and fiscal year profit or loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) do not have a material effect on the consolidated financial statements.

   (2) Application of equity method

      a. Number of affiliates accounted for by the equity method: 6 companies

      Shimizu LNG K.K., Kobe Standard Sekiyu K.K., NISSEI CORPORATION Co., Ltd.,

      Standard Sekiyu Osaka Hatsubaisho Co., Gyxis Corporation, Japan Biofuels Supply LLP

      On April 1, 2015, Gyxis Corporation, in which Cosmo Oil Co., Ltd., Showa Shell Sekiyu K.K., Sumitomo Corporation and the Company each have 25% stakes, was established. As a result, Gyxis Corporation is included in the scope of entities accounted for using the equity method from the current period.

b. Name of major non-consolidated subsidiaries and non-equity-method companies and reason equity method was not applied

1) Name of major non-consolidated subsidiaries and non-equity-method companies

TonenGeneral Americas L.L.C., Shimizu LNG Thermal Power Generation G.K.,

Emori Sekiyu K.K., Kimura Sekiyu K.K., K.K. Marutaka Sekiyu

2) Reason equity method was not applied

The affiliates above are not accounted for by the equity method because they do not have a material impact on net income (loss), retained earnings, etc. on a consolidated basis and the total amount as a whole does not have a material impact to the consolidated financial statements.

c. Notes to the procedures of applying equity method

Reasonable adjustments are made to the most recent available financial statements of companies accounted for by the equity method whose closing dates are not the same as the Company.

(3) Summary of accounting procedures

a. Valuation rules and methods for significant assets

1) Securities

Other securities

- Securities with readily determinable fair values

  Market value at the closing date (Valuation difference on available-for-sales securities is directly reflected in net assets, and cost of sales is calculated using the moving-average method)

- Securities without readily determinable fair values

  The moving-average cost method

2) Derivatives transactions

Market value at the closing date

3) Inventories

Generally the lower of acquisition costs determined by the weighted average cost method or their net realizable value

b. Depreciation and amortization of significant noncurrent assets

1) Property, plant and equipment (excluding leased assets)

Generally the declining-balance method

The service life ranges by major assets are:

Buildings and structures:	10 to 50 years
Tanks:	10 to 25 years
Machinery, equipment and vehicles:	7 to 15 years

2) Intangible assets (excluding leased assets)

The straight-line method

In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method.

3) Leased assets

The straight-line method is employed, where the leasing period is deemed as the service life and residual value is set as zero. The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective on or before December 31, 2008 is calculated pursuant to the method applied to ordinary operating lease transactions.

c. Basis for significant provisions

1) Allowance for doubtful accounts

To provide for losses due to bad debt, the Company and its consolidated subsidiaries reserve an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios, and on highly doubtful receivables based on the recoverability from individual customers.

2) Provision for bonuses

To provide for the payment of employees' bonuses, the Company and its consolidated subsidiaries accrue an estimated reserve for the period.

3) Provision for repairs

To provide for periodic tank inspections required under the Fire Service Act and for periodic repairs of machinery and equipment, the Company and its consolidated subsidiaries reserve an estimated cost for the current period, based on actual payments and repair plans, respectively.

d. Accounting method related to retirement benefits

1) Method of attributing expected retirement benefits to periods

In the calculation of retirement benefit obligations, the straight-line basis is adopted as the method of attributing expected retirement benefits to the period up to the end of the current period.

2) Method of amortizing actuarial difference, and the past service liabilities

Actuarial differences are generally amortized into pension expenses beginning with the next period, using the declining-balance method over a period determined based on employees' average remaining service years (12 years). Past service liabilities are amortized into pension expenses using the straight-line method over employees' average remaining service years (11.0 to 12.9 years).

Unrecognized actuarial gains and losses, and unrecognized prior service cost are included in accumulated other comprehensive income after adjusting deferred tax.

e. Other important items for consolidated financial statements

1) Principal methods of hedge accounting

- Method of hedge accounting

  Exceptional treatment permitting the effects of the interest rate swaps to be netted against the underlying interest expense of the loans payable subject to the swap agreement is adopted for the swap agreements that satisfy the requirements for exceptional treatment.

