



RELIABILITY IN ENERGY SUPPLY



Annual Report 2017
April 1, 2016 – March 31, 2017

Fuji Oil Company, Ltd.

Profile

As a comprehensive energy-focused group, the Fuji Oil Group (the Group) seeks to fulfill its responsibilities as a corporate citizen by contributing to the future affluence of society and the realization of a safe and comfortable environment. Based on this mission, the Group provides a stable supply of energy products, which are indispensable to people's daily lives and industrial activities.

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Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements that reflect FOC and its consolidated subsidiaries' forecast, targets, plans, and strategies. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, and various other factors that may cause FOC's actual results, performance, achievements, or financial position to be materially different from any future results, performance, achievements, or financial position expressed or implied by these forward-looking statements.



Atsuo Shibota
President and Representing Director

Consolidated Performance:

Big Return to Profit from Previous Fiscal Year

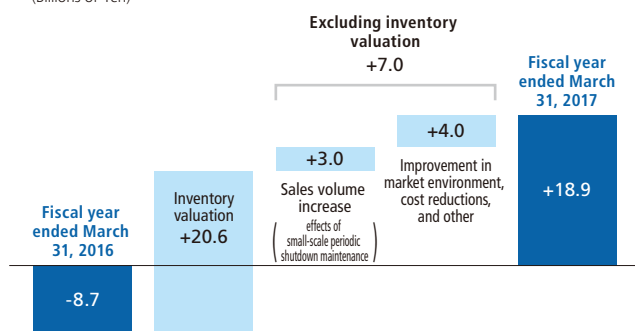
Regarding the results for the fiscal year ended March 31, 2017, crude oil prices showed a general upward trend as OPEC and non-OPEC oil producing countries coordinated to cut production. In addition to the effect of inventory valuation as a factor in pushing up profits on the back of such a trend, we were able to achieve a return to profit due to better market conditions for petroleum products and the improvement in profitability of asphalt pitch. Profit attributable to owners of parent was recorded at 15.5 billion yen, an improvement of 24.9 billion yen from the previous fiscal year. In addition to this, the amount of operating profit, and ordinary profit, excluding effects of inventory valuation, improved significantly from the previous fiscal year.

The preceding points are not the only factors in the background of the business results for the fiscal year under review. The cost savings due to the operation of a newly built private power generator at the Sodegaura Refinery, and the maintaining of a high operating rate, thanks to the safe and stable day to day running of the facilities, are also key factors in the company's turnaround. We will work hard to strengthen the competitiveness of our Sodegaura Refinery, which is at the heart of our business, and aim for sustainable growth.

(Billions of Yen)	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Increase (decrease)
Net sales	419.5	425.5	(5.9)
Operating profit (loss)	18.9	(8.7)	27.7
Profit (loss) attributable to owners of parent	15.5	(9.4)	24.9
Operating profit excluding the effect of inventory valuation	11.3	4.2	7.0

■ Main factors of change in operating profit

(Billions of Yen)



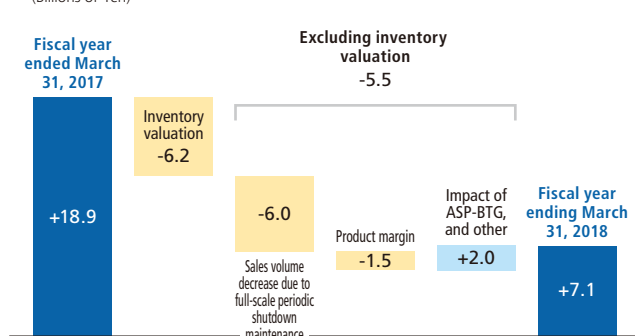
Expected Drop in Profits due to Full-Scale Periodic Maintenance

The outlook for the fiscal year ending March 31, 2018 is that, although there is a contribution to earnings due to the start of operation of the Asphalt Pitch-Fueled Boiler Turbine Generator (ASP-BTG), which uses asphalt pitch produced at the Sodegaura Refinery, sales volumes are expected to decrease due to the carrying out of full-scale periodic shutdown maintenance. We are therefore expecting a decrease in profit, with operating profit of

	Crude Oil Price (Dubai Crude)	Exchange Rate
Prerequisites	\$55/Barrel	¥110/\$1

■ Main factors of change in operating profit (Forecast)

(Billions of Yen)



7.1 billion yen, ordinary profit of 4.8 billion yen, and profit attributable to owners of parent of 4.6 billion yen. In addition, we expect operating profit of 5.7 billion yen, and ordinary profit of 3.4 billion yen, excluding the effects of inventory valuation.

These figures are based on related information as of the time of announcement (May 9, 2017) and may change due to future circumstances.

Future Business Development:

The Second Medium-Term Business Plan: Toward Further Strengthening International Competitiveness

In the second Medium-Term Business Plan, formulated in May 2017, we stated our aim to further strengthen our competitiveness in the international market.

Demand for domestic petroleum products is expected to continue to decline due to a shrinking population and improvements in the fuel economy of passenger cars. In emerging Asian countries, however, demand for petroleum products is continuing to grow due to steady economic growth. Based on this business environment, we will work on the following four business challenges.

- 1 Maintaining/enhancement of operational reliability
- 2 Higher value-added production and enhancement of cost competitiveness
- 3 Further actions for export
- 4 Studies for new business development

Through this Medium-Term Business Plan, we will achieve stable earnings growth even in a more severe business climate, and increase our corporate value by strengthening our financial position, increasing shareholder returns, and undertaking additional investment in equipment to further enhance our competitiveness.

August 2017

Atsuo Shibota
President and Representing Director

Financial Section

Consolidated Balance Sheets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
As of March 31, 2017 and 2016

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Current assets:			
Cash and deposits (Notes 4 and 15)	¥ 13,592	¥ 15,005	\$ 121,152
Notes and accounts receivable - trade (Note 4)	51,261	38,918	456,912
Short-term investment securities (Notes 4, 5 and 15)	100	434	891
Inventories (Notes 3 and 10)	74,931	46,869	667,894
Accounts receivable - other (Note 4)	6,796	2,837	60,576
Deferred tax assets (Note 11)	242	465	2,157
Other	2,954	1,949	26,330
Total current assets	149,879	106,480	1,335,939
Property, plant and equipment (Note 6):			
Buildings and structures, net (Note 10)	10,175	11,218	90,694
Storage tanks, net (Note 10)	3,958	3,606	35,279
Machinery, equipment and vehicles, net (Note 10)	18,216	21,486	162,367
Land (Note 10)	51,660	51,664	460,469
Construction in progress	18,793	3,537	167,510
Other, net	242	228	2,157
Total property, plant and equipment	103,047	91,741	918,504
Intangible assets	599	523	5,339
Investments and other assets:			
Investment securities (Notes 4 and 5)	17,130	16,083	152,687
Long-term loans receivable (Note 4)	874	913	7,790
Long-term accounts receivable - other (Note 4)	16,828	16,902	149,996
Other	519	706	4,626
Allowance for doubtful accounts (Note 4)	(460)	(460)	(4,100)
Total investments and other assets	34,892	34,144	311,008
Total assets	¥ 288,418	¥ 232,889	\$ 2,570,800

See notes to consolidated financial statements.

