



Annual Report 2016

April 1, 2015 – March 31, 2016

A silhouette of an industrial facility, including cranes, distillation columns, and storage tanks, is set against a light blue background. The entire scene is framed by a large, curved graphic element that transitions from light blue at the top to a darker blue at the bottom.

RELIABILITY
IN ENERGY
SUPPLY

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.

Business Environment in the Petroleum Industry:

During the fiscal year ended March 31, 2016, crude oil prices dropped significantly due to concern over the future of the world's economy and a belief that there is an oversupply of crude oil. As a result, inventory valuation effects have become a major burden on the financial results of oil companies.

Regarding domestic oil demand, the demand for gasoline was slightly higher than the previous fiscal year due to the drop in retail prices and good weather in the driving season, but demand for fuel oil overall continued to decrease and was below that of the previous fiscal year.

Consolidated Performance:

Profits Secured When Effects of Inventory Valuation are Excluded

This fiscal year's consolidated performance is below.

(Billions of Yen)	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2015	Increase (decrease)
Net sales	425.5	666.1	(240.6)
Operating income (loss)	(8.7)	(20.3)	11.5
Profit (loss) attributable to owners of parent	(9.4)	(18.1)	8.6
Operating income excluding the effect of inventory valuation	4.2	4.7	(0.4)

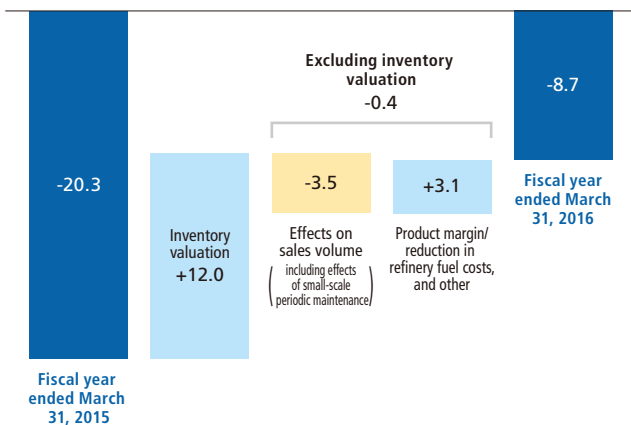
Regarding net sales, during the fiscal year we had some small-scale periodic maintenance causing both production and sales volume of products dropped and, in addition, because of the drop in crude oil prices, sales prices dropped leading to net sales ending lower.

Regarding income, the drop in crude oil prices caused inventory valuation to become a factor pushing up costs by 13 billion yen (in the previous fiscal year it drove up costs by 25 billion yen) resulting in a loss, but the loss is less than that of the previous fiscal year.

Furthermore, operating income excluding the effect of inventory valuation is 4.2 billion yen, a decrease of 0.4 billion compared to the previous fiscal year. Plus factors include a reduction in refinery fuel costs and an

■ Main factors of change in operating income

(Billions of Yen)



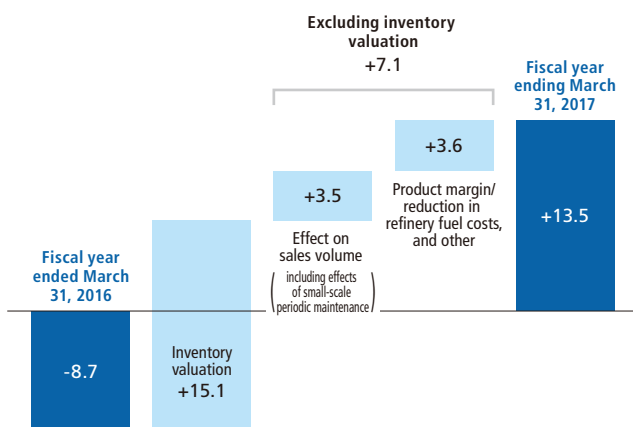
improvement in profitability of asphalt pitch, whose selling price is not linked to the price of crude oil, both of which are caused by the drop in crude oil prices being much larger than in the previous fiscal year. Minus factors include small-scale periodic maintenance. As a result, operating income excluding the effect of inventory valuation decreased compared to the previous fiscal year but, continued to be in the black.

The Outlook Suggests a Return to the Black Next Fiscal Year Due to the Disappearance of the Effect of Inventory Valuation

The Fuji Oil Group's consolidated performance in the fiscal year ending March 31, 2017 is forecast to return to the black when the following are taken into account:

■ Main factors of change in operating income (Forecast)

(Billions of Yen)



the disappearance of the negative effect of inventory valuation which occurred because of the rapid drop in crude oil prices this fiscal year, and the increase in sales amount due to there being no periodic maintenance scheduled. This outlook is based on the price of Dubai crude oil being \$40/barrel and an exchange rate of 110 yen per dollar. These figures are based on related information as of the time of announcement (May 11, 2016) and may change due to future circumstances.

Future Business Development:

Make Use of Our Strengths and Improve Corporate Value

The business environment surrounding the petroleum industry is poised for large changes, with continuing decreases in domestic demand for petroleum products and one after another oil refiner-distributor announcing basic agreements on business integration, etc. Even in the midst of this, we will aim to further improve corporate value by maximizing use of our strengths, such as the location of our Sodegaura Refinery and a solid base of customers, demonstrating our unique value, and securing new business opportunities. This will allow us to meet our most important corporate philosophy: "Ensure stable supplies of energy," which is a social obligation no matter what the business environment might be.



