

**(Translation)**

Securities Code: No. 5019  
June 3, 2015

To the Shareholders:

NOTICE OF THE 100TH ORDINARY GENERAL MEETING  
OF SHAREHOLDERS

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Dear Shareholders:

We would like to express our appreciation for your continued good offices.

Please take notice that the 100th Ordinary General Meeting of Shareholders of the Company will be held as described below and you are cordially requested to attend the meeting.

If you do not expect to be present at the meeting, you may exercise your voting rights either by returning to us by mail the enclosed voting form indicating your approval or disapproval of the propositions or by accessing the website for the exercise of voting rights stated in the enclosed voting form and exercising your voting rights by an electronic method (such as the Internet). Hence, please review the accompanying Reference Document for the General Meeting of Shareholders and exercise your voting rights in accordance with the information on page 3 through page 5 no later than 5:00 p.m., Wednesday, June 24, 2015.

Yours very truly,

Takashi Tsukioka  
President and Representative Director

Idemitsu Kosan Co., Ltd.  
1-1, Marunouchi 3-chome,  
Chiyoda-ku, Tokyo, Japan

### Description

1. Date and hour of the meeting:

Thursday, June 25, 2015, at 10:00 a.m.

2. Place of the meeting:

"Grand Ball Room", 3F, Grand Hyatt Tokyo  
10-3, Roppongi 6-chome, Minato-ku, Tokyo, Japan

3. Matters forming the objects of the meeting:

Matters to be reported:

1. Report on the business report, the consolidated financial statements and the results of audit of the consolidated financial statements by the account auditors and the Board of Statutory Auditors for the 100th fiscal year (from April 1, 2014 to March 31, 2015)
2. Report on the non-consolidated financial statements for the 100th fiscal year (from April 1, 2014 to March 31, 2015)

Matters to be resolved:

- |                    |                                       |
|--------------------|---------------------------------------|
| Proposition No. 1: | Election of ten (10) Directors        |
| Proposition No. 2: | Election of one (1) Statutory Auditor |

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## **Notes on the General Meeting of Shareholders**

- The place of the meeting will be open to the shareholders at 9:00 a.m. on the date of the meeting.
- In attending the meeting, please present the enclosed voting form to a receptionist at the place of meeting.
- Of the documents to be provided upon giving notice of this Ordinary General Meeting of Shareholders, the "notes to consolidated financial statements" and the "notes to non-consolidated financial statements", which are posted on our Internet website (<http://www.idemitsu.co.jp>) in accordance with the applicable laws and ordinances and Article 15 of the Articles of Incorporation of the Company, are not included in the attached documents to the notice of this Ordinary General Meeting of Shareholders.

The attached documents to the notice of this Ordinary General Meeting of Shareholders, as well as all matters to be presented as the notes to consolidated financial statements and the notes to non-consolidated financial statements, are part of the consolidated financial statements or non-consolidated financial statements that have been audited by the Statutory Auditors in preparing their audit report and by the independent auditors in preparing their independent auditors' reports, respectively.

- In the event of the revision of any matter in the business report, the consolidated financial statements, the non-consolidated financial statements and the Reference Document for the General Meeting of Shareholders prior to the date of the meeting, it will be posted on our Internet website set forth above.

## **Information Concerning Exercise of Voting Rights**

- I. If you expect to be present by proxy, please make a document evidencing his/her power of attorney presented to a receptionist at the place of the meeting, together with the enclosed voting form. (Such proxy must be another shareholder (being one (1) person) of the Company entitled to vote.)
- II. If any institutional investor or any other shareholder who holds shares on behalf of third parties desires to diversely exercise voting rights, please give notice to that effect and of the reason therefor to the Company in writing no later than three (3) days prior to the date of the meeting.
- III. If you do not expect to be present at the meeting, please exercise your voting rights by either of the following methods:

### **1. [Exercise of voting rights by sending the voting form by mail]**

Please indicate your votes for or against each of the propositions in the enclosed voting

form and return the form to reach us no later than 5:00 p.m., Wednesday, June 24, 2015.

## **2. [Exercise of voting rights via the Internet]**

- (1) Any exercise of voting rights via the Internet will be possible only on the following website for the exercise of voting rights specified by the Company. The website for the exercise of voting rights is also accessible via mobile-phone Internet.\*

URL of the website for the exercise of voting rights: <http://www.web54.net>

\* By using a mobile phone installed with a bar-code reader, please read the "QR Code<sup>®</sup>" in the right and access the website for the exercise of voting rights. For more information on the operation procedure, please refer to the instruction manual of your mobile phone.



("QR Code" is a registered trademark of Denso Wave Incorporated.)

- (2) To exercise voting rights via the Internet, please enter your votes for or against each of the propositions in accordance with the guidance on the screen, by using the "code for the exercise of voting rights" and the "password" printed in the enclosed voting form.
- (3) Any exercise of voting rights via the Internet will be acceptable no later than 5:00 p.m., Wednesday, June 24, 2015. However, for the expedient counting of the voting rights exercised, it would be appreciated if you could exercise your voting rights early.
- (4) If voting rights are exercised both in writing and via the Internet, the voting rights exercised via the Internet shall be treated as effective.
- (5) If voting rights are exercised via the Internet twice or more, the voting rights last exercised shall be treated as effective.
- (6) All fees payable to Internet service providers and telecommunication carriers (such as phone line charges) in accessing the website for the exercise of voting rights must be borne by the shareholders.
- (7) To access the website for the exercise of voting rights, the following system environments are necessary:
  - (i) Website for PCs:
    - a. The display resolution must be at least 800 pixels from side to side and 600 pixels from top to bottom (SVGA).
    - b. The PC must be installed with the following application software:
      - (a) Microsoft<sup>®</sup> Internet Explorer ver.5.01 SP 2 or above as a Web-browser; and

- (b) Adobe® Acrobat® Reader® ver.4.0 or above or Adobe® Reader® ver. 6.0 or above as a PDF file-browser.

(Internet Explorer is a registered trademark, trademark and product name of Microsoft Corporation of the United States in the United States and other nations. Adobe® Acrobat® Reader® and Adobe® Reader® are registered trademarks, trademarks and product names of Adobe Systems Incorporated of the United States in the United States and other nations.)

- (ii) If voting rights are exercised by using a mobile phone, it must be the one that enables 128 bit SSL communications (encrypted communications).  
(To ensure security, the website is compatible only with mobile phones that enable 128 bit SSL communications (encrypted communications) and some mobile phones may have no access thereto. Voting rights can be exercised via full-browser functions of mobile phones, including smart phones; please be advised in advance, however, that such service is not available to some models.)