Liabilities and Net assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Current liabilities:			
Accounts payable - trade (Note 4)	¥ 30,594	¥ 18,550	\$ 272,698
Short-term loans payable (Notes 4 and 10)	61,447	45,158	547,705
Current portion of long-term loans payable (Notes 4 and 10)	15,848	11,998	141,260
Accounts payable - other (Note 4)	21,778	15,407	194,117
Excise taxes payable on gasoline and other fuels (Note 4)	18,647	22,363	166,209
Income taxes payable (Notes 4 and 11)	2,665	164	23,754
Other (Note 10)	4,602	7,067	41,020
Total current liabilities	155,583	120,709	1,386,781
Noncurrent liabilities:			
Long-term loans payable (Notes 4 and 10)	49,778	45,946	443,694
Deferred tax liabilities (Note 11)	9,259	9,448	82,530
Provision for special repairs	1,963	2,207	17,497
Provision for repairs	5,812	3,437	51,805
Net defined benefit liability (Note 12)	2,924	3,298	26,063
Provision for directors' retirement benefits	19	28	169
Other (Note 10)	260	329	2,317
Total noncurrent liabilities	70,018	64,697	624,102
Total liabilities	225,601	185,407	2,010,883
Commitments and contingent liabilities (Note 14)			
Net assets (Note 13)			
Shareholders' equity:			
Capital stock:			
Authorized - 200,000,000 shares in 2017 and 2016			
Issued - 78,183,677 shares in 2017 and 2016	24,467	24,467	218,085
Capital surplus	30,396	41,469	270,933
Retained earnings	10,339	(16,227)	92,156
Treasury stock (Note 13)	(1,431)	(1,431)	(12,755)
Total shareholders' equity	63,771	48,277	568,420
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	111	(172)	989
Revaluation reserve for land	1	1	9
Foreign currency translation adjustments	(1,067)	(605)	(9,511)
Remeasurements of defined benefit plans (Note 12)	(181)	(304)	(1,613)
Total accumulated other comprehensive income	(1,135)	(1,081)	(10,117)
Non-controlling interests	180	286	1,604
Total net assets	62,816	47,482	559,907
Total liabilities and net assets	¥ 288,418	¥ 232,889	\$ 2,570,800

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Operations

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net sales (Note 18)	¥ 419,530	¥ 425,522	\$ 3,739,460
Cost of sales (Note 3)	396,822	430,876	3,537,053
Gross profit (loss)	22,707	(5,353)	202,398
Selling, general and administrative expenses (Note 7)	3,767	3,445	33,577
Operating profit (loss)	18,940	(8,799)	168,821
Non-operating income (expenses):			
Interest and dividends income	239	313	2,130
Equity in earnings of affiliates	1,397	2,923	12,452
Interest expenses	(1,971)	(2,028)	(17,568)
Foreign exchange gains (losses), net	261	(1,369)	2,326
Loss on retirement of noncurrent assets (Note 8)	(156)	(8)	(1,390)
Gain on sales of noncurrent assets (Note 9)	7	6	62
Impairment losses	(3)	(0)	(27)
Other, net	(769)	(590)	(6,854)
	(995)	(753)	(8,869)
Profit (loss) before income taxes	17,945	(9,552)	159,952
Income taxes (Note 11):			
Income taxes - current	2,381	226	21,223
Income taxes - deferred	39	(378)	348
	2,421	(151)	21,579
Profit (loss)	15,523	(9,400)	138,363
Profit attributable to non-controlling interests	20	9	178
Profit (loss) attributable to owners of parent	¥ 15,503	¥ (9,409)	\$ 138,185

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Profit (loss)	¥ 15,523	¥ (9,400)	\$ 138,363
Other comprehensive income:			
Valuation difference on available-for-sale securities	283	(414)	2,523
Revaluation reserve for land	0	—	0
Foreign currency translation adjustments	(73)	0	(651)
Remeasurements of defined benefit plans	123	(807)	1,096
Share of other comprehensive income of associates accounted for using equity method	(388)	(5)	(3,458)
Total other comprehensive income	(54)	(1,227)	(481)
Comprehensive income (Note 17)	¥ 15,469	¥ (10,627)	\$ 137,882
Comprehensive income attributable to:			
Owners of parent	¥ 15,449	¥ (10,636)	\$ 137,704
Non-controlling interests	20	9	178

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Changes in Net Assets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of Yen					
	Shareholders' equity					
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2015	78,183,677	¥ 24,467	¥ 57,215	¥ (22,330)	¥ (1,431)	¥ 57,921
Dividends from surplus - other capital surplus			(231)			(231)
Loss attributable to owners of parent				(9,409)		(9,409)
Purchase of treasury stock					(0)	(0)
Purchase of shares of consolidated subsidiaries			(2)			(2)
Deficit disposition			(15,511)	15,511		—
Net changes of items other than shareholders' equity						—
Total changes during the period		—	(15,746)	6,102	(0)	(9,643)
Net assets as of April 1, 2016	78,183,677	24,467	41,469	(16,227)	(1,431)	48,277
Dividends from surplus - other capital surplus						—
Profit attributable to owners of parent				15,503		15,503
Purchase of treasury stock						—
Purchase of shares of consolidated subsidiaries						—
Deficit disposition			(11,072)	11,072		—
Net changes of items other than shareholders' equity				(9)		(9)
Total changes during the period		—	(11,072)	26,567	—	15,494
Balance as of March 31, 2017	78,183,677	¥ 24,467	¥ 30,396	¥ 10,339	¥ (1,431)	¥ 63,771

	Millions of Yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Net assets as of April 1, 2015	¥ 242	¥ 1	¥ (600)	¥ 503	¥ 146	¥ 284	¥ 58,351
Dividends from surplus - other capital surplus							(231)
Loss attributable to owners of parent							(9,409)
Purchase of treasury stock							(0)
Purchase of shares of consolidated subsidiaries							(2)
Deficit disposition							—
Net changes of items other than shareholders' equity	(414)	—	(4)	(807)	(1,227)	1	(1,225)
Total changes during the period	(414)	—	(4)	(807)	(1,227)	1	(10,869)
Net assets as of April 1, 2016	(172)	1	(605)	(304)	(1,081)	286	47,482
Dividends from surplus - other capital surplus							—
Profit attributable to owners of parent							15,503
Purchase of treasury stock							—
Purchase of shares of consolidated subsidiaries							—
Deficit disposition							—
Net changes of items other than shareholders' equity	283	0	(461)	123	(54)	(105)	(169)
Total changes during the period	283	0	(461)	123	(54)	(105)	15,334
Balance as of March 31, 2017	¥ 111	¥ 1	¥ (1,067)	¥ (181)	¥ (1,135)	¥ 180	¥ 62,816

See notes to consolidated financial statements.

	Thousands of U.S. Dollars (Note 1)					
	Shareholders' equity					
	Number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Net assets as of April 1, 2016	78,183,677	\$ 218,085	\$ 369,632	\$ (144,639)	\$ (12,755)	\$ 430,315
Dividends from surplus - other capital surplus						—
Profit attributable to owners of parent				138,185		138,185
Purchase of treasury stock						—
Purchase of shares of consolidated subsidiaries						—
Deficit disposition			(98,690)	98,690		—
Net changes of items other than shareholders' equity				(80)		(80)
Total changes during the period		—	(98,690)	236,804	—	138,105
Balance as of March 31, 2017	78,183,677	\$ 218,085	\$ 270,933	\$ 92,156	\$ (12,755)	\$ 568,420

	Thousands of U.S. Dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for- sale securities	Revaluation reserve for land	Foreign currency translation adjustments	Remeasure- ments of defined benefit plans	Total accumu- lated other comprehensive income	Non- controlling interests	Total net assets
Net assets as of April 1, 2016	\$ (1,533)	\$ 9	\$ (5,393)	\$ (2,710)	\$ (9,635)	\$ 2,549	\$ 423,228
Dividends from surplus - other capital surplus							—
Profit attributable to owners of parent							138,185
Purchase of treasury stock							—
Purchase of shares of consolidated subsidiaries							—
Deficit disposition							—
Net changes of items other than shareholders' equity	2,523	0	(4,109)	1,096	(481)	(936)	(1,506)
Total changes during the period	2,523	0	(4,109)	1,096	(481)	(936)	136,679
Balance as of March 31, 2017	\$ 989	\$ 9	\$ (9,511)	\$ (1,613)	\$ (10,117)	\$ 1,604	\$ 559,907

See notes to consolidated financial statements.