August 2016

Atsuo Shibota

Atsuo Shibota

President and Representing Director

Financial Section

Consolidated Balance Sheets

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
As of March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Assets			
Current assets:			
Cash and deposits (Notes 4 and 15)	¥ 15,005	¥ 15,217	\$ 133,165
Notes and accounts receivable - trade (Note 4)	38,918	61,569	345,385
Short-term investment securities (Notes 4, 5 and 15)	434	235	3,852
Inventories (Notes 3 and 10)	46,869	79,072	415,948
Accounts receivable - other (Note 4)	2,837	4,497	25,177
Deferred tax assets (Note 11)	465	215	4,127
Other	1,949	1,826	17,297
Total current assets	106,480	162,633	944,977
Property, plant and equipment (Note 6):			
Buildings and structures, net (Note 10)	11,218	10,498	99,556
Storage tanks, net (Note 10)	3,606	3,220	32,002
Machinery, equipment and vehicles, net (Note 10)	21,486	24,530	190,682
Land (Note 10)	51,664	51,664	458,502
Construction in progress	3,537	1,315	31,390
Other, net	228	237	2,023
Total property, plant and equipment	91,741	91,466	814,173
Intangible assets	523	579	4,641
Investments and other assets:			
Investment securities (Notes 4 and 5)	16,083	13,827	142,732
Long-term loans receivable (Note 4)	913	958	8,103
Net defined benefit asset (Note 12)	—	47	—
Long-term accounts receivable - other (Note 4)	16,902	18,296	150,000
Other	706	545	6,266
Allowance for doubtful accounts (Note 4)	(460)	(466)	(4,082)
Total investments and other assets	34,144	33,208	303,017
Total assets	¥ 232,889	¥ 287,889	\$ 2,066,818

See notes to consolidated financial statements.

Liabilities and Net assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Current liabilities:			
Accounts payable - trade (Note 4)	¥ 18,550	¥ 29,892	\$ 164,625
Short-term loans payable (Notes 4 and 10)	45,158	90,394	400,763
Current portion of long-term loans payable (Notes 4 and 10)	11,998	6,368	106,479
Accounts payable - other (Note 4)	15,407	21,839	136,732
Excise taxes payable on gasoline and other fuels (Note 4)	22,363	21,492	198,465
Income taxes payable (Notes 4 and 11)	164	95	1,455
Other (Note 10)	7,067	4,872	62,717
Total current liabilities	120,709	174,955	1,071,255
Noncurrent liabilities:			
Long-term loans payable (Notes 4 and 10)	45,946	36,464	407,756
Deferred tax liabilities (Note 11)	9,448	9,630	83,848
Provision for special repairs	2,207	2,265	19,586
Provision for repairs	3,437	2,962	30,502
Net defined benefit liability (Note 12)	3,298	2,848	29,269
Provision for directors' retirement benefits	28	40	248
Other (Note 10)	329	369	2,920
Total noncurrent liabilities	64,697	54,582	574,166
Commitments and contingent liabilities (Note 14)			
Net assets (Note 13)			
Shareholders' equity:			
Capital stock:			
Authorized - 200,000,000 shares in 2016 and 2015			
Issued - 78,183,677 shares in 2016 and 2015	24,467	24,467	217,137
Capital surplus	41,469	57,215	368,024
Retained earnings	(16,227)	(22,330)	(144,010)
Treasury stock (Note 13)	(1,431)	(1,431)	(12,700)
Total shareholders' equity	48,277	57,921	428,443
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	(172)	242	(1,526)
Revaluation reserve for land	1	1	9
Foreign currency translation adjustments	(605)	(600)	(5,369)
Remeasurements of defined benefit plans (Note 12)	(304)	503	(2,698)
Total accumulated other comprehensive income	(1,081)	146	(9,594)
Non-controlling interests	286	284	2,538
Total net assets	47,482	58,351	421,388
Total liabilities and net assets	¥ 232,889	¥ 287,889	\$ 2,066,818

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, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net sales (Note 18)	¥ 425,522	¥ 666,179	\$ 3,776,376
Cost of sales (Note 3)	430,876	683,083	3,823,891
Gross loss	(5,353)	(16,904)	(47,506)
Selling, general and administrative expenses (Note 7)	3,445	3,422	30,573
Operating loss	(8,799)	(20,327)	(78,088)
Non-operating income (expenses):			
Interest and dividends income	313	292	2,778
Equity in earnings of affiliates	2,923	1,702	25,941
Interest expenses	(2,028)	(2,766)	(17,998)
Foreign exchange gains (losses), net	(1,369)	3,152	(12,149)
Loss on retirement of noncurrent assets (Note 8)	(8)	(23)	(71)
Loss on sales of noncurrent assets (Note 9)	—	(38)	—
Impairment losses	(0)	(0)	(0)
Other, net	(584)	(675)	(5,183)
	(753)	1,644	(6,683)
Loss before income taxes	(9,552)	(18,683)	(84,771)
Income taxes (Note 11):			
Income taxes - current	226	120	2,006
Income taxes - deferred	(378)	(746)	(3,355)
	(151)	(626)	(1,340)
Loss	(9,400)	(18,056)	(83,422)
Profit attributable to non-controlling interests	9	52	80
Loss attributable to owners of parent	¥ (9,409)	¥ (18,109)	\$ (83,502)

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fuji Oil Company, Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Loss	¥ (9,400)	¥ (18,056)	\$ (83,422)
Other comprehensive income (loss):			
Valuation difference on available-for-sale securities	(414)	126	(3,674)
Deferred gains or losses on hedges	—	(0)	—
Foreign currency translation adjustments	0	308	0
Remeasurements of defined benefit plans	(807)	258	(7,162)
Share of other comprehensive income of associates accounted for using equity method	(5)	1,386	(44)
Total other comprehensive income	(1,227)	2,080	(10,889)
Comprehensive income (Note 17)	¥ (10,627)	¥ (15,976)	\$ (94,311)
Comprehensive income attributable to:			
Owners of parent	¥ (10,636)	¥ (16,028)	\$ (94,391)
Non-controlling interests	9	52	80

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, 2016 and 2015

	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, 2014	78,183,677	¥ 24,467	¥ 57,215	¥ (3,176)	¥ (1,431)	¥ 77,074
Cumulative effect of changes in accounting policies				(658)		(658)
Restated balance		24,467	57,215	(3,834)	(1,431)	76,416
Dividends from surplus				(386)		(386)
Loss attributable to owners of parent				(18,109)		(18,109)
Net changes of items other than shareholders' equity						
Total changes during the period		—	—	(18,495)	—	(18,495)
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)
Balance as of March 31, 2016	78,183,677	¥ 24,467	¥ 41,469	¥ (16,227)	¥ (1,431)	¥ 48,277