- Hedging instrument and hedged item

  Hedging instrument: Interest rate swap

  Hedged item: Interest on loans payable

- Hedging policy

  Upon the completion of internal approval procedures prescribed by the Company, interest rate swaps are carried out to convert floating interest rates associated with certain loans payable to fixed interest rates.

- Method of evaluating hedge effectiveness

  Hedge effectiveness of interest rate swaps is not evaluated because they are accounted for with exceptional treatment.

2) Amortization method and period of goodwill

Goodwill is amortized by the straight-line method over 20 years.

3) Accounting method for consumption taxes

Each item in the consolidated statement of income does not include consumption taxes.

2. Change in accounting policies

- 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 current 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 consolidated balance sheet and the consolidated statement of income is immaterial.

3. Consolidated balance sheet

(1) Mortgaged assets

Mortgaged assets and mortgaged liabilities by security rights are as shown below;

Mortgaged assets	Balance sheet amounts (Million yen)	(Provided as plant mortgage) (Million yen)
Buildings and structures	3,246	(3,246)
Tanks	2,090	(2,090)
Machinery, equipment and vehicles	4,759	(4,759)
Land	12,203	(4,628)
Total	22,299	(14,724)

Mortgaged liabilities by security rights	Amounts (Million yen)	(Covered by plant mortgage) (Million yen)
Gasoline taxes payable	77,140	(14,724)

(Note) 1. The balance sheet amounts of mortgaged assets include the mortgages provided as plant mortgage as shown in parentheses.
2. The amounts of mortgaged liabilities include the liabilities covered by plant mortgages as shown in parentheses.

(2) Accumulated depreciation of property, plant and equipment 976,233 million yen

(3) Obligations for guarantees

a. Bank borrowing, etc.

Guarantees	Amounts
Japan Biofuels Supply LLP	2,767 million yen
Employees of the Company and consolidated subsidiaries	126 million yen
Total	2,894 million yen

b. Letters of credit

Guarantees	Amounts
Japan Biofuels Supply LLP	13,489 thousand USD
	(1,626 million yen)

c. Deferral of import consumption tax payment

Guarantees	Amounts
Japan Biofuels Supply LLP	312 million yen

4. Consolidated statement of changes in net assets

(1) Class and number of shares issued as of December 31, 2015

Common stock 565,182,000 shares

(2) Dividends in the current period

Resolution	Class of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 25, 2015	Common stock	6,921	19.00	December 31, 2014	March 26, 2015
Board of Directors Meeting held on August 14, 2015	Common stock	6,921	19.00	June 30, 2015	September 11, 2015

(3) Planned resolution at Ordinary General Meeting of Shareholders on March 25, 2016

Planned resolution	Class of shares	Dividend resource	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on March 25, 2016	Common stock	Retained earnings	6,920	19.00	December 31, 2015	March 28, 2016

(4) Class and number of stock acquisition rights as of December 31, 2015 (Except for those rights whose first date of exercise period has not come.)

Resolution date	April 24, 2013	April 24, 2014	April 24, 2015
Number of stock acquisition rights	693 rights	891 rights	363 rights
Class of shares	Common stock	Common stock	Common stock
Number of shares	69,300 shares	89,100 shares	36,300 shares

5. Financial instruments

(1) Detail of financial instruments

The Company and its subsidiaries and affiliated companies ("TG group companies") finance their working capital and capital investment through a combination of internally generated funds, external borrowing with banks and other financial institutions, and issuance of corporate bonds and commercial papers.

Trade accounts receivable are exposed to credit risk but TG group companies mitigate the risk in accordance with consistent guidelines. Part of trade accounts receivable are denominated in foreign currencies, but the risk of foreign currency rate fluctuations is hedged with forward exchange contracts.

Investment securities are limited to stock of companies with which TG group companies have a business relationship. Part of these stock investments is exposed to the risk of market stock price fluctuations.

Trade accounts payable outstanding are largely due within six months. Also trade accounts payable resulting from import transactions including crude oil import are exposed to the risk of foreign currency rate fluctuations but the risk has been mitigated through the use of forward exchange contracts.

Loans payable result from external loans with financial institutions including banks and the issuance of corporate bonds and commercial papers. The interest rate of such financing, except for fixed rate long-term loans payable and bonds payable, is in part determined with market reference rates and therefore the variable interest rate loans are exposed to the risk of interest fluctuations.