### **3. [Platform for Electronic Exercise of Voting Rights for Institutional Investors]**

"ICJ Platform", a platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc., a joint company incorporated by Tokyo Stock Exchange, Inc. and others, will be available to nominee shareholders (including standing proxies), such as custodian trust banks, as an electronic method of exercise of voting rights at the General Meeting of Shareholders of the Company in addition to the above-mentioned method via the Internet if they apply for the use of the platform in advance.

### **[Contact for Inquires about Exercise of Voting Rights via the Internet]**

If you have any questions about the exercise of voting rights via the Internet, please contact:

Share Registrar: Sumitomo Mitsui Trust Bank, Limited  
Web Support Dedicated Dial  
Stock Transfer Agency Business Planning Dept.

Dedicated Phone No.: 0120-652-031 (available at 9:00 a.m. through 9:00 p.m.)

(Attached document)

## BUSINESS REPORT

(April 1, 2014 to March 31, 2015)

### **1. Current state of the Idemitsu Group (the "Group")**

#### **(1) Business activities for the fiscal year under review:**

##### **(i) General economic conditions and environment surrounding the Group:**

The Japanese economy during the fiscal year ended March 31, 2015 experienced a moderate recovery trend with a steady trend of improvement in employment and income, along with the rise of stock prices and the continuation of the weakening Japanese yen, assisted largely by the monetary easing policy of the Bank of Japan.

Domestic overall demand for petroleum products during the fiscal year under review decreased compared with the previous fiscal year. While demand for diesel oil was consistent with the previous fiscal year due to firm demand from the transportation sector, demand for gasoline and kerosene decreased due to consumers' saving trend after the consumption tax hike in April 2014, unsettled weather in summer and the warmer temperatures from the turn of the year. In addition, demand for fuel oils for power generation decreased compared with the previous fiscal year due to the effects of savings on electricity consumption.

Dubai crude oil prices temporarily climbed to a level exceeding \$110/bbl toward the middle of June due partly to intensified geopolitical risks. However, the prices subsequently turned downward due to a combination of expectations for softer demand owing to the worsening economic outlook for China and European countries, and increased concern about oversupply caused partly by the expanding US shale oil production. Following the OPEC decision in late November 2014 to make no demand-supply adjustment by cutting production, the pace of the decline accelerated and the prices remained around \$50/bbl after late December. As a result, the average price of Dubai crude oil for the fiscal year under review was \$83.5/bbl, representing a drop of \$21.1/bbl compared with the previous fiscal year.

Demand for petrochemical products during the fiscal year under review remained at a similar level to the previous fiscal year, and the environment surrounding exports from Japan improved due partly to the weakening of the Japanese yen. The price for naphtha, a petrochemical raw material, dropped to \$817/ton, down \$121/ton compared with the previous fiscal year.

The average exchange rate of the Japanese yen to the US dollar for the fiscal year under review fell by ¥9.7/\$ from the previous fiscal year to ¥110.9/\$ due to the further weakening yen, attributable mainly to the continued monetary easing policy of the Bank of Japan and expectations for interest rate rises in the United States.

(ii) Operating results

Under these circumstances, the Group's net sales for the fiscal year under review were ¥4,629.7 billion, down 8.0% compared with the previous fiscal year, due mainly to drops in import prices of crude oil.

Operating loss was ¥104.8 billion, representing a decline of ¥183.0 billion compared with the previous fiscal year, affected mainly by substantial valuation losses on inventories associated with a plunge in crude oil prices, and contracted margins of petrochemical products.

Net non-operating expense resulted in ¥2.8 billion, representing a decline of ¥6.5 billion from a profit of ¥3.7 billion for the previous fiscal year, due mainly to decreased equity in earnings of nonconsolidated subsidiaries and affiliates. As a result, ordinary loss was ¥107.6 billion, a decline of ¥189.5 billion compared with the previous fiscal year.

Net extraordinary loss resulted in ¥69.5 billion, representing an increase in net loss of ¥68.6 billion compared with the previous fiscal year, due mainly to an increased impairment loss in the resources business and a decrease in extraordinary income including the insurance proceeds that were recorded in the previous fiscal year.

The net of income tax credit and minority interests was a credit of ¥39.1 billion, down ¥83.9 billion compared to the total of income taxes expense and minority interests during the previous fiscal year.

As a result, net loss for the fiscal year under review was ¥138.0 billion, a decline of ¥174.3 billion compared with the previous fiscal year.

(iii) Progress and results of business

The Group implemented measures and activities during the fiscal year under review in line with the Fourth Consolidated Medium-term Management Plan announced in March 2013. The progress and results of our business by segment are as follows.

Net sales and operating income of coal sales business, which were previously included in the petroleum segment, are included in the resources segment from the fiscal year under review. The year-to-year changes for the segment results are calculated by reflecting the current segmentation.

Business segment	Net sales		Operating income	
	Fiscal year under review	Increase (decrease) from the previous fiscal year	Fiscal year under review	Increase (decrease) from the previous fiscal year
	(billion yen)	(%)	(billion yen)	(%)
Petroleum products	3,693.9	-9.3	(111.6)	-
[Not including effects of revaluation of inventories]	-	-	[18.0]	-
Petrochemical products	639.0	-5.4	(7.1)	-
[Not including effects of revaluation of inventories]	-	-	[(3.4)]	-
Resources	241.1	2.4	13.1	-50.8
Others	55.8	12.0	3.3	33.4
Adjustment	-	-	(2.4)	-
Total	4,629.7	-8.0	(104.8)	-
[Not including effects of revaluation of inventories]	-	-	[28.5]	[-19.4]



## <Petroleum products segment>

In the petroleum products segment, the Company has set as its basic strategy the reinforcement of the competitiveness of the domestic supply and marketing systems and the expansion of business in overseas markets, and has taken the following actions:

### (Fuel oil business)

In the supply of petroleum products, the Company has carried out crude oil processing based on the environment surrounding the demand and sales conditions, and has strived to promote a reduction in supply costs while securing a stable supply of products.

In response to the termination of the crude oil processing function at the Tokuyama Refinery in March 2014, the Company has established a stable supply system centering on the three refineries in Hokkaido, Chiba and Aichi, and the Tokuyama Complex. Also, the Company considers it appropriate to gradually reduce crude distillation unit capacity in light of a steadily decreasing trend of domestic demand and has decided to reduce the crude distillation unit capacity of the Chiba Refinery by 20,000 bbl/day, commencing from April 2015.