	Millions of Yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	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, 2014	¥ 115	¥ 0	¥ 1	¥ (2,295)	¥ 217	¥ (1,961)	¥ 234	¥ 75,347
Cumulative effect of changes in accounting policies								(658)
Restated balance	115	0	1	(2,295)	217	(1,961)	234	74,689
Dividends from surplus								(386)
Loss attributable to owners of parent								(18,109)
Net changes of items other than shareholders' equity	126	(0)		1,695	285	2,107	50	2,158
Total changes during the period	126	(0)	—	1,695	285	2,107	50	(16,337)
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)
Balance as of March 31, 2016	¥ (172)	—	¥ 1	¥ (605)	¥ (304)	¥ (1,081)	¥ 286	¥ 47,482

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, 2015	78,183,677	\$ 217,137	\$ 507,765	\$ (198,172)	\$ (12,700)	\$ 514,031
Dividends from surplus - other capital surplus			(2,050)			(2,050)
Loss attributable to owners of parent				(83,502)		(83,502)
Purchase of treasury stock					(0)	(0)
Purchase of shares of consolidated subsidiaries			(18)			(18)
Deficit disposition			(137,655)	137,655		—
Net changes of items other than shareholders' equity						
Total changes during the period		—	(139,741)	54,153	(0)	(85,579)
Balance as of March 31, 2016	78,183,677	\$ 217,137	\$ 368,024	\$ (144,010)	\$ (12,700)	\$ 428,443

	Thousands of U.S. Dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive loss	Non-controlling interests	Total net assets
Net assets as of April 1, 2015	\$ 2,148	—	\$ 9	\$ (5,325)	\$ 4,464	\$ 1,296	\$ 2,520	\$ 517,847
Dividends from surplus - other capital surplus								(2,050)
Loss attributable to owners of parent								(83,502)
Purchase of treasury stock								(0)
Purchase of shares of consolidated subsidiaries								(18)
Deficit disposition								—
Net changes of items other than shareholders' equity	(3,674)			(35)	(7,162)	(10,889)	9	(10,871)
Total changes during the period	(3,674)	—	—	(35)	(7,162)	(10,889)	9	(96,459)
Balance as of March 31, 2016	\$ (1,526)	—	\$ 9	\$ (5,369)	\$ (2,698)	\$ (9,594)	\$ 2,538	\$ 421,388

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, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net cash flows from operating activities:			
Loss before income taxes	¥ (9,552)	¥ (18,683)	\$ (84,771)
Depreciation and amortization	7,694	8,564	68,282
Impairment losses	0	0	0
Increase in provision for repairs	475	1,975	4,215
Decrease in net defined benefit liability	(310)	(588)	(2,751)
(Decrease) increase in allowance for doubtful accounts	(2)	7	(18)
(Decrease) increase in provision for special repairs	(58)	59	(515)
(Decrease) increase in provision for directors' retirement benefits	(11)	6	(98)
Interest and dividends income	(313)	(292)	(2,778)
Interest expenses	2,028	2,766	17,998
Equity in earnings of affiliates	(2,923)	(1,702)	(25,941)
Loss on retirement of noncurrent assets	8	23	71
Gain on sale of noncurrent assets	(6)	(1)	(53)
Loss on sale of noncurrent assets	—	38	—
Gain on sales of investment securities	—	(5)	—
Decrease in notes and accounts receivable - trade	22,648	27,675	200,994
Decrease in inventories	32,202	50,388	285,783
Decrease in notes and accounts payable - trade	(11,340)	(25,651)	(100,639)
Increase in excise taxes payable on gasoline and other fuels	871	3,813	7,730
(Decrease) increase in accrued consumption taxes	(5,910)	6,083	(52,449)
Other, net	4,036	12,746	35,818
Subtotal	39,536	67,223	350,870
Interest and dividends income received	557	506	4,943
Interest expenses paid	(2,027)	(2,785)	(17,989)
Income taxes paid	(270)	(399)	(2,396)
Income taxes refund	237	45	2,103
Net cash provided by operating activities	¥ 38,033	¥ 64,589	\$ 337,531

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net cash flows from investing activities:			
Payments into time deposits	¥ (20)	¥ (863)	\$ (177)
Proceeds from withdrawal of time deposits	1,113	120	9,878
Proceeds from redemption of short-term investment securities	—	19	—
Purchase of investment securities	(101)	(102)	(896)
Proceeds from sales of investment securities	—	29	—
Proceeds from liquidation of subsidiaries	37	—	328
Purchase of property, plant and equipment	(8,699)	(2,450)	(77,201)
Proceeds from sales of property, plant and equipment	6	121	53
Proceeds from national subsidies	1,215	191	10,783
Purchase of intangible assets	(149)	(61)	(1,322)
Payments of loans receivable	(1)	—	(9)
Collection of loans receivable	45	38	399
Other, net	(15)	(37)	(133)
Net cash used in investing activities	(6,568)	(2,995)	(58,289)
Net cash flows from financing activities:			
Net decrease in short-term loans payable	(45,168)	(56,224)	(400,852)
Proceeds from long-term loans payable	21,500	2,060	190,806
Repayment of long-term loans payable	(6,388)	(6,000)	(56,692)
Cash dividends paid	(231)	(385)	(2,050)
Cash dividends paid to non-controlling interests	(7)	(2)	(62)
Other, net	(84)	(116)	(745)
Net cash used in financing activities	(30,379)	(60,668)	(269,604)
Effect of exchange rate changes on cash and cash equivalents	(5)	622	(44)
Net increase in cash and cash equivalents	1,079	1,547	9,576
Cash and cash equivalents at beginning of year (Note 15)	14,249	12,701	126,455
Cash and cash equivalents at end of year (Note 15)	¥ 15,329	¥ 14,249	\$ 136,040

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 ¥112.68 = U.S.\$1.00, the approximate rate of exchange on March 31, 2016. 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) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and its eight and nine significant subsidiaries as of March 31, 2016 and 2015, respectively.