Financial Section

Consolidated Statements of Cash Flows

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net cash flows from operating activities:			
Profit (loss) before income taxes	¥ 17,945	¥ (9,552)	\$ 159,952
Depreciation and amortization	5,447	7,694	48,552
Impairment losses	3	0	27
Increase in provision for repairs	2,375	475	21,169
Decrease in net defined benefit liability	(250)	(310)	(2,228)
Decrease in allowance for doubtful accounts	(0)	(2)	(0)
Decrease in provision for special repairs	(243)	(58)	(2,166)
Decrease in provision for directors' retirement benefits	(9)	(11)	(80)
Interest and dividends income	(239)	(313)	(2,130)
Interest expenses	1,971	2,028	17,568
Equity in earnings of affiliates	(1,397)	(2,923)	(12,452)
Loss on retirement of noncurrent assets	156	8	1,390
Gain on sale of noncurrent assets	(7)	(6)	(62)
(Increase) decrease in notes and accounts receivable - trade	(12,343)	22,648	(110,019)
(Increase) decrease in inventories	(28,062)	32,202	(250,129)
Increase (decrease) in notes and accounts payable - trade	12,043	(11,340)	107,345
(Decrease) increase in excise taxes payable on gasoline and other fuels	(3,715)	871	(33,113)
Increase (decrease) in accrued consumption taxes	5,419	(5,910)	48,302
Other, net	(6,916)	4,036	(61,645)
Subtotal	(7,824)	39,536	(69,739)
Interest and dividends income received	239	557	2,130
Interest expenses paid	(1,980)	(2,027)	(17,649)
Income taxes paid	(144)	(270)	(1,284)
Income taxes refund	89	237	793
Net cash (used in) provided by operating activities	¥ (9,620)	¥ 38,033	\$ (85,747)

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net cash flows from investing activities:			
Payments into time deposits	¥ (110)	¥ (20)	\$ (980)
Proceeds from withdrawal of time deposits	120	1,113	1,070
Purchase of investment securities	(12)	(101)	(107)
Proceeds from liquidation of subsidiaries	—	37	—
Purchase of property, plant and equipment	(16,672)	(8,699)	(148,605)
Proceeds from sales of property, plant and equipment	7	6	62
Proceeds from national subsidies	804	1,215	7,166
Purchase of intangible assets	(151)	(149)	(1,346)
Payments of loans receivable	—	(1)	—
Collection of loans receivable	38	45	339
Other, net	(20)	(15)	(178)
Net cash used in investing activities	(15,996)	(6,568)	(142,580)
Net cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	16,380	(45,168)	146,002
Proceeds from long-term loans payable	19,700	21,500	175,595
Repayment of long-term loans payable	(12,018)	(6,388)	(107,122)
Cash dividends paid	—	(231)	—
Cash dividends paid to non-controlling interests	(1)	(7)	(9)
Other, net	(64)	(84)	(570)
Net cash provided by (used in) financing activities	23,996	(30,379)	213,887
Effect of exchange rate changes on cash and cash equivalents	(116)	(5)	(1,034)
Net (decrease) increase in cash and cash equivalents	(1,736)	1,079	(15,474)
Cash and cash equivalents at beginning of year (Note 15)	15,329	14,249	136,634
Cash and cash equivalents at end of year (Note 15)	¥ 13,592	¥ 15,329	\$ 121,152

See notes to consolidated financial statements.

Financial Section

Notes to Consolidated Financial Statements

Fuji Oil Company, Ltd. and Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by Fuji Oil Company, Ltd. (the "Company") and its domestic and foreign subsidiaries (collectively, the "Companies"), and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The Company and its domestic subsidiaries maintain their accounting records in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. Foreign subsidiary maintains its accounting records in accordance with International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory consolidated financial statements in Japanese, but not required for fair disclosure, is not disclosed in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made, as a matter of arithmetic computation only, at the rate of ¥112.19 = U.S.\$1.00, the approximate rate of exchange on March 31, 2017. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Scope of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its eight significant subsidiaries. Consolidated subsidiaries as of March 31, 2017 and 2016 are as follows:

- Petro Progress, Inc.
- Petro Progress Pte Ltd.
- Fuji Tanker Company, Ltd.
- Fuji Oil Sales Co., Ltd.
- Fuji Rinkai Co., Ltd.
- Arabian Oil Company, Ltd.
- Japan Oil Engineering Co. Ltd.
- Tokyo Oil Promotion Inc.

Petro Progress Pte Ltd. has a fiscal year-end of December 31. The consolidated financial statements incorporate the accounts of the company for the fiscal year ended December 31 with adjustments for significant transactions arising after the year-end. The fiscal year-end of other consolidated subsidiaries is March 31.

(b) Equity method

Affiliates accounted for under the equity method as of March 31, 2017 and 2016 are as follows:

- Aramo Shipping (Singapore) Pte Ltd.
- Tokai Engineering & Construction Co., Ltd.

There are two and three companies (non-consolidated subsidiary and affiliates) in 2017 and 2016, respectively, which are not accounted for under the equity method, but stated at cost, because the corresponding amounts of profit (loss) and retained earnings have immaterial impact and do not have a material effect on the consolidated financial statements as a whole.

Non-consolidated subsidiary and affiliates not accounted for under the equity method as of March 31, 2017 are as follows:

- Kyodo Terminal Co., Ltd.
- Keiyo Sea Berth Co., Ltd.

The accounts of a certain affiliate with a different fiscal year-end are consolidated on the basis of the affiliates' fiscal year-end.

(c) Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash equivalents comprise of readily-available deposits and all highly liquid short-term investments exposed to immaterial risk of fluctuations in the value with an original maturity of three months or less.

(d) Short-term investment securities and investment securities

Securities other than equity securities issued by subsidiaries and affiliates are classified as available-for-sale securities. Short-term investment securities and investment securities classified as available-for-sale securities are carried at fair value with any changes in valuation on available-for-sale securities, net of taxes, included directly in accumulated other comprehensive income under net assets. The cost of marketable available-for-sale securities sold is calculated by the moving-average method. Non-marketable securities classified as available-for-sale securities are carried at cost determined by the moving-average method.

(e) Inventories

Inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate.

Merchandise and finished goods, and raw materials are stated at cost determined by the gross average method. Supplies are stated at cost determined by the moving-average method.

(f) Impairment of long-lived assets

Long-lived assets, such as property, plant and equipment, and acquired intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

(g) Depreciation and amortization

Depreciation of manufacturing plant equipment for petrochemical products is calculated principally by the declining-balance method, and depreciation of other property, plant and equipment is calculated principally by the straight-line method based on the estimated useful lives.

The useful lives of major property, plant and equipment are summarized as follows:

- | | |
|----------------------------|----------------|
| ■ Buildings and structures | 2 to 60 years |
| ■ Storage tanks | 10 to 15 years |
| ■ Machinery and equipment | 2 to 17 years |

Intangible assets are amortized by the straight-line method over their respective estimated useful lives. Software intended for internal use is amortized by the straight-line method over an estimated useful life of five years.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debts with respect to ordinary receivables, plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables.

(i) Provision for repairs

The provision for repairs is provided at an amount equivalent to the estimated amount of periodical maintenance expenses for machinery and equipment.

(j) Provision for special repairs

The provision for special repairs is provided at an amount equivalent to the estimated amount of periodical inspection and maintenance expenses for storage tanks required by the Fire Defense Law.

(k) Provision for directors' retirement benefits

Provision for directors' retirement benefits is estimated based on the amount calculated in accordance with internal rules under the assumption that all directors retired at the balance sheet date.