In order to strengthen its capability to respond to disasters and to reinforce its supply chain, the Company has established a "Central Delivery Control Center" as a unified control system on a nation-wide basis by moving order management bases that were previously deployed in Tokyo and Osaka to the areas and facilities that may be resilient to disasters.

In the marketing and sales of petroleum products, the Company has reinforced the brand network through the opening of new service stations as well as the remodeling and revitalization of existing service stations. In order to strengthen the profitability of the group service stations through an increase in the number of visiting customers and effective sales promotion activities, the Company has commenced participation in the universal point card system "R-Point Card" operated by Rakuten, Inc.

As for business efforts in overseas markets, the Company has further proceeded with the construction of the Nghi Son Refinery and Petrochemical Complex in Vietnam. In addition, the Company has engaged in the expansion of its business in Asia where demand is growing, by building up the organization of IDEMITSU INTERNATIONAL (ASIA) PTE. LTD., a subsidiary in Singapore.

### (Lubricants business)

The total of sales volume in the domestic and overseas markets exceeded the previous fiscal year, assisted by the expansion of overseas sales mainly in China and the Company recorded the largest volume in its history whereas domestic sales decreased from the previous fiscal year due partly to decreased demand affected by the consumption tax increase.

In order to further promote the business globally, the Company opened its sixth sales base, the Beijing Sales Office in Beijing, the core of the automobile industry in China, following the Tianjin Main Office and Factory, Shanghai Branch Office, Guangzhou Branch Office, Changchun Sales Office and Chongqing Sales Office.

As a result, net sales of the petroleum products segment for the fiscal year under review were ¥3,693.9 billion, down 9.3% against the previous fiscal year, due partly to decreases in import prices of crude oil. Operating loss was ¥111.6 billion, down ¥128.5 billion, due mainly to the fact that increased margins in petroleum products were more than offset by such factors as a substantial loss from inventory valuation. The effect of inventory valuation included in operating loss was a loss of ¥129.6 billion.

<Petrochemical products segment>

In the petrochemical products segment, the Company has set as its basic strategy the reinforcement of the competitiveness of the basic chemicals business through the restructuring of the supply system and the enhancement of the profitability of the performance materials business, and has taken the following actions:

(Basic chemicals business)

The Company has terminated the crude oil processing function at the Tokuyama Refinery, which has been converted to the Tokuyama Complex. As its main base of the petrochemical products business, the Company has made efforts to streamline logistics through importation of larger-sized lots of naphtha by renovating the existing sea berth for Very Large Crude Oil Carriers (VLCC) to enable large naphtha tankers to dock, in order to ensure stable and competitive supply of olefin to the companies located in the Shunan Petrochemical Complex. The Company has also strived to strengthen the function of the complex as a delivery base for chemicals by remodeling and converting its existing crude oil tanks to chemical tanks for methanol.

(Performance materials business)

Regarding the engineering plastics business, the Company has promoted the transfer of the production of its general purpose polycarbonate resin (Product name: TARFLON<sup>®</sup>) to a joint venture plant in Taiwan, aiming to enhance cost competitiveness. Regarding syndiotactic polystyrene resin (Product name: XAREC<sup>®</sup>), a material having excellent heat resistance, the Company has made efforts to expand sales in the areas including electrical components for vehicles and electrical cooking appliances.

In the adhesive materials business, the Company has made efforts to expand sales of functional soft polypropylene (Product name: L-MODU<sup>®</sup>) both in the domestic and overseas markets, which has a melting point that is significantly lower than the existing crystalline polypropylene, mainly for the use as an adhesive for sanitary items and non-woven fabric polyesters.

As a result, net sales for the petrochemical products segment for the fiscal year under review were ¥639.0 billion, a decrease of 5.4% compared to the previous fiscal year, due mainly to decreases in naphtha prices on a customs clearance basis. Operating loss was ¥7.1 billion, a decline of ¥43.6 billion from the previous fiscal year, affected largely by contracted margins of petrochemical products. The effect of inventory valuation was a loss of ¥3.7 billion.

## <Resources segment>

In the resources segment, the Company has set as its basic strategy the expansion of production volume through the development of the discovered oil and gas mining areas, the securing of reserves through exploration activities and the restructuring of the coal business, and has taken the following actions:

### (Oil exploration and production business)

In the exploration and production of new oil fields, the Company commenced commercial production at the H Nord oil field in the Norwegian North Sea in September 2014 and at the Knarr oil field in March 2015.

With regard to exploration activities, the Company has discovered several accumulations of oil and gas in the Norwegian North Sea, Norwegian Barents Sea and Vietnam and secured a foundation for the future production volume. Going forward, the Company will conduct a detailed review and evaluation of these reserves. To secure strategic reserves for the long term, the Company has participated in licensing rounds implemented by the Norwegian government and acquired one license.

Regarding the oil and gas fields currently in operation, the Company has produced crude oil and natural gas of 29 thousand barrels of oil-equivalent per day in the Norwegian North Sea, the UK North Sea and Vietnam.

Net sales for the oil exploration and production business for the fiscal year under review increased by 4.5% from the previous fiscal year to ¥102.0 billion, due mainly to increased production and sales in the Norwegian North Sea, and operating income was ¥13.4 billion, down 58.7% from the previous fiscal year, due mainly to drops in crude oil prices and increased exploration expenses.

### (Coal business and others)

Regarding the coal business, the Company has made efforts to enhance the competitiveness of its Australian mines amid a fall in coal prices. The total production volume was 11.27 million tons, up 0.7 million tons from the previous fiscal year, due mainly to increased production at the Boggabri Mine, the Company's core coal mine in Australia. Also, the Company has strived to improve productivity and implemented cost reduction measures in all the mines. Furthermore, the Company has promoted the restructuring of its coal business portfolio by selling part of its interest in the Boggabri Mine to one of the long-term stable domestic customers, as well as by obtaining 30% of the shares of a coal company that owns the Malinau Mine in Indonesia in order to enhance a competitive lineup for coal to meet the needs of customers.

As for the uranium business, the Company commenced the production of uranium concentrates at the Cigar Lake Mine and an outsourcing mill in Canada.

With regard to the geothermal energy business, the Company has continued smooth supply of steam for commercial power generation in the Takigami area in Oita prefecture and decided to introduce binary power generation. Furthermore, the Company implemented examinations of the underground structure in the Amemasudake district of

Hokkaido and the Oyasu district of Akita prefecture where it has been carrying out examinations with the aim of developing the business. In addition, the Company has been conducting ground surface research in Fukushima prefecture.