Consolidated subsidiaries as of March 31, 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.

Ain Jptc Company, Ltd., which had been a consolidated subsidiary, was merged by Fuji Oil Sales Co., Ltd., which is another consolidated subsidiary, on October 1, 2015. Thus, Ain Jptc Company, Ltd. was excluded from the scope of consolidation from the fiscal year ended March 31, 2016.

One other subsidiary and two other subsidiaries are excluded from the scope of consolidation in 2016 and 2015, respectively, because they are less material in terms of total assets, net sales, profit (loss) and retained earnings and do not have a material effect on the consolidated financial statements as a whole. Non-consolidated subsidiary as of March 31, 2016 is as follows:

- Middle East Construction Co., Ltd.

Sigma Techno Co., Ltd., which had been a non-consolidated subsidiary, was liquidated on June 29, 2015.

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

(b) Equity method

The equity method is applied to the investments in two affiliates in 2016 and 2015. Affiliates accounted for under the equity method as of March 31, 2016 are as follows:

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

Investment securities (equity) in other non-consolidated subsidiaries and affiliates (three and four companies in 2016 and 2015, respectively) 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 subsidiaries and affiliates not accounted for under the equity method as of March 31, 2016 are as follows:

- Middle East Construction Co., Ltd.
- 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 either held-to-maturity securities or available-for-sale securities. Held-to-maturity securities are carried at amortized cost. 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.

Finished goods and semi-finished goods are stated at cost determined by the gross average method. Stored goods 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, and are no longer depreciated.

(g) Depreciation and amortization

Depreciation of manufacturing plant equipment for petrochemical products and in-house power generating equipment 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 |

Financial Section

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 determined based on historical experience with respect to the 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.

Please refer to "(r) Application of new accounting standards" for the application of new accounting standards.

(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 year ended March 31, 2015 have been reclassified to conform to the current year presentation.

(r) Application of new accounting standards

Accounting standard for retirement benefits

At the beginning of the fiscal year ended March 31, 2015, the Companies applied the main clause of the Article 35 of the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, revised on May 17, 2012) and the main clause of the Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on May 17, 2012). The Companies reviewed the calculation methods for retirement benefit obligations and service costs, and changed the method of attributing expected benefit to periods from the straight-line basis to the benefit formula basis. The Companies also changed the bond maturity which is used to determine the discount rate, from the use of an approximate period over the expected average remaining working lives of employees to the use of a single weighted average discount rate reflecting the estimated timing and amount of each benefit payment.

At the adoption, the transitional treatment stated in Article 37 of the accounting standard was applied and effects of the change in calculation method for retirement benefit obligations and service costs were recognized as "retained earnings" at the beginning of the fiscal year ended March 31, 2015. As a result, "net defined benefit liability" increased by ¥499 million, "net defined benefit asset" decreased by ¥158 million, and "retained earnings" decreased by ¥658 million as of April 1, 2015. The effects on profit/loss and per share information were immaterial.

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" (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.

Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

Financial Section

3. Inventories

Inventories as of March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Merchandise and finished goods	¥ 15,412	¥ 27,500	\$ 136,777
Raw materials and supplies	31,456	51,571	279,162
Total	¥ 46,869	¥ 79,072	\$ 415,948

Write-down (net of reversal) of inventories held for sale amounted to ¥ (1,836) million (\$ (16,294) thousand) and ¥1,880 million for the years ended March 31, 2016 and 2015, 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 imported commodities are denominated in foreign currencies, and therefore entail exchange rate fluctuation risk, as are products for export that are denominated in foreign currencies. 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.

63.1% of claimable assets as of March 31, 2016 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, 2016 and 2015 are set out in the table below.

The following table does not include financial instruments for which their fair values are not readily determinable.

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Carrying value:			
Cash and deposits	¥ 15,005	¥ 15,217	\$ 133,165
Notes and accounts receivable - trade	38,918	61,569	345,385
Short-term investment securities and investment securities:			
Available-for-sale securities	2,062	2,151	18,300
Accounts receivable - other	2,837	4,497	25,177
Long-term loans receivable, net of allowance for doubtful accounts	500	543	4,437
Long-term accounts receivable - other	16,902	18,296	150,000
Total	76,226	102,276	676,482
Fair value:			
Cash and deposits	15,005	15,217	133,165
Notes and accounts receivable - trade	38,918	61,569	345,385
Short-term investment securities and investment securities:			
Available-for-sale securities	2,062	2,151	18,300
Accounts receivable - other	2,837	4,497	25,177
Long-term loans receivable, net of allowance for doubtful account	500	543	4,437
Long-term accounts receivable - other	17,057	18,212	151,376
Total	76,382	102,192	677,867
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	155	(83)	1,376
Total	¥ 155	¥ (83)	\$ 1,376

Financial Section

Liabilities	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Carrying value:			
Accounts payable - trade	¥ 18,550	¥ 29,892	\$ 164,625
Short-term loans payable	45,158	90,394	400,763
Accounts payable - other	15,407	21,839	136,732
Excise taxes payable on gasoline and other fuels	22,363	21,492	198,465
Income taxes payable	164	95	1,455
Long-term loans payable	57,944	42,832	514,235
Total	159,589	206,547	1,416,303
Fair value:			
Accounts payable - trade	18,550	29,892	164,625
Short-term loans payable	45,158	90,394	400,763
Accounts payable - other	15,407	21,839	136,732
Excise taxes payable on gasoline and other fuels	22,363	21,492	198,465
Income taxes payable	164	95	1,455
Long-term loans payable	58,331	42,904	517,670
Total	159,975	206,618	1,419,728
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	386	71	3,426
Total	¥ 386	¥ 71	\$ 3,426

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, 2016 and 2015.