Derivative transactions are conducted mainly for the above-mentioned foreign exchange contracts and interest rate swaps. In addition, crude oil related derivatives are used to adjust pricing basis between regional crude market, etc, for the purpose of hedging risk of crude price fluctuations. The Company Group use derivative transactions for limited purpose of hedging risk of existing objectives from market fluctuations. The Company group has no derivative transaction for speculative purposes which is strictly prohibited under the Company's guidelines.

(2) Fair value of financial instruments

The balance sheet amounts and fair values and the difference as of December 31, 2015 thereof are shown below.

(Unit: Million yen)

	Amounts recorded in the consolidated balance sheet	Fair value	Difference
1) Cash and deposits	100,161	100,161	–
2) Note and accounts receivable-trade (*1)	172,368	172,368	–
3) Income taxes receivable	4,100	4,100	–
4) Investment securities			
-Other securities	6,068	6,068	–
Total assets	282,699	282,699	–
5) Note and accounts payable-trade	129,769	129,769	–
6) Gasoline taxes payable	244,907	244,907	–
7) Short-term loans payable	118,180	118,180	–
8) Income taxes payable	1,761	1,761	–
9) Accrued consumption taxes	1,408	1,408	–
10) Guarantee deposits payable	23,618	23,618	–
11) Bonds payable	85,000	86,126	1,126
12) Long-term loans payable	131,027	133,421	2,394
Total liabilities	735,672	739,193	3,520
13) Derivative transactions (*2)	(380)	(380)	–

(*1) The amounts of related allowance for notes and accounts receivable-trade are deducted from the values.

(*2) The values of assets and liabilities arising from derivative transactions are shown at net value.

<u>Assets:</u>

1) Cash and deposits, 2) Note and accounts receivable-trade and 3) Income taxes receivable

Fair value is deemed the same as book value because these assets are settled within a short period of time and there is little rationale for fair and book values to diverge.

4) Investment securities

Fair value of stocks is based on the prices traded at the stock exchange. Among “Other securities,” securities with a book value of 27,854 million yen are excluded from the above table because there is no ascertainable market value for those securities and it is deemed extremely difficult to calculate their fair value.

Liabilities:

5) Note and accounts payable-trade, 6) Gasoline taxes payable, 7) Short-term loans payable, 8) Income taxes payable, 9) Accrued consumption taxes and 10) Guarantee deposits payable

Fair value is deemed the same as book value because these liabilities are settled within a short period of time and there is little rational for fair and book value to diverge.

11) Bonds payable

Fair value of bonds is based on market price.

12) Long-term loans payable

The fair value of floating rate long-term loan is deemed the same as book value, since there is little rationale for fair and book values to diverge under such floating rate loan arrangement. The fair value of fixed rate long-term loan is estimated using the expected future principal and interest payments discounted at market interest rates for similar new borrowings. The fair value of derivatives that are subject to the special treatment of interest rate swap is calculated based on the value provided by financial institutions and it is included in the fair value of the hedged long-term loan.

13) Derivatives

Fair value is measured based on the actual market exchange rate.

6. Investment and rental property

(1) Overview of real estate for lease, etc.

The Company and two consolidated subsidiaries lease a part of lands at their refining and manufacturing sites, certain service stations assets and other assets in Japan. In the current period, the net of leasing income and related expense of these transactions are 736 million yen in income (the income is included in net sales and the expense is included in cost of sales or selling, general and administrative expenses); gain/loss on sales and retirement of related assets are a 1,017 million yen gain (included in extraordinary income/loss); and impairment loss of related assets is 80 million yen (included in extraordinary loss).

(2) Fair value of real estates for lease, etc.

Balance sheet amount	Fair value
93,100 million yen	100,190 million yen

(Note) 1. The balance sheet amount is the acquisition cost reduced by the accumulated depreciation and the accumulated impairment loss.
2. The amounts used for the fair value at the end of the period were mainly amounts determined by the Company based on the "Real Estate Appraisal Standard" (these amounts include adjustments that utilize indices etc.).

7. Financial data per share

(1) Net assets per share: 639.61 yen

(2) Net income per share: 0.14 yen

8. Significant subsequent events

-Cancellation of treasury shares

The Board of Directors of the Company held on February 12, 2016 resolved the cancellation of treasury shares as stated below, in accordance with the provision of Article 178 of the Companies Act.