Net sales for the coal and others for the fiscal year under review were consistent with the previous fiscal year, amounting to ¥139.1 billion, up 1.0% from the previous fiscal year, assisted by increased sales volume of coal, which was partially offset by a fall in coal prices. Operating loss was ¥0.4 billion, an improvement of ¥5.6 billion compared to the previous fiscal year, assisted by rationalization and cost reduction measures such as more streamlined mining methods and reductions of outsourcing expenses.

As a result, total net sales for the resources segment increased by 2.4% to ¥241.1 billion, and operating income decreased by 50.8% against the previous fiscal year to ¥13.1 billion.

#### <Other segments>

As for the electronic materials business, agricultural biotechnology business, gas business and renewable energy business, among other businesses, the Company has achieved the followings:

##### (Electronic materials business)

In the field of OLED (organic light-emitting diode) materials, in order to accelerate commercialization of OLED displays, the Company has signed an agreement with LG Display Co., Ltd. for cooperation in the development of OLED technologies and licensing device-related patents.

The Company has strived to actively meet growing demand for displays and expand sales and profits.

##### (Agricultural biotechnology business)

In the field of the feed additive business, the Company launched RUMINUP<sup>®</sup>-M, a feed mix suitable for large-scale ranches. It belongs to the RUMINUP<sup>®</sup> series, which facilitates health maintenance for cows and beef cattle and stable productivity.

To promote biological pesticides that have less potential for giving or developing chemical resistance than chemical pesticides, the Company has jointly developed with its consolidated subsidiary, SDS Biotech K.K., and introduced biological pesticide "Impression Clear" that has been improved in terms of reduced residual pesticides and enhanced water dissolution.

##### (Gas business)

Export of LPG (liquefied petroleum gas) to Japan has been commenced from the Ferndale terminal located in the State of Washington on the West Coast of the United States. The Ferndale terminal is owned by Petrogas Energy Corp., whose shares are held by Alta Gas Idemitsu Joint Venture Limited Partnership (AIJVLP), which was jointly established with Alta Gas Ltd., a Canadian corporation.

(Renewable energy business)

As projects to engage in renewable energy utilizing idle land, the Company has constructed solar power generation facilities (mega solar power plants) with the output capacity of 1,320 kW in Iwaki city, Fukushima prefecture, following those in Moji ward, Kitakyushu city and Himeji city, Hyogo prefecture, which have started operation.

In biomass power generation, the Company has constructed the Tosa Power Plant of Tosa Green Power Co., Ltd. with the output capacity of 6,250 kW, whose shares are held by Tosa Electric Railway Co., Ltd., Kochi Prefecture Federation of Forest Owner's Cooperative Associations and the Company. The Company has a 50% interest in Tosa Green Power Co., Ltd. The power plant started operation in April 2015.

As a result, net sales for the other segments for the fiscal year under review increased by 12.0% to ¥55.8 billion and operating income increased by 33.4% compared with the previous fiscal year to ¥3.3 billion.

(iv) Investment in plant and equipment:

The amount of investment in plant and equipment of the Group for the fiscal year under review totaled ¥147.4 billion, which was principally used as follows:

Business segment	Principal investment in plant and equipment
Petroleum products	Restructuring, maintenance and renewal of facilities of the refineries; enhancement, maintenance and renewal of sales facilities of service stations
Petrochemical products	Restructuring, maintenance and renewal of production facilities
Resources	Development and maintenance of oil fields; expansion, maintenance and renewal of coal production facilities; maintenance and renewal of geothermal facilities, etc.
Others	Construction of renewable energy facilities, etc.

(v) Financing:

The Group's working capital requirements derive mainly from purchases of raw materials to manufacture products, and fluctuate in response to crude oil prices and foreign exchange rates. During the fiscal year under review, its working capital requirements decreased due principally to a decrease in prices of raw materials arising from a collapse in oil prices and the balance of short-term borrowings decreased by ¥58.0 billion compared with the previous fiscal year.

With regard to capital investment, an investment of ¥464.0 billion is planned to be made in the areas of core business, resources business and functional materials business for three fiscal years from April 1, 2013 through March 31, 2016 in line with the basic strategy under the Medium-term Management Plan. The Group raised a loan of approximately ¥150.0 billion required for the fiscal year under review, ¥59.6 billion of which was raised through a

syndicated loan. In addition, the Company issued its fourth unsecured bonds (issue amount: ¥20.0 billion, maturity: seven years) in August 2014 to diversify financing methods.

As a result, the balance of interest-bearing debt as at the end of the fiscal year under review was ¥1,006.2 billion, a decrease of ¥75.7 billion compared with the previous fiscal year.

(2) Assets and income/loss

Item	97th year April 1, 2011 - Mar. 31, 2012	98th year April 1, 2012 - Mar. 31, 2013	99th year April 1, 2013 - Mar. 31, 2014	100th year (current year) April 1, 2014 - Mar. 31, 2015
Net sales (million yen)	4,310,348	4,374,696	5,034,995	4,629,732
Ordinary income (loss) (million yen)	133,559	109,122	81,921	(107,618)
Net income (loss) (million yen)	64,376	50,167	36,294	(137,958)
Net income (loss) per share (yen)	402.46	313.63	226.90	(862.50)
Total assets (million yen)	2,682,139	2,728,480	2,995,063	2,731,001
Net assets (million yen)	614,513	687,948	743,786	630,384
Net assets per share (yen)	3,667.05	4,085.83	4,391.46	3,671.39

(Note) As of January 1, 2014, the Company conducted a stock split at the rate of four shares for each share for the shareholders appearing in the final register of shareholders on December 31, 2013. Net income (loss) per share and net assets per share were calculated on the assumption that the stock split had been conducted at the beginning of the fiscal year ended March 31, 2012.

(3) Major parent company and subsidiaries:

(i) Relationship with the parent company:

Not applicable.