(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, 2016 and 2015 are ¥29,235 million (\$259,452 thousand) and ¥61,373 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, 2016 is ¥32,754 million (\$290,682 thousand) and the amount of contracts for which terms are more than one year is ¥26,363 million (\$233,963 thousand). The contract amount at March 31, 2015 was ¥26,259 million and the amount of contracts for which terms are more than one year was ¥3,255 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 for which fair value is not readily determinable

The carrying value of financial instruments for which their values are not readily determinable as of March 31, 2016 and 2015 are as follows:

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Unlisted equity securities	¥ 252	¥ 252	\$ 2,236
Stocks of affiliated companies	14,191	11,557	125,941
Other	—	101	—

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, 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	—	—	—
Accounts receivable - other	2,837	—	—	—
Long-term loans receivable	37	159	753	—
Long-term accounts receivable - other	—	16,902	—	—
Total	¥ 56,799	¥ 17,061	¥ 753	¥ —

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
2016				
Cash and deposits	\$ 133,165	\$ —	\$ —	\$ —
Notes and accounts receivable - trade	345,385	—	—	—
Accounts receivable - other	25,177	—	—	—
Long-term loans receivable	328	1,411	6,683	—
Long-term accounts receivable - other	—	150,000	—	—
Total	\$ 504,073	\$ 151,411	\$ 6,683	\$ —

The redemption schedule for monetary claims and securities with maturity dates as of March 31, 2015, 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
2015				
Cash and deposits	¥ 15,217	¥ —	¥ —	¥ —
Notes and accounts receivable - trade	61,569	—	—	—
Accounts receivable - other	4,497	—	—	—
Long-term loans receivable	38	129	828	—
Long-term accounts receivable - other	—	12,287	6,008	—
Total	¥ 81,323	¥ 12,417	¥ 6,837	¥ —

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, 2016 and 2015 are set out in the table below.

The following table does not include financial instruments for which their 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
2016						
Securities with carrying value exceeding acquisition cost:						
Equity securities	¥ 44	¥ 102	¥ 58	\$ 390	\$ 905	\$ 515
Securities with carrying value not exceeding acquisition cost:						
Equity securities	1,807	1,525	(282)	16,037	13,534	(2,503)
Other securities	434	434	—	3,852	3,852	—
Total	¥ 2,287	¥ 2,062	¥ (224)	\$ 20,296	\$ 18,300	\$ (1,988)

	Millions of Yen		
	Acquisition cost	Carrying Value	Difference
2015			
Securities with carrying value exceeding acquisition cost:			
Equity securities	¥ 1,596	¥ 1,916	¥ 319
Securities with carrying value not exceeding acquisition cost:			
Other securities	235	235	—
Total	¥ 1,832	¥ 2,151	¥ 319

There was no available-for-sale securities sold during the year ended March 31, 2016. There were no significant available-for-sale securities sold during the year ended March 31, 2015.

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, 2016 and 2015 are ¥269,212 million (\$2,389,173 thousand) and ¥261,912 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)
	2016	2015	2016
Proceeds from national subsidies			
Buildings and structures, net	¥ 209	¥ —	\$ 1,855
Storage tanks, net	148	—	1,313
Machinery, equipment and vehicles	1,019	645	9,043
Other	126	—	1,118
Software	41	—	364
Proceeds from insurance claims	128	128	1,136

7. Selling, General and Administrative Expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Directors' compensation	¥ 518	¥ 513	\$ 4,597
Provision for directors' retirement benefits	2	1	18
Salaries and allowances	893	953	7,925
Retirement benefit expenses	91	139	808

8. Loss on Retirement of Noncurrent Assets

The significant components of loss on retirement of noncurrent assets for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Buildings and structures, net	¥ 0	¥ 0	\$ 0
Machinery, equipment and vehicles, net	5	0	44
Software	0	14	0
Facility removal cost	2	2	18
Other	0	5	0
Total	¥ 8	¥ 23	\$ 71

Financial Section

9. Gain or Loss on Sales of Noncurrent Assets

The significant components of gain or loss on sales of noncurrent assets for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Gain on sales of noncurrent assets			
Buildings and structures, net	¥ —	¥ 1	\$ —
Machinery, equipment and vehicles, net	6	—	53
Loss on sales of noncurrent assets			
Buildings and structures, net	—	0	—
Land	—	38	—

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, 2016 and 2015 and the weighted average interest rates on the loans payable outstanding as of March 31, 2016 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Short-term loans payable - 0.9%	¥ 45,158	¥ 90,394	\$ 400,763
Current portion of long-term loans payable - 2.3%	11,998	6,368	106,479
Lease obligation due within one year	15	17	133
Long-term loans payable, maturing in 2017-2025 - 2.2%	45,946	36,464	407,756
Lease obligation due in 2017-2019	11	12	98
Total	¥ 103,129	¥ 133,257	\$ 915,238

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

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2016	
2017	¥ 11,998	\$ 106,479
2018	13,768	122,187
2019	18,130	160,898
2020	10,251	90,974
2021	1,504	13,348
2022 and thereafter	2,292	20,350

Annual maturities of long-term loans payable as of March 31, 2015 are as follows:

Year ending March 31,	Millions of Yen
	2015
2016	¥ 6,368
2017	11,463
2018	10,471
2019	11,078
2020	1,673
2021 and thereafter	1,778

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

Year ending March 31,	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2016	
2017	¥ 15	\$ 133
2018	4	35
2019	3	27
2020	2	18
2021 and thereafter	2	18

Future lease payments as of March 31, 2015 are as follows:

Year ending March 31,	Millions of Yen
2015	
2016	¥ 17
2017	11
2018	0
2019	—
2020 and thereafter	—

