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Press Release

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**Announcement Regarding Response to the Second Notification  
on Sophisticated Methods of Energy Supply Structures**

Idemitsu Kosan Co.,Ltd. (Head Office: Chiyoda-ku, Tokyo; Representative Director and CEO: Takashi Tsukioka, hereinafter “we” or “Idemitsu”) announces that in accordance with the Second Notification on Sophisticated Methods of Energy Supply Structures (hereafter, “Second Notification on Sophisticated Methods”), from April 1 the refining capacity of the Chiba Refinery will be set at 200,000 barrels per day.

**1. Our Response**

As a measure for “Facility Optimization” corresponding to the new judgment criteria in relation to the Second Notification on Sophisticated Methods on July 31 last year, it is required that by the end of March 2017 there be an increase in capacity of the residual oil processing device or a reduction in refining capacity, with the objective being to improve the equipment ratio of the residual oil processing device.

Considering the gradual decrease in domestic demand for petroleum products, Idemitsu is of the view that it is proper to reduce the refining capacity in stages and not wait for the deadline of the Second Notification on Sophisticated Methods. Accordingly, Idemitsu has decided to reduce the refining capacity of the Chiba Refinery by 20,000 barrels per day.

In order to fully correspond to the Second Notification on Sophisticated Methods, it will be necessary to further reduce our company-wide refining capacity by 35,000 barrels per day. Going forward Idemitsu will decide on the timing and target of implementing such action based on the monitoring of such factors as the domestic trends in supply and demand for petroleum products.

**2. Anticipated Earnings**

This decision has no impact on FY2014 consolidated forecasts.