(ii) Major subsidiaries:

Name	Capital	Ratio of voting rights of the Company (%)	Main business
Idemitsu Tanker Co., Ltd.	¥1,000 million	100.0	Transportation of crude oil and petroleum products of the Company
Idemitsu Retail Marketing Co., Ltd.	¥80 million	100.0	Sale of petroleum products
S.I. Energy Co., Ltd.	¥500 million	100.0	Sale of petroleum products
IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	US\$2,049 thousand	100.0	Import, export and trading of crude oil, petroleum products, etc.
Idemitsu Unitech Co., Ltd.	¥2,600 million	100.0	Manufacture and sale of plastic products
Idemitsu Oil & Gas Co., Ltd.	¥8,275 million	100.0	Acceptance of operations of oil exploration and production companies of the Group
Idemitsu Snorre Oil Development Co., Ltd.	¥100 million	50.5	Investigation, exploration, development and sale of oil resources
Idemitsu Cuu Long Petroleum Co., Ltd.	¥3,537 million	82.9	Investigation, exploration, development and sale of oil resources
Idemitsu Petroleum Norge AS	NOK727,900 thousand	50.5	Investigation, exploration, development and sale of oil resources
IDEMITSU AUSTRALIA RESOURCES PTY LTD	A\$106,698 thousand	100.0	Investigation, exploration, development and sale of coals
Idemitsu Canada Resources Ltd.	C\$131,167 thousand	100.0	Investigation, exploration, development and sale of uranium resources in Canada
Idemitsu Canada Corporation	C\$334,000 thousand	100.0	Investigation and promotion of gas and related businesses in Canada
SDS Biotech K.K.	¥810 million	69.7	Production, import and sales of agricultural chemicals

(Note) Effective April 1, 2015, the Company, as a surviving company, merged Idemitsu Oil & Gas Co., Ltd.

(4) Issues to be tackled:

[Medium- and long-term corporate management strategy]

In March 2013, the Group formulated and released its "Fourth Consolidated Medium-term Management Plan" that covers the three-year period from April 1, 2013 through March 31, 2016.

Under the Fourth Consolidated Medium-term Management Plan, the Group is implementing structural reforms of all business units, assuming the following business environments:

<Business environments>

- Decreasing domestic demand for fuel oils and overseas transfer of the manufacturing industry
- Faster economic growth and expansion of demand in emerging countries mainly in Asia
- Changes in the supply and demand structure for energy  
(Increasing demand for LNG power generation and renewable energy as alternatives to nuclear power, and the rise of unconventional energy resources)
- Expansion of new business opportunities (in the fields of environment and food) driven by the global increase in the population and economic growth in emerging countries

Under those business environments, in core business, the Group will reinforce competitiveness in the domestic market to achieve long-term stable profitability, as well as expand overseas business in the areas where a high rate of economic growth is expected, in particular, emerging countries.

In resources business, the Group will increase the production volume in oil and gas in oil exploration and production business and will build a base for robust profitability in coal business.

In functional materials business, the Group will further expand sales of functional materials products to which its expertise is utilized in the overseas markets and will put each business on a growth track.

(i) Management policy:

The Group sets the management policy to "contribute to a society with harmony between the economy and the environment by effectively securing and using energy and by developing functional materials business on a global scale".

Under this policy, the Company is committed to "Contributing to the domestic energy security and economic development of Asian countries" and "Contributing to the realization of a society in harmony with the environment based on the proprietary technologies of Idemitsu".

(ii) Investment strategy:

Total investment for three years from April 1, 2013 through March 31, 2016 will be ¥464.0 billion, which was originally planned to be ¥450.0 billion but increased due primarily to the weakening of the Japanese yen.



The Group will reinforce strategic investment for the reform of the business structure and approximately 80% of the investment will be allocated to investment overseas.

(iii) Promotion of rationalization and streamlining:

Following the Third Consolidated Medium-term Management Plan, the Company will, in its core business, in particular, promote the rationalization of marketing and distribution divisions, energy-saving activities at refineries and plants, cost reductions in resources divisions and streamlining activities for administrative divisions and indirect divisions, and aims to reduce costs by ¥20.0 billion in total under the Fourth Consolidated Medium-term Management Plan and ¥70.0 billion on an cumulative basis through the Third and Fourth Consolidated Medium-term Management Plans.

(iv) Management indicators targeted:

Under the Medium-term Management Plan, the Company is committed to achieving the following management indicators in the fiscal year ending March 31, 2016, the final year of the plan: an operating income of ¥150.0 billion (including income/losses from equity-method investments and dividend income), a net income of ¥53.0 billion, a return on invested capital of 8.6%, an equity ratio of 24.8% and a net debt/equity ratio of 1.2.

However, it has become difficult to achieve the targets in the fiscal year ending March 31, 2016 because of drastic changes in the business environment which include an increase in total investments due to the weakening of the Japanese yen, a substantial loss from the effect of inventory valuation due to a significant drop in crude oil prices from the second half of the fiscal year under review, and an impairment loss.

Although severe operating environments such as low levels of resource prices are anticipated, the Company aims to achieve the management indicators as early as possible by securing product margins in the core businesses, expanding revenues in the functional materials businesses, and promoting the careful screening of investments and cost reduction measures.

[Matters to be addressed by the Company]

(i) Environment recognition:

In the domestic economy, there are some signs of a mild recovery and the US economy appears to be on a recovering trend, led by employment conditions. On the other hand, there are some aspects causing uncertainty, including the development of debt problems in Europe, a slowdown in China's economic growth and the direction of the growth strategy adopted by the government of Japan.

Regarding the demand for energy, a continuous decline in the demand for fuel oils is inevitable in Japan, while an expansion in the demand for energy is expected overseas, in particular, in Asian emerging countries.

(ii) Matters to be addressed:

(a) Core business (Fuel oils, basic chemicals and renewable energy)

In the petroleum products business, the Company will strengthen efficient production and supply under a system consisting of the three refineries in Hokkaido, Chiba and Aichi and the Tokuyama Complex and reinforce its domestic sales network. Furthermore, the Company intends to expand its business in Asian markets where demand for petroleum products is expected to grow, through the construction of the Nghi Son Refinery in Vietnam and the fuel oil marketing based in Singapore.

In the basic chemicals business, the Company will make efforts to optimize its supply chain for the ethylene system including derivative products, and to expand the production of aromatic compounds by taking advantage of the benefits of its petrochemical complex processing of naphtha.

In the renewable energy business, the Company aims to expand its electricity power generation capacity, including geothermal binary power generation, biomass power generation and mega solar power generation, as well as sales of green electric power and will promote the development of new projects for geothermal generation and study the commercialization of biofuels in Indochina.

b) Resources businesses (oil exploration and production, coal, uranium and gas)

In the oil exploration and production business, the Company will promote the expansion of reserves through exploration activities and maintain stable production.

In the coal business, the Company will promote further efficiency in production and cost reduction activities and at the same time, aims to transform the profit structure through means, including an increase in the production and sales of high-grade coal by taking advantage of the strategic investment in the Boggabri Mine. The Company will also meet a wider range of customer needs through the holding of Indonesian coal, for which exports to Asian countries have been increasing.

As for the uranium business, the Company aims to promote stable production at the Cigar Lake Mine in Canada and its sales.

In the gas business, the Company aims to contribute to Japan's energy security, including the diversification of supply sources, the securing of a stable supply and the securing of an economic advantage due to shorter transportation distances, and will promote a study on the expansion of export and sales to Asian countries of LNG (liquefied natural gas) and LPG from North America.