1) Reason for the share cancellation

The Company has been studying the option to utilize a portion of the treasury shares for strategic purposes to support potential actions intended to create added value for shareholders. Considering the current sound financial status, the Company has concluded it is appropriate to cancel the 199,182,000 treasury shares.

2) Type of shares to be cancelled

Common Stock

3) Number of shares to be cancelled

199,182,000 (35.24% of the shares issued before cancellation)

4) Date of cancellation

February 29, 2016

5) Other

After the aforementioned cancellation, the Company will have a total of 366,000,000 shares outstanding

9. Others

- 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 2,622 million yen, capital surplus decreased by 1,552 million yen, revaluation reserve for land decreased by 32 million yen, remeasurements of defined benefit plans decreased by 582 million yen, income taxes - deferred increased by 525 million yen, investment securities increased by 32 million yen, and valuation difference on available-for-sale securities increased by 38 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, deferred tax assets decreased by 15,346 million yen, capital surplus decreased by 2,243 million yen, and income taxes - deferred increased by 13,103 million yen.

10. Monetary unit used for reporting

Amounts are shown in truncated millions of yen.

Independent Auditors' Report
(English Translation*)

February 15, 2016

To the Board of Directors of TonenGeneral Sekiyu K.K.

PricewaterhouseCoopers Aarata

Akio Kobayashi, CPA
Designated and Engagement Partner

Takayoshi Yano, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 444 (4) of the Companies Act of Japan, the consolidated financial statements, which comprise the consolidated balance sheet, consolidated profit and loss statement, consolidated statement of change in net assets and notes to the consolidated financial statements of TonenGeneral Sekiyu K.K. (hereinafter referred to as the "Company") for the fiscal year from January 1, 2015 to December 31, 2015.

Management's Responsibility for the financial statements and the supplementary schedules
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements, that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and the results of operations of the Company and its subsidiaries for the period covered by the consolidated financial statements in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter
As stated in significant subsequent event, the Company resolved the cancellation of treasury shares at a meeting of its Board of Directors held on February 12, 2016.

Our opinion is not qualified in respect of this matter.

Conflict of Interest
We have no interest in or relationship with the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Balance Sheet

As of December 31, 2015

(Unit: Million yen)

Account Title	Amounts	Account Title	Amounts
Assets		**Liabilities**	
Current assets	**556,429**	**Current liabilities**	**650,278**
Cash and deposits	95,003	Notes payable-trade	6,149
Accounts receivable-trade	260,535	Account payable-trade	144,059
Merchandise and finished goods	39,883	Gasoline taxes payable	241,470
Semi-finished goods	35,159	Short-term loans payable	106,909
Raw materials	83,212	Current portion of long-term loans payable	1,271
Supplies	6,435	Short-term loans payable from subsidiaries and affiliates	87,381
Prepaid expenses	4,712		
Income taxes receivable	913	Accounts payable-other	29,196
Deferred tax assets	679	Accrued expenses	10,132
Short-term loans receivable from subsidiaries and affiliates	11,528	Income taxes payable	393
		Advances received	6,802
Accounts receivable-other	18,138	Guarantee deposits payable	14,240
Other	226	Provision for bonuses	1,026
		Other	1,244
Noncurrent assets	**686,985**		
Property, plant and equipment	**192,423**	**Noncurrent liabilities**	**280,058**
Buildings	12,868	Bonds payable	85,000
Structures	26,530	Long-term loans payable	131,027
Tanks	7,441	Provision for retirement benefits	40,619
Machinery and equipment	27,546	Provision for repairs	21,687
Vehicles	16	Asset retirement obligation	1,409
Tools, furniture and fixtures	1,269	Other	314
Land	93,743	**Total liabilities**	**930,336**
Construction in progress	23,006	**Net assets**	
Intangible assets	**11,407**	**Shareholders' equity**	**312,547**
Goodwill	1,098	**Capital stock**	**35,123**
Leasehold right	1,494	**Capital surplus**	**20,748**
Software	2,976	Legal capital surplus	20,741
Technology royalty	5,567	Other capital surplus	6
Right of using facilities	270	**Retained earnings**	**399,954**
Investments and other assets	**483,154**	Legal retained earnings	8,780
Investment securities	9,430	Other retained earnings	
Stocks of subsidiaries and affiliates	5,471	Reserve for property replacement	13,217
Investment in capital of subsidiaries and affiliates	455,588	Retained earnings brought forward	377,955
		Treasury shares	**(143,277)**
Long-term deposits	2,300	**Valuation and translation adjustment**	**360**
Deferred tax assets	5,367	Valuation difference on available-for-sale securities	360
Other	5,036		
Allowance for doubtful accounts	(39)	**Subscription rights to shares**	**170**
		Total net assets	**313,078**
Total assets	**1,243,415**	**Total liabilities and net assets**	**1,243,415**