Pledged Assets

The following assets are pledged as collateral for long-term loans payable to the factory foundation amounting to ¥54,524 million (\$483,884 thousand) and ¥39,392 million, including current portion of ¥10,098 million (\$89,617 thousand) and ¥4,868 million, as of March 31, 2016 and 2015, respectively.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Buildings and structures	¥ 10,464	¥ 9,702	\$ 92,865
Storage tanks	3,606	3,220	32,002
Machinery, equipment and vehicles	21,047	24,068	186,786
Land	48,952	48,952	434,434
Total carrying value of pledged assets	¥ 84,070	¥ 85,944	\$ 746,095

In addition to the above, the following assets are pledged as collateral for short-term loans payable amounting to ¥17,220 million (\$152,822 thousand) as of March 31, 2016.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Inventories	¥ 22,171	¥ —	\$ 196,761

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 32.8% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

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

Financial Section

The significant components of deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Deferred tax assets:			
Tax loss carryforwards	¥ 33,407	¥ 30,930	\$ 296,477
Net defined benefit liability	1,005	914	8,919
Foreign corporate income tax	—	352	—
Provision for repairs	1,048	958	9,301
Provision for special repairs	674	643	5,982
Depreciation	335	363	2,973
Impairment losses	66	195	586
Other	1,804	1,479	16,010
Subtotal	38,341	35,839	340,264
Valuation allowance	(37,529)	(34,910)	(333,058)
Total deferred tax assets	812	929	7,206
Deferred tax liabilities:			
Valuation difference on assets of consolidated subsidiaries	(9,358)	(9,849)	(83,049)
Undistributed earnings of foreign subsidiaries	(226)	(192)	(2,006)
Adjustment assets for gains or losses on assets transfer to intercompany	(87)	(92)	(772)
Other	(123)	(211)	(1,092)
Total deferred tax liabilities	(9,795)	(10,344)	(86,928)
Net deferred tax liabilities	¥ (8,983)	¥ (9,415)	\$ (79,721)

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)
	2016	2015	2016
Current assets – Deferred tax assets	¥ 465	¥ 215	\$ 4,127
Non-current assets – Deferred tax assets	—	—	—
Long-term liabilities – Deferred tax liabilities	(9,448)	(9,630)	(83,848)

Reconciliation between the statutory income tax rate and the effective income tax rate for the years ended March 31, 2016 and 2015 is omitted since loss before income taxes was recorded.

Effect of changes in the corporate income tax rate

For the year ended March 31, 2015

Following the promulgation of the “Act for Partial Revision of the Income Tax Act, etc. (Act No. 9 of 2015)” and “Act for Partial Revision of the Local Tax Act, etc. (Act No. 2 of 2015)” on March 31, 2015, corporate income tax rates were lowered from the fiscal years beginning on or after April 1, 2015. Accordingly, the effective statutory income tax rate used for the calculation of deferred tax assets and deferred tax liabilities was changed from 35.4% to 32.8% for temporary differences expected to be realized or settled in the fiscal years beginning on April 1, 2015 and 32.1% for the fiscal years beginning on April 1, 2016 and onwards.

As a result of this change, deferred tax assets and deferred tax liabilities decreased by ¥17 million and ¥90 million, respectively. In addition, income taxes-deferred decreased by ¥962 million and valuation difference on available-for-sale securities increased by ¥10 million for the year ended March 31, 2015.

For the 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 will be 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 (\$275 thousand) and ¥497 million (\$4,411 thousand), respectively. In addition, income taxes-deferred decreased by ¥467 million (\$4,144 thousand) and valuation difference on available-for-sale securities increased by ¥1 million (\$9 thousand) for the year ended March 31, 2016.

12. Retirement Benefits Plans

As of March 31, 2016 and 2015, 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 years ended March 31, 2016 and 2015 (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)
	2016	2015	2016
Retirement benefit obligation at the beginning of the year	¥ 5,379	¥ 5,193	\$ 47,737
Cumulative effect of changes in accounting policies	—	658	—
Restated balance	5,379	5,851	47,737
Service cost	126	115	1,118
Interest cost	68	74	603
Actuarial gains and losses arising during the period	583	22	5,174
Defined benefit retirement plans paid	(350)	(683)	(3,106)
Retirement benefit obligation at the end of the year	¥ 5,807	¥ 5,379	\$ 51,535

The reconciliation of plan assets of beginning and ending balances for the years ended March 31, 2016 and 2015 (except for the adoption of a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Plan assets at the beginning of the year	¥ 2,899	¥ 2,637	\$ 25,728
Expected return on plan assets	46	42	408
Actuarial gains and losses arising during the period	(159)	335	(1,411)
Contribution from employer	138	150	1,225
Defined benefit retirement plans paid	(125)	(265)	(1,109)
Plan assets at the end of the year	¥ 2,799	¥ 2,899	\$ 24,840

The reconciliation of net defined benefit liability of beginning and ending balances for the years ended March 31, 2016 and 2015 for the adoption of a simplified method are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Net defined benefit liability at the beginning of the year	¥ 320	¥ 305	\$ 2,840
Retirement benefit expenses	20	41	177
Defined benefit retirement plans paid	(49)	(26)	(435)
Net defined benefit liability at the end of the year	¥ 290	¥ 320	\$ 2,574

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, 2016 and 2015 (included in the adoption of a simplified method stated above) are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Retirement benefit obligation of funded plans	¥ 3,282	¥ 3,099	\$29,127
Plan assets	(2,872)	(2,974)	(25,488)
	410	125	3,639
Retirement benefit obligation of unfunded plans	2,888	2,675	25,630
Net amount of liabilities after deducting assets on the consolidated balance sheets	3,298	2,800	29,269
Net defined benefit liability	3,298	2,848	29,269
Net defined benefit asset	—	(47)	—
Net amount of liabilities after deducting assets on the consolidated balance sheets	¥ 3,298	¥ 2,800	\$ 29,269

The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Service cost	¥ 126	¥ 115	\$ 1,118
Interest cost	68	74	603
Expected return on plan assets	(46)	(42)	(408)
Amortization of actuarial difference during the year	(66)	(35)	(586)
Amortization of prior service cost during the year	0	0	0
Retirement benefit expenses which adopted a simplified method	20	41	177
Retirement benefit expenses related to defined benefit plans	¥ 103	¥ 154	\$ 914