(l) Employees' retirement benefits

(i) Periodic allocation method for projected retirement benefits

Regarding determination of retirement benefit obligations, the benefit formula basis is adopted as the method of attributing expected benefit to the periods until this fiscal year end.

(ii) Method for processing actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a period (ten years) within the average remaining years of service of the eligible employees. Actuarial gains and losses are amortized from the year following the year in which the gain or loss is incurred by the straight-line method over a period (ten years) within the average remaining years of service of the eligible employees.

(m) Derivatives and hedge accounting

Derivatives are principally stated at fair value. If certain hedging criteria are met, the gain or loss on a derivative designated as a hedging instrument is deferred as part of accumulated other comprehensive income in the accompanying consolidated balance sheets until the hedged item is settled.

Alternatively, foreign currency denominated receivables and payables hedged by forward exchange contracts are translated at the respective forward contract rates ("allocation method").

Furthermore, in cases where interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contracts are added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed ("special treatment").

Hedge effectiveness is assessed based on hedged item and hedging instrument's fluctuations by comparing those cumulative market fluctuation totals from inception to the effectiveness test.

The hedge effectiveness test for the forward exchange contracts under the allocation method and the interest rate swap contracts under the special treatment is omitted.

(n) Income taxes

Deferred tax assets and liabilities are recognized for expected future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and operating loss and tax loss carryforwards. A valuation allowance is recorded to reduce deferred income tax assets to their net realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company and certain domestic subsidiaries have adopted a consolidated tax filing system.

(o) Consumption taxes

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

(p) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at the balance sheet date, except for foreign currency denominated monetary receivables and payables hedged by forward exchange contracts as noted above. Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transactions. The resulting exchange gains or losses are credited or charged to income as incurred.

Financial statements of foreign subsidiaries and affiliates are translated into Japanese yen at the balance sheet exchange rates for all assets and liabilities, at historical exchange rates for shareholders' equity and average exchange rates during the year for all income and expense accounts. Foreign currency translation adjustments resulting from the above translation procedures are reported as a component of accumulated other comprehensive income under net assets in the accompanying consolidated balance sheets.

(q) Reclassifications

Certain amounts in the consolidated financial statements for the fiscal year ended March 31, 2016 have been reclassified to conform to the current year presentation.

(r) Change in accounting policy

There is no change in accounting policy for the fiscal year ended March 31, 2017.

Accounting standard for business combinations and others

From the fiscal year ended March 31, 2016, the Companies applied the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7) and related guidance, all of those issued on September 13, 2013.

Accordingly, in the consolidated balance sheet, "minority interests" under the previous accounting standard was changed to "non-controlling interests" under the revised accounting standard. In the consolidated statement of income, "income/loss before minority interests" under the previous accounting standard was changed to "profit/loss" under the revised accounting standard, and "net income/loss" under the previous accounting standard was changed to "profit/loss attributable to owners of parent" under the revised accounting standard.

(s) Additional Information

At the beginning of the fiscal year beginning on April 1, 2016, the Companies applied the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26) issued on March 28, 2016.

3. Inventories

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Merchandise and finished goods	¥ 24,539	¥ 15,412	\$ 218,727
Raw materials and supplies	50,391	31,456	449,158
Total	¥ 74,931	¥ 46,869	\$ 667,894

Gain on reversal of allowance for inventories held for sale (net of write off expenses) amounted to ¥1,141 million (\$10,170 thousand) and ¥1,836 million for the fiscal years ended March 31, 2017 and 2016, respectively, and are included in cost of sales in the consolidated statements of operations.

4. Financial Instruments

(1) Qualitative information on financial instruments

(a) Policies for using financial instruments

The Companies limit their investment of temporary surpluses to short-term deposits and procure funds for capital investment and working capital through bank loans. Derivatives are employed to hedge against the risks described below. The Companies do not engage in speculative transactions.

(b) Policies and systems for risk management

Trade notes and accounts receivable, which are claimable assets, are subject to customer credit risk. Also, certain receivable related to product exports are denominated in foreign currencies, and therefore entail exchange rate fluctuation risk. The Company uses forward foreign exchange contracts to hedge this risk. As the allocation method is employed for forward exchange contracts, an evaluation of hedge effectiveness is not performed.

Short-term investment securities and investment securities are mainly equity securities and the Company reviews the market values on a quarterly basis for listed securities.

Most accounts payable, which are trade liabilities, are payable within four months. Certain accounts payable and the below-mentioned short-term loans payable related to crude oil imports are denominated in foreign currencies and are therefore subject to exchange rate fluctuation risk. Forward exchange contracts are used to hedge this risk. As the allocation method is applied for forward foreign exchange contracts, an evaluation of hedge effectiveness is not performed.

Short-term loans payable includes mainly funds raised as working capital in relation to crude oil imports. Long-term loans payable mainly comprise funds raised for capital expenditure. Floating-rate loans are subject to interest rate fluctuation risk, but for most long-term loans the Company minimizes the risk of fluctuations in interest payments by fixing payment interest rates, employing interest rate swap transactions to hedge individual contracts. With regard to the evaluation of hedge effectiveness, as interest rate swaps meet the conditions for the application of special treatment as described in Note 2 (m), an evaluation of hedge effectiveness is not performed.

With regard to the execution and control of derivative transactions, authorizations and monetary limits on transactions and controls are determined in accordance with internal rules. When employing derivatives, the Company selects as contractual counterparties Japanese banks, major trading companies and securities firms with high credit ratings. Consequently, the credit risk arising from counterparties being unable to fulfill their contractual obligations is considered negligible.

Trade liabilities and loans are subject to liquidity risk. To manage this risk, the Company creates and updates cash flow plans in a timely manner on the basis of reports from individual departments.

58.0% and 63.1% of claimable assets as of March 31, 2017 and 2016, respectively, are for the specific major customer.

(c) Supplemental information on fair values

In Note 4 (2) Fair values of financial instruments, market risk related to derivative financial instruments is not included in the contract amounts of those instruments.

(2) Fair values of financial instruments

Carrying values and fair values of the financial instruments on the consolidated balance sheets as of March 31, 2017 and 2016 are set out in the table below.

The following table does not include financial instruments whose fair values are not readily determinable.

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Carrying value:			
Cash and deposits	¥ 13,592	¥ 15,005	\$ 121,152
Notes and accounts receivable - trade	51,261	38,918	456,912
Short-term investment securities and investment securities:			
Available-for-sale securities	1,996	2,062	17,791
Accounts receivable - other	6,796	2,837	60,576
Long-term loans receivable, net of allowance for doubtful accounts	461	500	4,109
Long-term accounts receivable - other	16,828	16,902	149,996
Total	90,937	76,226	810,562
Fair value:			
Cash and deposits	13,592	15,005	121,152
Notes and accounts receivable - trade	51,261	38,918	456,912
Short-term investment securities and investment securities:			
Available-for-sale securities	1,996	2,062	17,791
Accounts receivable - other	6,796	2,837	60,576
Long-term loans receivable, net of allowance for doubtful account	461	500	4,109
Long-term accounts receivable - other	16,928	17,057	150,887
Total	91,037	76,382	811,454
Difference:			
Cash and deposits	—	—	—
Notes and accounts receivable - trade	—	—	—
Short-term investment securities and investment securities:			
Available-for-sale securities	—	—	—
Accounts receivable - other	—	—	—
Long-term loans receivable, net of allowance for doubtful accounts	—	—	—
Long-term accounts receivable - other	100	155	891
Total	¥ 100	¥ 155	\$ 891