Statement of Income

January 1, 2015 through December 31, 2015

(Unit: Million yen)

Account Title	Amounts	
Net sales		**2,372,577**
Cost of sales		**2,354,816**
Gross profit		**17,760**
Selling, general and administrative expenses		**26,736**
Operating loss		**8,976**
Non-operating income		
Interest income	213	
Dividends income	5,792	
Other	350	6,356
Non-operating expenses		
Interest expenses	1,559	
Interest on bonds	664	
Foreign exchange losses	286	
Other	215	2,725
Ordinary loss		**5,344**
Extraordinary income		
Gain on sales of noncurrent assets	549	
Gain on extinguishment of tie-in equity interest	2,520	3,069
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	493	493
Loss before income taxes		**2,768**
Income taxes – current	789	
Income taxes – deferred	5,528	6,317
Net loss		**9,085**

Statement of Changes in Net Assets

January 1, 2015 through December 31, 2015

(Unit: Million yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of current period	35,123	20,741	1	20,743
Changes of items during the period				
Dividends from surplus				
Net income (loss)				
Purchase of treasury shares				
Disposal of treasury shares			4	4
Reversal of reserve for property replacement				
Net changes of items other than shareholders' equity				
Total changes of items during the period	-	-	4	4
Balance at the end of current period	35,123	20,741	6	20,748

	Shareholders' equity					
	Retained earnings				Treasury shares	Total shareholders' equity
	Legal retained earnings	Other retained earnings		Total retained earnings		
		Reserve for property replacement	Retained earnings brought forward			
Balance at the beginning of current period	8,780	13,406	400,694	422,882	(143,200)	335,548
Changes of items during the period						
Dividends from surplus			(13,843)	(13,843)		(13,843)
Net income (loss)			(9,085)	(9,085)		(9,085)
Purchase of treasury shares					(89)	(89)
Disposal of treasury shares					13	17
Reversal of reserve for property replacement		(189)	189	-		-
Net changes of items other than shareholders' equity						
Total changes of items during the period	-	(189)	(22,738)	(22,928)	(76)	(23,000)
Balance at the end of current period	8,780	13,217	377,955	399,954	(143,277)	312,547

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at the beginning of current period	163	163	146	335,858
Changes of items during the period				
Dividends from surplus				(13,843)
Net income (loss)				(9,085)
Purchase of treasury shares				(89)
Disposal of treasury shares				17
Reversal of reserve for property replacement				-
Net changes of items other than shareholders' equity	196	196	23	220
Total changes of items during the period	196	196	23	(22,779)
Balance at the end of current period	360	360	170	313,078

Notes to Non-Consolidated Financial Statements

1. Significant accounting policies
   (1) Valuation rules and methods for assets
      a. Securities
         1) Stock of subsidiaries and affiliates
            The moving-average cost method
         2) Other securities
            - Securities with readily determinable fair values
              Market value at the closing date (Valuation difference on available-for-sales securities is directly reflected in net assets, and cost of sales is calculated using the moving-average method)
            - Securities without readily determinable fair values
              The moving-average cost method
      b. Derivatives transactions
         Market value at the closing date
      c. Inventories
         Generally the lower of acquisition costs determined by the weighted average cost method or their net realizable value

   (2) Depreciation and amortization method for noncurrent assets
      a. Property, plant and equipment (excluding leased assets)
         Generally the declining-balance method
         The service life ranges by major assets are:

Buildings and structures:	10 to 50 years
Tanks:	10 to 25 years
Machinery, equipment and vehicles:	7 to 15 years

      b. Intangible assets (excluding leased assets)
         The straight-line method
         In-house computer software is amortized over its service life (5 to 15 years) using the straight-line method.
      c. Leased assets
         The straight-line method is employed, where the leasing period is deemed as the service life and residual value is set as zero. The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective on or before December 31, 2008 is calculated pursuant to the method applied to ordinary operating lease transactions.