- c) Functional materials business (lubricants, performance materials, electronic materials and agricultural biotechnology)

In the lubricants business, the Company will promote the development of environment-friendly products and functional materials products in response to technological innovations. The Company will also accelerate global deployment through the expansion of production bases in overseas countries.

In the performance materials business, the Company will concentrate its management resources on product categories, including syndiotactic polystyrene resin (SPS resin) and adhesive materials, and develop them into its core business.

In the electronic materials business, in response to growing demand, the Company will expand its sales to valued customers through the Company's technologies for manufacturing high quality and inexpensive OLED materials and promote measures to put its business on a growth track.

In the agricultural biotechnology business, the Company will deploy businesses, which respond to needs, that contribute to food safety and address increasing demand for foods through developing and producing in-house products, including biological pesticides, chemical pesticides and the RUMINUP<sup>®</sup> series of products that provide feed mixes for cows. The Company will globally expand its agricultural biotechnology business, including to emerging countries where demands are growing.

*The above descriptions about the future are based on information available as of the date hereof. The actual operating results may differ from the targets due to various factors in the future.*

In addition, details of the assumptions for the Fourth Consolidated Medium-term Management Plan (for the fiscal years from April 1, 2013 through March 31, 2016) can be accessed at the following URLs:

(Website of the Company)

<http://www.idemitsu.com/ir/manage/message/plan/index.html>

(Website of the Tokyo Stock Exchange (Page for "Quick search for a listed company"))

<http://www.tse.or.jp/listing/compsearch/index.html>

The Company sincerely hopes that its shareholders will continue giving the Company their full support and encouragement.

(5) Major businesses (as of March 31, 2015):

Business segment	Major business
Petroleum products	Import, refining, production and sale of crude oil, petroleum products and lubricants, and transportation and storage relating thereto; sale of service station products
Petrochemical products	Production and sale of petrochemical products
Resources	Investigation, exploration, development and sale of oil resources, coal, uranium and geothermal resources
Others	Import, purchase and sale of gas; production and sale of electronic materials; design, construction, maintenance and management of petroleum-related facilities; insurance sales business; credit card services; production, import and sale of agricultural chemicals; renewable energy business

(6) Major business offices and plants (as of March 31, 2015):

(i) The Company

Category	Offices
Head office	1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Refineries	Hokkaido (Tomakomai), Chiba (Ichihara), Aichi (Chita)
Petrochemical plant, etc.	Chiba plant (Ichihara), Tokuyama complex (Shunan)
Sales branches	Hokkaido Nos. 1, 2, 3 (Sapporo), Tohoku No. 1 (Sendai), Tohoku No. 2 (Morioka), Kanto Nos. 1, 2, 3 (Chuo-ku, Tokyo), Kita-Kanto Nos. 1, 2 (Saitama), Niigata (Niigata), Matsumoto (Matsumoto), Tokai Nos. 1, 2 (Nagoya), Hokuriku (Kanazawa), Kansai No. 1 (Kyoto), Kansai No. 2 (Osaka), Kansai No. 3 (Kobe), Chugoku No. 1 (Hiroshima), Chugoku No. 2 (Okayama), Shikoku (Takamatsu), Kyushu Nos. 1, 2 (Fukuoka), Kyusyu No. 3 (Kagoshima)
Business branches	Hokkaido (Sapporo), Tohoku (Sendai), Kanto (Chuo-ku, Tokyo), Tokai (Nagoya), Kansai (Osaka), Chugoku/Shikoku (Hiroshima), Kyushu (Fukuoka)
Overseas offices	Middle East (Abu Dhabi), Hanoi (Vietnam)
Laboratories	Advance Technology Laboratory (Sodegaura), Business Laboratory (Ichihara), Functional Materials Laboratory (Ichihara)

(Note) The Company terminated the crude oil processing function at the Tokuyama Refinery in March 2014 and integrated it with the Tokuyama plant as a Tokuyama complex as of April, 2014.

(ii) Subsidiaries

Name	Address
Idemitsu Tanker Co., Ltd.	3-4, Okubo 2-chome, Shinjuku-ku, Tokyo
Idemitsu Retail Marketing Co., Ltd.	18-8, Shintomi 1-chome, Chuo-ku, Tokyo
S.I. Energy Co., Ltd.	1-18, Agebacho, Shinjuku-ku, Tokyo
IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	Singapore
Idemitsu Unitech Co., Ltd.	2-3, Shiba 4-chome, Minato-ku, Tokyo
Idemitsu Oil & Gas Co., Ltd.	1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Idemitsu Snorre Oil Development Co., Ltd.	1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Idemitsu Cuu Long Petroleum Co., Ltd.	1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Idemitsu Petroleum Norge AS	Oslo, Norway
Idemitsu Australia Resources Pty Ltd	Brisbane, Australia
Idemitsu Canada Resources Ltd.	Calgary, Canada
Idemitsu Canada Corporation	Calgary, Canada
SDS Biotech K.K.	1-5, Higashi Nihonbashi 1-chome, Chuo-ku, Tokyo

(Note) Effective April 1, 2015, the Company, as a surviving company, merged Idemitsu Oil & Gas Co., Ltd.

(7) Employees (as of March 31, 2015):

(i) Employees of the Group

Segment	Number of employees	Change from the end of the previous fiscal year
Petroleum products	5,858 (3,584)	+ 83
Petrochemical products	1,677 (183)	- 58
Resources	595 (48)	- 3
Others	699 (228)	+ 58
Total	8,829 (4,043)	+ 80

(Note) The number of employees represents the number of those actually at work: the number of temporary workers is shown in the parentheses separately.

(ii) Employees of the Company

Number of employees	Change from the end of the previous fiscal year	Average years of age	Average length of service
4,107 (674)	- 96	42 y/s and 3 m/s	20 y/s and 4 m/s

(Note) The number of employees represents the number of those actually at work: the

number of temporary workers is shown in the parentheses separately.

(8) Major lenders (as of March 31, 2015):

Lender	Debt payable
Sumitomo Mitsui Banking Corporation	¥116,829 million
Japan Oil, Gas and Metals National Corporation	¥112,584 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥87,663 million
Sumitomo Mitsui Trust Bank, Limited	¥82,544 million
Japan Bank for International Cooperation	¥56,551 million
Development Bank of Japan	¥51,500 million
Mizuho Bank, Ltd.	¥36,021 million
Mitsubishi UFJ Trust and Banking Corporation	¥33,320 million

(9) Other important matters concerning the current state of the Group:

Not applicable.