Financial Section

Liabilities	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Carrying value:			
Accounts payable - trade	¥ 30,594	¥ 18,550	\$ 272,698
Short-term loans payable	61,447	45,158	547,705
Accounts payable - other	21,778	15,407	194,117
Excise taxes payable on gasoline and other fuels	18,647	22,363	166,209
Income taxes payable	2,665	164	23,754
Long-term loans payable	65,626	57,944	584,954
Total	200,759	159,589	1,789,455
Fair value:			
Accounts payable - trade	30,594	18,550	272,698
Short-term loans payable	61,447	45,158	547,705
Accounts payable - other	21,778	15,407	194,117
Excise taxes payable on gasoline and other fuels	18,647	22,363	166,209
Income taxes payable	2,665	164	23,754
Long-term loans payable	66,170	58,331	589,803
Total	201,303	159,975	1,794,304
Difference:			
Accounts payable - trade	—	—	—
Short-term loans payable	—	—	—
Accounts payable - other	—	—	—
Excise taxes payable on gasoline and other fuels	—	—	—
Income taxes payable	—	—	—
Long-term loans payable	543	386	4,840
Total	¥ 543	¥ 386	\$ 4,840

Method of calculating the fair value of financial instruments and matters related to investment securities and derivative transactions

Assets:

(a) Cash and deposits, notes and accounts receivable - trade and accounts receivable - other

As these instruments are settled within a short term, their carrying value approximates fair value.

(b) Short-term investment securities and investment securities

The fair values of equity securities are determined by their quoted prices on stock exchanges. The fair values of bonds are determined by discounting their value at maturity to present value at the corresponding interest rate. See Note 5 for an analysis of securities by classification.

(c) Long-term loans receivable

Fair value is calculated based on the present value of estimated future cash flows, using an interest rate based on borrower credit risk. For loans in risk of default, the fair value may be taken as the current value of estimated future cash flows, or, as estimated loan losses are calculated based on the expected recoverable amount, the fair value determined by subtracting current loan loss estimates from the book value as of the balance sheet date.

(d) Long-term accounts receivable - other

Fair values for long-term accounts receivable - other is calculated at the present value of the estimated collectible amounts at maturity discounted by a low risk interest rate corresponding to the remaining period.

Liabilities:

(a) Accounts payable - trade, short-term loans payable, accounts payable - other, income taxes payable and excise taxes payable on gasoline and other fuels

As these instruments are settled within a short term, their carrying value approximates fair value.

(b) Long-term loans payable

For floating-rate loans, the Company assumes that interest rates reflect market rates over the short term and credit conditions will not change significantly after loans have gone into effect, so that the carrying value approximates fair value. For fixed-rate loans, the total amount of principal and interest is discounted to present value using the assumed rate of interest on new loans of the same type to calculate fair value.

(*) Method used for lease obligations is omitted since the amount is immaterial.

Derivatives:**(a) Hedge accounting not applied**

There are no outstanding derivative transactions for which hedge accounting is not applied as of March 31, 2017 and 2016.

(b) Hedge accounting applied

The Company has applied hedge accounting for forward exchange contracts to hedge risks of changes in foreign exchange rates on accounts receivable, accounts payable and short-term loans payable. The contract amounts as of March 31, 2017 and 2016 are ¥38,209 million (\$340,574 thousand) and ¥29,235 million for accounts payable and short-term loans payable, respectively. As stated in Note 2 (m), foreign currency denominated receivables and payables hedged by forward exchange contracts are translated at the respective forward contract rates. Therefore, the fair value of accounts receivable, accounts payable, and short-term loans payable include the fair value of the forward exchange contracts.

The Company has applied hedge accounting for interest rate swap contracts to hedge risks of changes in floating interest rates on long-term loans payable. The contract amount as of March 31, 2017 is ¥37,143 million (\$331,072 thousand) and the amount of contracts for which terms are more than one year is ¥23,652 million (\$210,821 thousand). The contract amount at March 31, 2016 was ¥32,754 million and the amount of contracts for which terms are more than one year was ¥26,363 million. As stated in Note 2 (m), if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed. Therefore, the fair value of long-term loans payable includes the fair value of the interest swap contracts.

Financial instruments whose fair value is not readily determinable

The carrying value of financial instruments whose fair values are not readily determinable as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Unlisted equity securities	¥ 252	¥ 252	\$ 2,246
Stocks of affiliated companies	14,982	14,191	133,541

Monetary claims and securities with maturities after the balance sheet date and their expected maturity values

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2017, are summarized as follows:

	Millions of Yen			
	One year or less	More than one year, within five years	More than five years, within ten years	More than ten years
	2017			
Cash and deposits	¥ 13,592	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	51,261	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities	100	100	100	—
Accounts receivable - other	6,796	—	—	—
Long-term loans receivable	—	799	75	—
Long-term accounts receivable - other	—	16,828	—	—
Total	¥ 71,750	¥ 17,728	¥ 175	¥ —

Financial Section

	Thousands of U.S. Dollars (Note 1)			
	One year or less	More than one year, within five years	More than five years, within ten years	More than ten years
2017				
Cash and deposits	\$ 121,152	\$ —	\$ —	\$ —
Notes and accounts receivable - trade	456,912	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities	891	891	891	—
Accounts receivable - other	60,576	—	—	—
Long-term loans receivable	—	7,122	669	—
Long-term accounts receivable - other	—	149,996	—	—
Total	\$ 639,540	\$ 158,018	\$ 1,560	\$ —

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2016, are summarized as follows:

	Millions of Yen			
	One year or less	More than one year, within five years	More than five years, within ten years	More than ten years
2016				
Cash and deposits	¥ 15,005	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	38,918	—	—	—
Short-term investment securities and investment securities:				
Available-for-sale securities	434	100	100	—
Accounts receivable - other	2,837	—	—	—
Long-term loans receivable	—	159	753	—
Long-term accounts receivable - other	—	16,902	—	—
Total	¥ 57,195	¥ 17,161	¥ 853	¥ —

5. Short-Term Investment Securities and Investment Securities

Short-term investment securities and investment securities classified as available-for-sale securities as of March 31, 2017 and 2016 are set out in the table below.

The following table does not include financial instruments whose fair values are not readily determinable.

	Millions of Yen			Thousands of U.S. Dollars (Note 1)		
	Acquisition cost	Carrying Value	Difference	Acquisition cost	Carrying value	Difference
2017						
Securities with carrying value exceeding acquisition cost:						
Equity securities	¥ 518	¥ 654	¥ 135	\$ 4,617	\$ 5,829	\$ 1,203
Securities with carrying value not exceeding acquisition cost:						
Equity securities	1,108	1,041	(67)	9,876	9,279	(597)
Debt securities	201	201	—	1,792	1,792	—
Other securities	100	100	—	891	891	—
Total	¥ 1,927	¥ 1,996	¥ 68	\$ 17,176	\$ 17,791	\$ 606

	Millions of Yen		
	Acquisition cost	Carrying Value	Difference
	2016		
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 44	¥ 102	¥ 58
Securities with carrying value not exceeding acquisition cost:			
Equity securities	1,606	1,323	(282)
Debt securities	201	201	—
Other securities	434	434	—
Total	¥ 2,287	¥ 2,062	¥ (224)

There were no significant available-for-sale securities sold during the fiscal year ended March 31, 2017. There were no available-for-sale securities sold during the year ended March 31, 2016.

6. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation in the accompanying consolidated balance sheets. The accumulated depreciation as of March 31, 2017 and 2016 are ¥273,852 million (\$2,440,966 thousand) and ¥269,212 million, respectively.