(3) Basis for provisions

a. Allowance for doubtful accounts

To provide for losses due to bad debt, the Company reserves an estimated bad debt allowance on ordinary receivables based on historical bad debt ratios, and on highly doubtful receivables based on the recoverability from individual customers.

b. Provision for bonuses

To provide for the payment of employees' bonuses, the Company accrues an estimated reserve for the period.

c. Provision for retirement benefits

To provide for the payment of employees' post-retirement benefits, the Company accrues an estimated reserve based on the projected benefit obligations and estimated pension plan assets as of the closing date. Any differences in actuarial calculations of retirement benefits are amortized beginning with the next period, using the declining-balance method over a period determined based on employees' average remaining service years (12 years). Prior service liabilities are amortized using the straight-line method over employees' average remaining service years (11.9 to 12.9 years).

d. Provision for repairs

To provide for periodic tank inspections required under the Fire Service Act and for periodic repairs of machinery and equipment, the Company reserves an estimated reserve for the period, based on actual payments and repair plans.

(4) Other important items for financial statements

a. Principal methods of hedge accounting

1) Method of hedge accounting

Exceptional treatment permitting the effects of the interest rate swaps to be netted against the underlying interest expense of the loans payable subject to the swap agreement is adopted for the swap agreements that satisfy the requirements for exceptional treatment.

2) Hedging instrument and hedged item

Hedging instrument: Interest rate swap

Hedged item: Interest on loans payable

3) Hedging policy

Upon the completion of internal approval procedures prescribed by the Company, interest rate swaps are carried out to convert floating interest rates associated with certain loans payable to fixed interest rates.

4) Method of evaluating hedge effectiveness

Hedge effectiveness of interest rate swaps is not evaluated because they are accounted for with exceptional treatment.

b. Amortization method and period of goodwill

Goodwill is amortized by the straight-line method over five years.

c. Accounting method for consumption taxes

Each item in the statement of income does not include consumption taxes.

2. Balance sheet

(1) Mortgaged assets

Mortgaged assets and mortgaged liabilities by security rights are as shown below;

Mortgaged assets	Balance sheet amounts (Million yen)	(Provided as plant mortgage) (Million yen)
Buildings	1,117	(1,117)
Structures	2,128	(2,128)
Tanks	2,090	(2,090)
Machinery, equipment	4,759	(4,759)
Land	12,203	(4,628)
Total	22,299	(14,724)

Mortgaged liabilities by security rights	Amounts (Million yen)	(Covered by plant mortgage) (Million yen)
Gasoline taxes payable	77,140	(14,724)

(Note) 1. The balance sheet amounts of mortgaged assets include the mortgages provided as plant mortgage as shown in parentheses.
2. The amounts of mortgaged liabilities include the liabilities covered by plant mortgages as shown in parentheses.

(2) Accumulated depreciation of property, plant and equipment 760,744 million yen

(3) Obligations for guarantees

a. Bank borrowing, etc.

Guarantees	Amounts
Japan Biofuels Supply LLP	2,767 million yen
Employees of the Company	89 million yen
Total	2,856 million yen

b. Letters of credit

Guarantees	Amounts
Japan Biofuels Supply LLP	13,489 thousand USD
	(1,626 million yen)

c. Deferral of import consumption tax payment

Guarantees	Amounts
Japan Biofuels Supply LLP	312 million yen

(4) Details of receivable from and payable to associated companies

Receivable

Accounts receivable-trade	143,793	million yen
Short-term loans receivable	11,528	
Accounts receivable-other	5,880	

Payable

Accounts payable-trade	31,322	million yen
Short-term loans payable	87,381	
Accounts payable-other	3,167	

3. Statement of income

Transaction with associated companies

Trade transaction	Net sales	1,269,255	million yen
	Cost of sales	374,064	
Non-trade transaction	Dividend income	5,650	
	Other	175	