## 2. Current state of the Company

(1) Shares (as of March 31, 2015):

(i) Total number of authorized shares: 436,000,000 shares

(ii) Total number of issued shares: 160,000,000 shares

(iii) Number of shareholders: 15,598 persons

(iv) Major shareholders (top ten):

Name	Number of shares (thousand shares)	Shareholding ratio (%)
Nissho Kosan K.K.	27,120	16.95
Idemitsu Culture and Welfare Foundation	12,392	7.75
Idemitsu Museum of Arts Foundation	8,000	5.00
Idemitsu Employee Stockholders Committee	6,384	3.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,142	3.22
Sumitomo Mitsui Banking Corporation	5,142	3.22
Sumitomo Mitsui Trust Bank, Limited	5,142	3.22
Japan Trustee Services Bank, Ltd. (Trust account)	3,902	2.44
The Master Trust Bank of Japan, Ltd. (Trust account)	2,862	1.79
GOLDMAN SACHS INTERNATIONAL	2,565	1.60

(Note) The shareholding ratios are calculated by excluding the shares of treasury stock of the Company (46,776 shares).

(2) Stock acquisition rights, etc.:

Not applicable.

(3) Corporate officers:

(i) Directors and Statutory Auditors (as of March 31, 2015):

Position	Name	Duties and major concurrent office
Chairman and Representative Director	Kazuhisa Nakano	
President and Representative Director	Takashi Tsukioka	
Executive Vice President and Representative Director	Yoshihisa Matsumoto	Assistant to President (petrochemicals and functional materials divisions), in charge of safety, petrochemicals and functional materials (Safety and Environmental Protection and Quality Assurance Department, Lubricating Oil Department, Agribio Business Div., Electronic Materials Department, Chemical Business Div. and Idemitsu Unitech Co., Ltd.) and Division Manager, Safety and Environmental Protection Division, and Division Manager, Quality Assurance Division
Executive Vice President and Representative Director	Daisuke Seki	Assistant to President (fuel business division), In general control over sales and supply and demand (Sales Department, New Energy Department, International Supply and Demand Department, Distribution Department, Astomos Energy Corporation and Idemitsu Credit Co., Ltd.)
Managing Director	Yasunori Maeda	In charge of overseas fuels business (Vietnam Business Office, Idemitsu Asia and Idemitsu Tanker Co., Ltd.)
Managing Director	Hiroshi Seki	In general control over resources (Resources Department, Coal Business Department, Resources Planning Department and Gas Business Office)
Managing Director	Katsumi Saito	In charge of general affairs, personnel affairs and information systems (General Affairs Department, Personnel Department and Information System Department), in charge of restructuring promotion, and Chairman of Compliance & Risk Management Committee



Position	Name	Duties and major concurrent office
Managing Director	Takashi Matsushita	In general control over manufacturing and engineering (Manufacturing & Technology Department, refineries, petrochemical plant, complex, Technology & Engineering Center and Idemitsu Engineering Co., Ltd.), in charge of intellectual properties and research (Intellectual Property Division and Advance Technology Laboratory)
Managing Director	Shunichi Kito	In charge of accounting, public relations and CSR (Accounting Department and Public Relations and CSR Office)
Director	Eri Yokota	Professor, Faculty of Commerce, Keio University Director, TOLI Corporation
Director	Ryosuke Ito	Attorney at law (TMI Associates)
Full-time Statutory Auditor	Katsuo Sato	
Full-time Statutory Auditor	Takanori Kuniyasu	
Statutory Auditor	Taigi Ito	Certified Public Accountant (Ito Taigi Office) Statutory Auditor, IT Holdings Corporation Outside Corporate Auditor, Mitsubishi Chemical Holdings Corporation Outside Corporate Auditor, Mitsubishi Chemical Corporation
Statutory Auditor	Michiyoshi Kuriyama	Corporate Auditor, The Zenitaka Corporation Director, Hanshin Electric Railway Co., Ltd. Corporate Auditor, DMG Mori Seiki Co., Ltd.
Statutory Auditor	Shoichiro Niwayama	Attorney at law (Asahi Law Office)

- (Notes)
1. Directors Ms. Eri Yokota and Mr. Ryosuke Ito are outside directors.
  2. Statutory Auditors Messrs. Taigi Ito, Michiyoshi Kuriyama and Shoichiro Niwayama are outside statutory auditors.
  3. Statutory Auditor Mr. Taigi Ito, who has had experience as a certified public accountant and a university professor, has considerable knowledge of financing and accounting.

4. Statutory Auditor Mr. Michiyoshi Kuriyama, who has had experience as an officer of a financial institution, has considerable knowledge of financing and accounting.
5. Directors Ms. Eri Yokota and Mr. Ryosuke Ito and Statutory Auditors Messrs. Taigi Ito, Michiyoshi Kuriyama and Shoichiro Niwayama are independent officers who have been registered in accordance with the rules of the Tokyo Stock Exchange.

(ii) Total amount of remuneration, etc. payable to corporate officers:

- (a) Total amount of remuneration, etc. by categories of officers, the total number of remuneration, etc. by types thereof and the number of officers eligible therefor:

Category	Number	Total amount of remuneration, etc.
Director (Outside Director)	13 (2)	¥678 million (¥15 million)
Statutory Auditor (Outside Statutory Auditor)	7 (4)	¥86 million (¥30 million)
Total (Outside Director and outside Statutory Auditor)	20 (6)	¥765 million (¥45 million)

(Note) Remuneration of the Directors and Statutory Auditors includes basic remuneration but does not include any stock options, bonuses, salaries and wages of employees or retirement gratuities.

- (b) Contents and the method of determination, of the policy on the determination of the amount of remuneration, etc. of officers, etc. and the method of calculation thereof:

With regard to remuneration of officers, the maximum amount of remuneration of Directors was determined to be ¥1,200 million per annum and that of Statutory Auditors was determined to be ¥120 million per annum, respectively, by resolution of the 91st Ordinary General Meeting of Shareholders held on June 27, 2006. The remuneration of Directors are determined by the Representative Directors upon authorization from the Board of Directors and in accordance with a report from the Directors' Remuneration Advisory Committee, which shall be comprised of four members including two Outside Statutory Auditors, and the remuneration of Statutory Auditors are determined upon consultation among the Statutory Auditors.

(iii) Matters concerning outside officers:

- (a) Outside officers' major concurrent offices of executive directors, etc. for other corporations and the Company's relationships with such other corporations:

Not applicable.