Deferred proceeds from national subsidies and insurance claims

Deferred proceeds from national subsidies and insurance claims are directly deducted from the acquisition cost of the related assets in the accompanying consolidated balance sheets as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Proceeds from national subsidies			
Buildings and structures	¥ 374	¥ 209	\$ 3,334
Storage tanks	148	148	1,319
Machinery, equipment and vehicles	1,026	1,019	9,145
Other	128	126	1,141
Software	41	41	365
Proceeds from insurance claims	128	128	1,141

7. Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Directors' compensation	¥ 471	¥ 518	\$ 4,198
Provision for directors' retirement benefits	1	2	9
Salaries and allowances	916	893	8,165
Retirement benefit expenses	110	91	980
Taxes and dues	501	168	4,466

Financial Section

8. Loss on Retirement of Noncurrent Assets

The significant components of loss on retirement of noncurrent assets for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Buildings and structures	¥ 34	¥ 0	\$ 303
Machinery, equipment and vehicles	25	5	223
Software	—	0	—
Facility removal cost	96	2	856
Other	0	0	0
Total	¥ 156	¥ 8	\$ 1,390

9. Gain or Loss on Sales of Noncurrent Assets

The significant components of gain or loss on sales of noncurrent assets for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Gain on sales of noncurrent assets			
Machinery, equipment and vehicles	¥ 7	¥ 6	\$ 62

10. Short-Term Loans Payable, Long-Term Loans Payable, and Lease Obligations

Short-term loans payable, long-term loans payable, and lease obligations as of March 31, 2017 and 2016 and the weighted average interest rates on the loans payable outstanding as of March 31, 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Short-term loans payable - 1.0%	¥ 61,447	¥ 45,158	\$ 547,705
Current portion of long-term loans payable - 2.1%	15,848	11,998	141,260
Lease obligation due within one year	5	15	45
Long-term loans payable, maturing in 2018-2025 - 2.0%	49,778	45,946	443,694
Lease obligation due in 2018-2021	10	11	89
Total	¥ 127,090	¥ 103,129	\$ 1,132,810

Annual maturities of long-term loans payable as of March 31, 2017 are as follows:

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2017	2017
2018	¥ 15,848	\$ 141,260
2019	20,870	186,024
2020	16,851	150,201
2021	5,744	51,199
2022	3,578	31,892
2023 and thereafter	2,734	24,369

Annual maturities of long-term loans payable as of March 31, 2016 are as follows:

Year ending March 31,	Millions of Yen	
	2016	
2017	¥	11,998
2018		13,768
2019		18,130
2020		10,251
2021		1,504
2022 and thereafter		2,292

Future lease payments as of March 31, 2017 are as follows:

Year ending March 31,	Millions of Yen		Thousands of
	2017		U.S. Dollars
			(Note 1)
2018	¥	5	\$ 45
2019		5	45
2020		3	27
2021		1	9
2022 and thereafter		0	0

Future lease payments as of March 31, 2016 are as follows:

Year ending March 31,	Millions of Yen	
	2016	
2017	¥	15
2018		4
2019		3
2020		2
2021 and thereafter		—

Pledged Assets

The following assets are pledged as collateral for long-term loans payable to the factory foundation amounting to ¥58,826 million (\$524,343 thousand) and ¥54,524 million, including current portion of ¥15,248 million (\$135,912 thousand) and ¥10,098 million, as of March 31, 2017 and 2016, respectively.

	Millions of Yen		Thousands of
	2017	2016	U.S. Dollars
			(Note 1)
Buildings and structures	¥ 9,484	¥ 10,464	\$ 84,535
Storage tanks	3,958	3,606	35,279
Machinery, equipment and vehicles	17,827	21,047	158,900
Land	48,952	48,952	436,331
Total carrying value of pledged assets	¥ 80,222	¥ 84,070	\$ 715,055

In addition to the above, the following assets are pledged as collateral for short-term loans payable amounting to ¥16,166 million (\$144,095 thousand) and ¥17,220 million as of March 31, 2017 and 2016, respectively.

	Millions of Yen		Thousands of
	2017	2016	U.S. Dollars
			(Note 1)
Inventories	¥ 65,033	¥ 22,171	\$ 579,668

Financial Section

11. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise, and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of 30.7% and 32.8% for the fiscal years ended March 31, 2017 and 2016, respectively.

The Company and certain domestic subsidiaries have adopted a consolidated tax filing system.

The significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Deferred tax assets:			
Tax loss carryforwards	¥ 30,077	¥ 33,407	\$ 268,090
Net defined benefit liability	891	1,005	7,942
Provision for repairs	1,774	1,048	15,812
Provision for special repairs	600	674	5,348
Depreciation	318	335	2,834
Impairment losses	67	66	597
Other	1,877	1,804	16,731
Subtotal	35,606	38,341	317,372
Valuation allowance	(34,846)	(37,529)	(310,598)
Total deferred tax assets	759	812	6,765
Deferred tax liabilities:			
Valuation difference on assets of consolidated subsidiaries	(9,356)	(9,358)	(83,394)
Undistributed earnings of foreign subsidiaries	(248)	(226)	(2,211)
Adjustment assets for gains or losses on assets transfer to intercompany	(87)	(87)	(775)
Other	(88)	(123)	(784)
Total deferred tax liabilities	(9,780)	(9,795)	(87,174)
Net deferred tax liabilities	¥ (9,020)	¥ (8,983)	\$ (80,399)

The above net deferred tax assets and liabilities are recorded under the following accounts in the accompanying consolidated balance sheets:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Current assets – Deferred tax assets	¥ 242	¥ 465	\$ 2,157
Current liabilities – Other	(4)	–	(36)
Long-term liabilities – Deferred tax liabilities	(9,259)	(9,448)	(82,530)

Reconciliation between the statutory income tax rate and the effective income tax rate for the fiscal year ended March 31, 2017 is as follows:

	2017
Normal effective statutory tax rate	30.7%
Change in valuation allowance	(14.9)
Equity in earnings of affiliates	(2.2)
Dividends income	(0.2)
Other	0.1
Effective tax rate	13.5%

Reconciliation for the fiscal year ended March 31, 2016 is omitted since loss before income taxes was recorded.

Effect of changes in the corporate income tax rate

For the fiscal year ended March 31, 2016

Following the enactment of the "Act for Partial Revision of the Income Tax Act, etc." and "Act for Partial Revision of the Local Tax Act, etc." at the Diet on March 29, 2016, corporate income tax rate was lowered from the fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory income tax rate used for the calculation of

deferred tax assets and deferred tax liabilities was changed from 32.8% to 30.7% for temporary differences expected to be realized or settled in the fiscal years beginning on April 1, 2016 and to 30.5% for the fiscal years beginning on April 1, 2018 and onwards.

As a result of this change, deferred tax assets and deferred tax liabilities decreased by ¥31 million and ¥497 million, respectively. In addition, income taxes-deferred decreased by ¥467 million and valuation difference on available-for-sale securities increased by ¥1 million for the fiscal year ended March 31, 2016.

12. Retirement Benefits Plans

Certain consolidated subsidiaries operate defined benefit corporate pension plans, lump-sum severance plans and others, which cover substantially all employees who are entitled upon retirement to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rate of pay, length of service, and the conditions under which termination occurs.