4. Statement of changes in net assets

Treasury shares

Class and number of treasury shares as of December 31, 2015

Common stock 200,936,131 shares

5. Deferred tax accounting

Detail of deferred tax assets and deferred tax liabilities

(Deferred tax assets)

Tax loss carry forward	68,790	million yen
Provision for retirement benefits	13,019	
Provision for repairs	6,849	
Accumulated impairment loss	751	
Excess amortization	763	
Other	2,627	
Subtotal	92,802	
Valuation allowance	(25,459)	
Total deferred tax assets	67,342	

(Deferred tax liabilities)

Gain on sales of subsidiaries' stocks	(27,513)	million yen
Deferred taxation on the gain from inventory valuation method change	(18,830)	
Reserve for property replacement	(6,300)	
Land revaluation	(5,320)	
Other	(3,329)	
Total deferred tax liabilities	(61,295)	
Net of deferred tax assets and liabilities	6,047	

Net deferred tax assets are included in the following accounts on the balance sheets.

Current assets - Deferred tax assets	679	million yen
Non-current assets - Deferred tax assets	5,367	million yen

- 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 increased by 573 million yen, valuation difference on available-for-sale securities increased by 8 million yen and income taxes - deferred decreased by 565 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, deferred tax assets decreased by 12,600 million yen and income taxes - deferred increased by 12,600 million yen.

6. Lease transactions

The accounting treatment for finance lease transactions that do not transfer ownership to the lessee and became effective on or before December 31, 2008 is calculated pursuant to the method applied to ordinary operating lease transactions. The detail is as follows.

(1) Acquisition cost equivalent, accumulated depreciation equivalent and net book value equivalent at the closing date

(Million yen)

Assets	Acquisition cost equivalent	Accumulated depreciation equivalent	Net book value equivalent at the closing date
Buildings	89	32	57
Machinery	210	186	24
Total	300	219	81

(Note) The acquisition cost equivalent includes interest-equivalent expenses with no adjustment made since the outstanding balance of future lease payment at the closing date is immaterial considering the total value of property, plant and equipment.

(2) Outstanding balance of future lease payment at the closing date

Due within one year	30 million yen
Due in over one year	50 million yen
Total	81 million yen

(Note) The outstanding balance of future lease payment includes interest-equivalent expenses, since the outstanding balance of future lease payment at the closing date is immaterial considering the total value of property, plant and equipment.

(3) Lease fees paid and depreciation expense equivalent

Lease fees paid	28 million yen
Depreciation expense equivalent	28 million yen

(4) Calculation method for depreciation expense equivalent

The straight-line method with no residual value, where the lease period is treated as the depreciation period.

7. Financial data per share

(3) Net assets per share: 859.06 yen

(4) Net loss per share: (24.94) yen

8. Significant subsequent events

- Cancellation of treasury shares

The Board of Directors of the Company resolved the cancellation of treasury shares as stated below, in accordance with the provision of Article 178 of the Companies Act. The details are shown in “8. Significant subsequent events” of “Notes to Consolidated financial statements”.

9. Monetary unit used for reporting

Amounts are shown in truncated millions of yen.

Independent Auditor's Report

(English Translation*)

February 15, 2016

To the Board of Directors of TonenGeneral Sekiyu K.K.

PricewaterhouseCoopers Aarata

Akio Kobayashi, CPA
Designated and Engagement Partner

Takayoshi Yano, CPA
Designated and Engagement Partner

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the accompanying financial statements, which comprise the balance sheet, profit and loss statement, statement of changes in net assets and notes to the financial statements, and the supplementary schedules of TonenGeneral Sekiyu K.K. (hereinafter referred to as the "Company") for the 96th fiscal year from January 1, 2015 to December 31, 2015.

Management's Responsibility for the financial statements and the supplementary schedules

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and the supplementary schedules in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

As stated in significant subsequent event, the Company resolved the cancellation of treasury shares at a meeting of its Board of Directors held on February 12, 2016.

Our opinion is not qualified in respect of this matter.

Conflict of Interest

We have no interest in or relationship with the Company which should be disclosed pursuant to the provisions of the Certified Public

Accountants Act of Japan.