The components of remeasurements of defined benefit plans (before income taxes) for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Prior service costs	¥ 0	¥ 0	\$ 0
Actuarial gains and losses	(808)	277	(7,171)
Total	¥ (807)	¥ 278	\$ (7,162)

The components of remeasurements of defined benefit plans-accumulated (before income taxes) for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Unrecognized prior service costs	¥ (2)	¥ (3)	\$ (18)
Unrecognized actuarial gains and losses	(302)	506	(2,680)
Total	¥ (304)	¥ 503	\$ (2,698)

The component ratio of main items included in plan assets for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Bonds	30%	26%
Stocks	48%	54%
General accounts	19%	18%
Other	3%	2%
Total	100%	100%

The actuarial assumptions for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Discount rate	0.0%	1.3%
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 years ended March 31, 2016 and 2015 are as follows:

	Number of Shares			As of March 31, 2016
	As of April 1, 2015	Changes during the year		
		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.

	Number of Shares			As of March 31, 2015
	As of April 1, 2014	Changes during the year		
		2015		
	Increase	Decrease		
Issued stock				
Common stock	78,183,677	—	—	78,183,677
Treasury stock				
Common stock	1,121,076	—	—	1,121,076

Financial Section

Detail of cash dividends for the 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)	(Thousands of U.S. dollars) (Note 1)	(Yen)	(U.S. dollars) (Note 1)		
June 25, 2015 annual meeting of shareholders	Common stock	¥ 231	\$ 2,050	¥ 3	\$ 0.03	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.

Detail of cash dividends for the year ended March 31, 2015

(1) Dividends paid

Resolution	Class of Shares	Total amount of Dividend	Dividend per Share	Record date	Effective date
		(Millions of yen)	(Yen)		
June 26, 2014 annual meeting of shareholders	Common stock	¥ 386	¥ 5	March 31, 2014	June 27, 2014

(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)	(Yen)			
June 25, 2015 annual meeting of shareholders	Common stock	¥ 231	¥ 3	Capital surplus	March 31, 2015	June 26, 2015

14. Contingent Liabilities

The Companies had the following guarantees of liabilities as of March 31, 2016 and 2015.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Employees (for home purchase):			
Indebtedness to financial institutions	¥ 26	¥ 34	\$ 231
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	717	1,037	6,363

In addition to the above, the Company guarantees some part of its affiliate's obligation related to repayment of the shipbuilding contract. The upper limit of the guarantee is ¥4,705 million (\$41,755 thousand) as of March 31, 2016. There was no obligation recognized by the affiliate as of March 31, 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, 2016 and 2015 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Cash and deposits	¥ 15,005	¥ 15,217	\$ 133,165
Short-term investment securities	434	235	3,852
Subtotal	15,439	15,453	137,016
Less: Time deposits maturing over three months	(110)	(1,203)	(976)
Less: Debt securities maturing over three months	—	—	—
Cash and cash equivalents	¥ 15,329	¥ 14,249	\$ 136,040

16. Per Share Data

	Yen		U.S. Dollars (Note 1)
	2016	2015	2016
Net assets per share	¥ 612.44	¥ 753.51	\$ 5.44
Basic profit (loss) per share	(122.10)	(234.99)	(1.08)
Cash dividends per share attributable to the year	—	3.00	—

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 years ended March 31, 2016 and 2015.

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 years ended March 31, 2016 and 2015 are the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Valuation difference on available-for-sale securities:			
Amount arising during the year	¥ (480)	¥ 208	\$ (4,260)
Reclassification adjustments	—	(5)	—
Amount before income tax effect	(480)	203	(4,260)
Income tax effect	65	(76)	577
Total	(414)	126	(3,674)
Net deferred gains on hedges:			
Amount arising during the year	—	—	—
Reclassification adjustments	—	(0)	—
Amount before income tax effect	—	(0)	—
Income tax effect	—	—	—
Total	—	(0)	—
Foreign currency translation adjustments:			
Amount arising during the year	0	308	0
Reclassification adjustments	—	—	—
Amount before income tax effect	0	308	0
Income tax effect	—	—	—
Total	¥ 0	¥ 308	\$ 0

Financial Section

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
Remeasurements of defined benefit plans:			
Amount arising during the year	¥ (742)	¥ 313	\$ (6,585)
Reclassification adjustments	(65)	(34)	(577)
Amount before income tax effect	(807)	278	(7,162)
Income tax effect	—	(20)	—
Total	(807)	258	(7,162)
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	(5)	1,386	(44)
Total other comprehensive income	¥ (1,227)	¥ 2,080	\$ (10,889)

18. Segment Information

Disclosure of segment information is omitted for the years ended March 31, 2016 and 2015 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 years ended March 31, 2016 and 2015 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 years ended March 31, 2016 and 2015.

(c) Sales to major customers

Sales to major customers for the years ended March 31, 2016 and 2015 are as follows:

Name of customer	Related segments	Millions of Yen		Thousands of U.S. Dollars (Note 1)
		2016	2015	2016
Showa Shell Sekiyu K.K.	Oil/gas development and sales, Oil refinery and sales	¥ 263,709	¥ 431,503	\$ 2,340,335
JX Nippon Oil & Energy Corporation	Oil refinery and sales	55,787	74,661	495,092

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

Information of impairment losses on noncurrent assets by reporting segment for the years ended March 31, 2016 and 2015 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 years ended March 31, 2016 and 2015.