The reconciliation of retirement benefit obligation of beginning and ending balances for the fiscal years ended March 31, 2017 and 2016 (except for the adoption of a simplified method in computing their retirement benefit obligations as permitted by Japanese GAAP) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Retirement benefit obligation at the beginning of the year	¥ 5,807	¥ 5,379	\$ 51,760
Service cost	161	126	1,435
Interest cost	—	68	—
Actuarial gains and losses arising during the period	52	583	463
Defined benefit retirement plans paid	(510)	(350)	(4,546)
Retirement benefit obligation at the end of the year	¥ 5,510	¥ 5,807	\$ 49,113

The reconciliation of plan assets of beginning and ending balances for the fiscal years ended March 31, 2017 and 2016 (except for the adoption of a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Plan assets at the beginning of the year	¥ 2,799	¥ 2,899	\$ 24,949
Expected return on plan assets	44	46	392
Actuarial gains and losses arising during the period	132	(159)	1,177
Contribution from employer	151	138	1,346
Defined benefit retirement plans paid	(235)	(125)	(2,095)
Plan assets at the end of the year	¥ 2,893	¥ 2,799	\$ 25,787

The reconciliation of net defined benefit liability of beginning and ending balances for the fiscal years ended March 31, 2017 and 2016 for the adoption of a simplified method are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net defined benefit liability at the beginning of the year	¥ 290	¥ 320	\$ 2,585
Retirement benefit expenses	30	20	267
Defined benefit retirement plans paid	(7)	(44)	(62)
Contribution to the plans	(5)	(5)	(45)
Net defined benefit liability at the end of the year	¥ 307	¥ 290	\$ 2,736

Financial Section

The reconciliation of plan assets, retirement benefit obligation and net defined benefit liability and assets on the consolidated balance sheets as of March 31, 2017 and 2016 (included in the adoption of a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Retirement benefit obligation of funded plans	¥ 3,107	¥ 3,282	\$ 27,694
Plan assets	(2,971)	(2,872)	(26,482)
	136	410	1,212
Retirement benefit obligation of unfunded plans	2,788	2,888	24,851
Net amount of liabilities after deducting assets on the consolidated balance sheets	2,924	3,298	26,063
Net defined benefit liability	2,924	3,298	26,063
Net defined benefit asset	—	—	—
Net amount of liabilities after deducting assets on the consolidated balance sheets	¥ 2,924	¥ 3,298	\$ 26,063

The components of retirement benefit expenses for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Service cost	¥ 161	¥ 126	\$ 1,435
Interest cost	—	68	—
Expected return on plan assets	(44)	(46)	(392)
Amortization of actuarial gains and losses	42	(66)	374
Amortization of prior service cost	0	0	0
Retirement benefit expenses which adopted a simplified method	30	20	267
Retirement benefit expenses related to defined benefit plans	¥ 189	¥ 103	\$ 1,685

The components of remeasurements of defined benefit plans (before income taxes) for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Prior service costs	¥ 0	¥ 0	\$ 0
Actuarial gains and losses	122	(808)	1,087
Total	¥ 123	¥ (807)	\$ 1,096

The components of remeasurements of defined benefit plans-accumulated (before income taxes) for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Unrecognized prior service costs	¥ (1)	¥ (2)	\$ (9)
Unrecognized actuarial gains and losses	(179)	(302)	(1,596)
Total	¥ (181)	¥ (304)	\$ (1,613)

The component ratio of main items included in plan assets for the fiscal years ended March 31, 2017 and 2016 are as follows:

	2017	2016
Bonds	33%	30%
Stocks	46%	48%
General accounts	18%	19%
Other	3%	3%
Total	100%	100%

The actuarial assumptions for the fiscal years ended March 31, 2017 and 2016 are as follows:

	2017	2016
Discount rate	0.0%	0.0%
Long-term expected rate of return on plan assets	1.6%	1.6%

Long-term expected rate of return on plan assets is determined on the basis of the current/future expected distribution of plan assets and expected current/future return from various assets that composes plan assets.

13. Net Assets

Under the Japanese Corporate Law (the "Law") and related regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the lesser of an amount equal to 10% of the dividend or the excess, if any, of 25% of capital stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. However, all additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

Changes in the number of shares issued and treasury stock

The changes in the number of shares issued and treasury stocks for the fiscal years ended March 31, 2017 and 2016 are as follows:

	Number of Shares			
	As of April 1, 2016	Changes during the year		As of March 31, 2017
		2017		
		Increase	Decrease	
Issued stock				
Common stock	78,183,677	—	—	78,183,677
Treasury stock				
Common stock	1,121,132	—	—	1,121,132

	Number of Shares			
	As of April 1, 2015	Changes during the year		As of March 31, 2016
		2016		
		Increase	Decrease	
Issued stock				
Common stock	78,183,677	—	—	78,183,677
Treasury stock				
Common stock	1,121,076	56	—	1,121,132

Note:

Due to the acquisition of the odd lot shares, the number of treasury stocks increased by 56 common stock shares as of March 31, 2016.

Financial Section

Detail of cash dividends for the fiscal year ended March 31, 2017

(1) Dividends paid

Not applicable.

(2) Dividends whose record date belongs to the current year, but whose effective date falls in the following year

Resolution	Class of Shares	Total amount of Dividend		Dividend per Share		Source of dividend	Record Date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	(Yen)	(U.S. dollars) (Note 1)			
June 28, 2017 annual meeting of shareholders	Common stock	¥ 617	\$ 5,500	¥ 8	\$ 0.07	Retained earnings	March 31, 2017	June 29, 2017

Detail of cash dividends for the fiscal year ended March 31, 2016

(1) Dividends paid

Resolution	Class of Shares	Total amount of Dividend	Dividend per Share	Record Date	Effective date
		(Millions of yen)	(Yen)		
June 25, 2015 annual meeting of shareholders	Common stock	¥ 231	¥ 3	March 31, 2015	June 26, 2015

(2) Dividends whose record date belongs to the current year, but whose effective date falls in the following year
Not applicable.

14. Contingent Liabilities

The Companies had the following guarantees of liabilities as of March 31, 2017 and 2016.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Employees (for home purchase):			
Indebtedness to financial institutions	¥ 21	¥ 26	\$ 187
Japan Biofuels Supply LLP:			
Guarantee of obligations related to overdraft facility, obligations related to deferred payment of consumption taxes on imports, and obligations related to letter of credit agreements	1,336	717	11,908

In addition to the above, the Company guarantees some part of its affiliate's obligation related to payment of the shipbuilding contract. The upper limit of the guarantee is ¥4,688 million (\$41,786 thousand) and ¥4,705 million as of March 31, 2017 and 2016, respectively. There was no obligation recognized by the affiliate as of March 31, 2017 and 2016.

15. Cash Flow Information

Reconciliation of "Cash and cash equivalents" in the consolidated statements of cash flows and "Cash and deposits" in the consolidated balance sheets as of March 31, 2017 and 2016 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Cash and deposits	¥ 13,592	¥ 15,005	\$ 121,152
Short-term investment securities	100	434	891
Subtotal	13,692	15,439	122,043
Less: Time deposits maturing over three months	(100)	(110)	(891)
Cash and cash equivalents	¥ 13,592	¥ 15,329	\$ 121,152

16. Per Share Data

	Yen		U.S. Dollars (Note 1)
	2017	2016	2017
Net assets per share	¥ 812.80	¥ 612.44	\$ 7.24
Basic profit (loss) per share	201.19	(122.10)	1.79
Cash dividends per share attributable to the year	8.00	—	0.07

Net assets per share is computed based on the net assets available for distribution to the shareholders of capital stock and the number of shares of capital stock outstanding at the year-end.

Basic profit and loss per share are computed based on the profit available for distribution and loss attributable to shareholders of capital stock and the weighted average number of shares of capital stock outstanding during the year. Diluted profit per share has been omitted because no potentially dilutive instruments were outstanding during the fiscal years ended March 31, 2017 and 2016.

Cash dividends per share represent the cash dividends declared as applicable to the respective years, including dividends to be paid after the end of the year and not accrued in the accompanying consolidated financial statements.