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* The original audit report is in Japanese.　This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Audit Report

(English Translation)

The Board of Statutory Auditors (BOSA) has reviewed the audit reports individually prepared by each Statutory Auditor (Auditor) and reached a consensus to prepare this Audit Report, after deliberation among the Auditors, regarding Directors' execution of duties for the 96th fiscal period from January 1, 2015 to December 31, 2015, as follows.

1. The methods and results of the Statutory Audit by individual Auditors and by the BOSA.

(1) On March 25, 2015, the BOSA held a meeting attended by all Auditors, and passed a resolution on the audit policy, audit plan, and assignment of work among the Auditors. However, for those items deemed necessary or appropriate, individual Auditors conducted audits from time to time, outside the scope of the above resolution.

(2) We periodically held BOSA and Auditors meetings in order to discuss the results of the audits conducted by individual Auditors and to exchange opinions for the purpose of sharing information, and received a report from the Directors and the Accounting Auditor on their execution of duties and asked for explanations as necessary. We communicated our opinion as necessary, in writing or verbally, about the result of our survey or audit to the responsible Director or manager in charge of each business unit.

(3) In accordance with the resolution of the BOSA, individual Auditors made every effort to maintain good communication with the Directors and Internal Audit and other functions and to collect information and maintain an appropriate audit environment. At the same time, we attended the Board of Directors (BOD) meetings, monthly management meetings and other important meetings.

(4) As to the BOD meetings, all Auditors examined proposals in advance, and observed the process and results of their reviews covering the matters brought up for resolution and report by attending the BOD meetings. We also asked questions and expressed opinions.

(5) We audited the Head Office departments, the refineries, the terminals, the major subsidiaries, the head office and the major branches of EMG Marketing G.K., by visiting these sites.

(6) For the subsidiaries, we maintained communications and exchanged information with the members of the Management Committee of the Godo Kaishas, the Directors and Auditors of the Kabushiki Kaisha. In addition, we periodically received reports on their business performance and visited the sites.

(7) We examined the content and monitored the implementation of the BOD resolution regarding the Internal Controls Systems that ensure compliance of Directors' execution of duties with applicable laws and regulations and the Articles of Incorporation, and appropriate business conduct of the Company.

(8) As to the Internal Audit function, we received briefings in advance on the audit plans and detailed explanations regarding the results of the internal audits, from both auditiees and auditors at the managerial level. Also, we discussed the state of the internal controls systems, from time to time, and audited how necessary countermeasures were implemented.

(9) For the accounting audit, we received an explanation of the audit plan from the Accounting Auditor in advance, had discussions with them, and received the reports of their audit results. Furthermore, we monitored and verified that they maintained independence and conducted appropriate audits, received reports on the status of their audit work, and asked for explanations as necessary. We were also advised by the Accounting Auditor that they had their own internal controls systems in place in accordance with the Quality Control Standards for Audit.

(10) Based on the above stated steps, we examined the business report and supplements for the current fiscal year. We also examined the financial statements (balance sheet, income statement, statement of changes in net assets, and notes thereon), supplements, and the consolidated financial statements (consolidated balance sheet, consolidated income statement, consolidated statement of changes in net assets, and consolidated notes thereon).

2. Result of the audit

(1) Result of the audit of the business report and supplements

It is our opinion that

(i) The business report and supplements present fairly the status of the Company's business conditions in conformity with the applicable laws and regulations and the Articles of Incorporation,

(ii) There is no indication of significant wrongdoing or violation of laws and regulations and the Articles of Incorporation in the Directors' execution of duties,

(iii) The content of the BOD resolution on the internal control systems was appropriate. Also, there are no significant items to be noted on the Directors' executions of duties regarding the internal control systems.

(2) Result of the audit of the financial statements and supplements

The methods and results of audits conducted by PwC Arata Audit Corporation, our Accounting Auditor, are appropriate.

(3) Result of the audit of the consolidated financial statements

The methods and results of audits conducted by PwC Arata Audit Corporation, our Accounting Auditor, are appropriate.

February 19, 2016

The Board of Statutory Auditors,
TonenGeneral Sekiyu K.K.

Masahiro Iwasaki, Full-time Statutory Auditor

Masaaki Ayukawa, Statutory Auditor (Outside Auditor)

Kyoichi Ikeo, Statutory Auditor (Outside Auditor)

Nobuko Takahashi, Statutory Auditor (Outside Auditor)