(1) The Company's directors and major shareholders (Individuals)

For the year ended March 31, 2016

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 (\$37,469 thousand)	Accounts receivable -trade	—

For the year ended March 31, 2015

Name	Relationship	Transaction type	Transaction amount	Account	Balance at year-end
Shigeya Kato	Director of the Company and representative chairman and group CEO of Showa Shell Sekiyu K.K.	Sale of crude oil and products	¥ 431,503 million	Accounts receivable - trade	¥ 40,673 million
		Accommodation of crude oil	¥ 75,725 million	Accounts receivable - other	—
		Purchase of crude oil and products	¥ 99,317 million	Accounts payable - trade	¥3,335 million
Osamu Ishitobi	Director of the Company and executive chairman and CEO of Sumitomo Chemical Company, Limited	Sale of petrochemical products	¥ 44,129 million	Accounts receivable - trade	¥3,721 million

Notes:

- The transaction amounts are exclusive of consumption tax, while the balances at year-end are inclusive of consumption tax.
- Basis of transactions
The selling and purchase price of crude oil and petroleum products is determined based on usual general business terms in consideration of market prices. The price of crude oil accommodated is determined based on market prices.
- The transactions with Shigeya Kato, director of the Company, represent the transactions between the Company and Showa Shell Sekiyu K. K. of which Shigeya Kato is the representative chairman.
- Shigeya Kato retired as the representative chairman and group CEO of Showa Shell Sekiyu K.K. on March 26, 2015. For the year ended March 31, 2015, the disclosed amounts are the transaction amount till the end of the retirement month and the balance at the end of the retirement month.
- Osamu Ishitobi retired as director of the Company on June 25, 2015. For the year ended March 31, 2016, 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.
- The transactions disclosed above are the transactions for the benefit of a third party. The terms and conditions are determined based on usual general business terms.

(2) Non-consolidated subsidiaries and affiliates of the Company

There were no related party transactions with non-consolidated subsidiaries and affiliates of the Company for the year ended March 31, 2016.

For the year ended March 31, 2015

Name	Location	Capital or contribution	Voting rights holding or held	Relationship or nature of business	Transaction type	Transaction amount	Account	Balance at year-end
Tokai Engineering & Construction Co., Ltd.	Ichihara City Chiba	¥40 million	40%	Affiliate company, construction and maintenance of plant	Sales of Buildings and Land:			
					Proceeds from the sales	¥104 million	—	—
					Loss on the sales	¥35 million	—	—

Notes:

- The transaction amounts and the balances at year-end are exclusive of consumption tax.
- The transaction prices are determined based on usual general business terms in consideration of market prices.
- The selling values of the buildings and land are determined using the appraisal value by licensed real estate appraiser as a reference.

Financial Section

20. Condensed financial information of significant affiliates

Condensed financial information of Aramo Shipping (Singapore) Pte Ltd., which is a significant affiliate as of March 31, 2016, was as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Total current assets	¥ 10,155	\$ 90,122
Total noncurrent assets	17,369	154,144
Total current liabilities	162	1,438
Total net assets	27,363	242,838
Net sales	10,798	95,829
Profit before income taxes	5,714	50,710
Profit	5,713	50,701

21. Quarterly Information

Quarterly financial data for the 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)

	Thousands of U.S. Dollars (Note 1)			U.S. Dollars (Note 1)
	Net sales	Profit (loss) before income taxes	Profit (loss) attributable to owners of parent	Profit (loss) per share
Three months ended June 30, 2015	\$ 851,464	\$ 15,051	\$ 14,040	\$ 0.18
Six months ended September 30, 2015	1,928,080	(77,556)	(79,304)	(1.03)
Nine months ended December 31, 2015	2,938,339	(94,959)	(97,675)	(1.27)
Twelve months ended March 31, 2016	3,776,376	(84,771)	(83,502)	(1.08)

Quarterly financial data for the year ended March 31, 2015

	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, 2014	¥ 183,973	¥ 62	¥ 23	¥ 0.30
Six months ended September 30, 2014	362,815	(521)	(819)	(10.63)
Nine months ended December 31, 2014	534,585	(16,491)	(16,850)	(218.66)
Twelve months ended March 31, 2015	666,179	(18,683)	(18,109)	(234.99)



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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 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 29, 2016
Tokyo, Japan

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: 441 Consolidated: 657
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

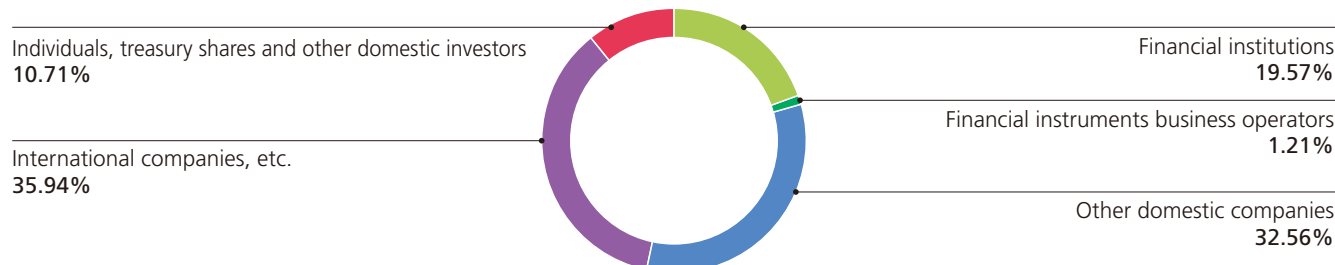
Shareholder Information

Number of Shares Authorized:	200,000,000 shares
Number of Shares Issued:	78,183,677 shares
Number of Shareholders:	10,428

Principal Shareholders

Name	Number of shares held (thousands)	Percentage of total shares outstanding (%)
Tokyo Electric Power Company, 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
Japan Trustee Services Bank, Ltd. (Trust Account)	5,604.0	7.16
Showa Shell Sekiyu K.K.	5,144.0	6.57
Sumitomo Chemical Company, Limited	5,051.6	6.46
CBNY-GOVERNMENT OF NORWAY	2,892.2	3.69
Nippon Yusen Kabushiki Kaisha	2,750.8	3.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,617.1	2.06
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	1,592.5	2.03
Total	43,115.0	55.14

Composition of Shareholders by Type



Fuji Oil Company, Ltd.

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