17. Comprehensive Income

Each component of other comprehensive income for the fiscal years ended March 31, 2017 and 2016 are the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ 300	¥ (480)	\$ 2,674
Reclassification adjustments	(19)	—	(169)
Amount before income tax effect	281	(480)	2,505
Income tax effect	2	65	18
Total	283	(414)	2,523
Foreign currency translation adjustments:			
Amount arising during the year	(73)	0	(651)
Reclassification adjustments	—	—	—
Amount before income tax effect	(73)	0	(651)
Income tax effect	—	—	—
Total	(73)	0	(651)
Remeasurements of defined benefit plans:			
Amount arising during the year	79	(742)	704
Reclassification adjustments	43	(65)	383
Amount before income tax effect	123	(807)	1,096
Income tax effect	—	—	—
Total	123	(807)	1,096
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	(388)	(5)	(3,458)
Total other comprehensive income	¥ (54)	¥ (1,227)	\$ (481)

18. Segment Information

Disclosure of segment information is omitted for the fiscal years ended March 31, 2017 and 2016 because the Companies have one segment.

(1) Related information

(a) Information on sales by products

Since the sales amount of a single product attributable to the external customers accounts for more than 90% of sales in the consolidated statements of operations, disclosure of sales by products for the fiscal years ended March 31, 2017 and 2016 have been omitted.

(b) Geographic information

Since the sales and property, plant and equipment attributable to the "Japan" segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented for the fiscal years ended March 31, 2017 and 2016.

(c) Sales to major customers

Sales to major customers for the fiscal years ended March 31, 2017 and 2016 are as follows:

Name of customer	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Showa Shell Sekiyu K.K.	¥ 257,352	¥ 263,709	\$2,293,894
JX Nippon Oil & Energy Corporation	52,324	55,787	466,387

(2) Information of impairment losses on noncurrent assets by reporting segment

Information of impairment losses on noncurrent assets by reporting segment for the fiscal years ended March 31, 2017 and 2016 have been omitted since the Companies have one segment.

19. Related Party Transactions

The following are the Company's transactions with its related parties.

For the fiscal year ended March 31, 2017

Not Applicable.

For the fiscal year ended March 31, 2016

Transactions with the Company's directors and major shareholders (Individuals)

Name	Relationship	Transaction type	Transaction amount	Account	Balance at year-end
Osamu Ishitobi	Director of the Company and executive chairman and chairman of the board of Sumitomo Chemical Company, Limited	Sale of petrochemical products	¥ 4,222 million	Accounts receivable -trade	—

Notes:

1. Basis of transactions

The selling price of petroleum products is determined based on usual general business terms in consideration of market prices.

2. Osamu Ishitobi retired as director of the Company on June 25, 2015. The disclosed amount is the transaction amount till the end of the retirement month and the balance at the end of the retirement month. Thus, the balance for accounts receivable as of March 31, 2016 is omitted.

3. The transaction amounts are exclusive of consumption tax, while the balances at year-end are inclusive of consumption tax.

20. Condensed financial information of significant affiliates

Condensed financial information of significant affiliates is not applicable for the fiscal year ended March 31, 2017.

Condensed financial information of a significant affiliate for the fiscal year ended March 31, 2016 was as follows:

Aramo Shipping (Singapore) Pte Ltd.	Millions of Yen	
	2016	
Total current assets	¥	10,155
Total noncurrent assets		17,369
Total current liabilities		162
Total noncurrent liabilities		—
Total net assets		27,363
Net sales		10,798
Profit before income taxes		5,714
Profit		5,713

21. Quarterly Information

Quarterly financial data for the fiscal year ended March 31, 2017

	Millions of yen			Yen
	Net sales	Profit before income taxes	Profit attributable to owners of parent	Profit per share
Three months ended June 30, 2016	¥ 93,075	¥ 1,926	¥ 1,550	¥ 20.12
Six months ended September 30, 2016	192,078	4,020	3,102	40.26
Nine months ended December 31, 2016	300,185	12,262	10,371	134.58
Twelve months ended March 31, 2017	419,530	17,945	15,503	201.19

	Thousands of U.S. Dollars (Note 1)			U.S. Dollars (Note 1)
	Net sales	Profit before income taxes	Profit attributable to owners of parent	Profit per share
Three months ended June 30, 2016	\$ 829,619	\$ 17,167	\$ 13,816	\$ 0.18
Six months ended September 30, 2016	1,712,078	35,832	27,650	0.36
Nine months ended December 31, 2016	2,675,684	109,297	92,441	1.20
Twelve months ended March 31, 2017	3,739,460	159,952	138,185	1.79

Quarterly financial data for the fiscal year ended March 31, 2016

	Millions of yen			Yen
	Net sales	Profit (loss) before income taxes	Profit (loss) attributable to owners of parent	Profit (loss) per share
Three months ended June 30, 2015	¥ 95,943	¥ 1,696	¥ 1,582	¥ 20.53
Six months ended September 30, 2015	217,256	(8,739)	(8,936)	(115.97)
Nine months ended December 31, 2015	331,092	(10,700)	(11,006)	(142.83)
Twelve months ended March 31, 2016	425,522	(9,552)	(9,409)	(122.10)



Independent Auditor's Report

To the Board of Directors of Fuji Oil Company, Ltd.:

We have audited the accompanying consolidated financial statements of Fuji Oil Company, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of operations, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 our judgement, 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, we consider 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 objective of the financial statement audit is not for the purpose of expressing 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 evaluating 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 present fairly, in all material respects, the financial position of Fuji Oil Company, Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 28, 2017
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate Data

Trade Name	Fuji Oil Company, Ltd.
Date of Establishment	January 31, 2003
Head Office	Tennozu Parkside Building 5-8, Higashishinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan TEL: 81-3-5462-7761 FAX: 81-3-5462-7815
Paid-in Capital	¥24,467 million
Fiscal Year-End	March 31
Employees	Non-consolidated: 435 Consolidated: 650
Principal Business	Import of crude oil, refining of oil and production, processing, storage, export and sales of petroleum products and petrochemical feedstock



Tennozu Parkside Building

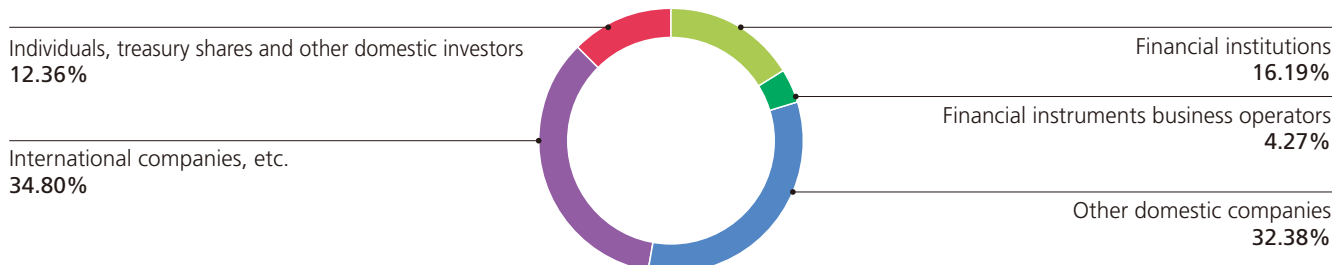
Shareholder Information

Number of Shares Authorized:	200,000,000 shares
Number of Shares Issued:	78,183,677 shares
Number of Shareholders:	10,519

Principal Shareholders

Name	Number of shares held (thousands)	Percentage of total shares outstanding (%)
TEPCO Fuel & Power, Incorporated	6,839.9	8.74
Kuwait Petroleum Corporation	5,811.3	7.43
Government of the Kingdom of Saudi Arabia	5,811.3	7.43
Showa Shell Sekiyu K.K.	5,144.0	6.57
Sumitomo Chemical Company, Limited	5,051.6	6.46
GOVERNMENT OF NORWAY	3,305.9	4.22
Nippon Yusen Kabushiki Kaisha	2,750.8	3.51
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG	2,609.0	3.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,288.1	2.92
Japan Trustee Services Bank, Ltd. (Trust Account)	1,935.8	2.47
Total	41,548.0	53.14

Composition of Shareholders by Type



Fuji Oil Company, Ltd.

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