- (b) Outside officers' major concurrent offices of outside offices of other

corporations and the Company's relationships with such other corporations:

Director Ms. Eri Yokota is serving as an outside Director for TOLI Corporation. The Company has no special relationship with the corporation.

Statutory Auditor Mr. Taigi Ito is serving as an outside Statutory Auditor for IT Holdings Corporation and outside Corporate Auditor for Mitsubishi Chemical Holdings Corporation and Mitsubishi Chemical Corporation. The Company has no special relationship with these corporations.

Statutory Auditor Mr. Michiyoshi Kuriyama is serving as outside Statutory Auditor for The Zenitaka Corporation, outside Statutory Auditor for DMG Mori Seiki Co., Ltd. and outside Director for Hanshin Electric Railway Co., Ltd. The Company has no special relationship with these corporations.

- (c) Outside officers' kinship with the executives of the Company or other businesses having specific relationships with the Company:

Not applicable.

- (d) Major activities during the fiscal year under review:

Attendance at the meetings of the Board of Directors and the Board of Statutory Auditors:

		Board of Directors		Board of Statutory Auditors	
		Meetings attended	Rate of attendance	Meetings attended	Rate of attendance
Director	Eri Yokota	11/11	100%	-	-
Director	Ryosuke Ito	11/11	100%	-	-
Statutory Auditor	Taigi Ito	15/15	100%	16/16	100%
Statutory Auditor	Michiyoshi Kuriyama	15/15	100%	16/16	100%
Statutory Auditor	Shoichiro Niwayama	11/11	100%	11/11	100%

Director Ms. Eri Yokota, principally from the standpoint of accounting as a university professor, and Director Mr. Ryosuke Ito, principally from a legal standpoint as an attorney at law, have respectively expressed their opinions at the meetings of the Board of Directors and provided advice and recommendations for securing the properness of decision-making by the Board of Directors.

Statutory Auditor Mr. Taigi Ito, principally from the standpoint of accounting with broad experience as a certified public accountant and a university professor, Statutory Auditor Mr. Michiyoshi Kuriyama, principally from the standpoint as an corporate management professional with broad experience as

an officer of a banking institution, and Statutory Auditor Mr. Shoichiro Niwayama, principally from a legal standpoint as an attorney at law, have respectively expressed their opinions at the meetings of the Board of Directors and the Board of Statutory Auditors and provided advice and recommendations for securing the properness of decision-making by the Board of Directors.

(e) Outline of the content of liability limitation agreements:

In accordance with Article 427, paragraph 1 of the Companies Act of Japan, the Company has entered into an agreement with each outside Director and each outside Statutory Auditor to limit the liability for any damage as provided for in Article 423, paragraph 1 of the said act. The maximum liability amount under such agreement is an amount as provided for in laws or ordinances.

(4) Account auditors:

(i) Names of the account auditors:

Deloitte Touche Tohmatsu LLC

(ii) Amount of remuneration, etc. payable to the account auditors for the fiscal year under review:

	Deloitte Touche Tohmatsu LLC
Amount of remuneration, etc. payable to the account auditors for the fiscal year under review:	¥148 million
Total amount of money and other proprietary benefits payable to the account auditors by the Company and its subsidiaries:	¥245 million

(Notes) 1. The amount of remuneration, etc. payable to the account auditors for audits under the Companies Act of Japan and the amount of remuneration, etc. payable for audits under the Financial Instruments and Exchange Act of Japan are not separated in the audit agreement between the Company and the account auditors. Hence, the above amount of remuneration, etc. payable to the account auditors for the fiscal year under review includes both amounts.

2. The total amount of money and other proprietary benefits payable to the account auditors by the Company and its subsidiaries includes remuneration for services (non-auditing services), which are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan, entrusted to Deloitte Touche Tohmatsu LLC.

(iii) Content of non-auditing services:

The Company has paid the account auditors remuneration for services (non-auditing services), including the preparation of letters (comfort letters) from accounting auditors to the lead underwriting firm with regard to the issuance of bonds, which are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan.

(iv) Policy on the determination of dismissal and non-reappointment of the account

auditors:

In the event that there arises any problem with the performance by the account auditors of their duties or otherwise the Board of Statutory Auditors considers it necessary, it shall take a procedure to dismiss or not to reappoint the account auditors pursuant to the Companies Act of Japan.

(Note) With the "Act to Amend Part of the Companies Act" (2014 Act No. 90) becoming effective as of May 1, 2015, the organ to determine to propose the dismissal and non-reappointment of the account auditors has been changed from the Board of Directors to the Board of Statutory Auditors.

(5) Policy on the determination of distribution of retained earnings, etc.:

The Board of Directors of the Company considers the return of profits to its shareholders as one of the most important management issues.

The Company will continue to pay dividends on a constant basis after taking into due consideration strategic investments to enhance existing businesses and develop future business operations, the improvement of corporate financial structure and balance with business performances. With respect to the payment of the year-end dividends for the fiscal year ended March 31, 2015, the Company has decided to pay ¥25 per share. As a result, annual dividends for the fiscal year will be ¥50 per share.

With respect to the dividends (annual dividends) for the fiscal year ending March 31, 2016, the Company plans to pay ¥50 per share.

As provided for in its Articles of Incorporation, the Company may make distributions of retained earnings by a resolution of its Board of Directors pursuant to the provisions of Article 459, paragraph 1 of the Companies Act. For the year ended March 31, 2008 and thereafter, the Company has paid dividends twice a year, as interim dividends and year-end dividends.

(6) Systems to secure the properness of business activities (so-called "internal control systems"):

With regard to basic policies on internal control systems, the Board of Directors has adopted resolutions as described below, for the systems to secure the properness of business activities.

In addition, the Board of Directors checks whether the internal control systems have properly been established and operated and revises them to make them more effective.

(i) Systems to secure the execution by the Directors and employees of the Company and its subsidiaries of their duties to comply with laws or ordinances and the Articles of Incorporation:

(a) The Board of Directors of the Company shall, pursuant to the Regulations of

the Board of Directors, determine important matters and supervise the execution of business.

- (b) Pursuant to the Compliance Regulations, the Company shall establish a Compliance Committee to promote compliance activities for the Company and its subsidiaries.
  - (c) The Company shall make use of the Compliance Handbook that sets action guidelines on compliance with law to raise awareness of compliance.
  - (d) The Company shall allow the employees of the Company and its subsidiaries to make use of Compliance Contact Offices established within and outside of the Company to help solve questions and problems with regard to compliance.
  - (e) The Internal Audit Office shall conduct audits to verify the appropriateness of business activities and the state of execution of business pursuant to the internal rules at each business division of the Company and its subsidiaries.
- (ii) Systems concerning storage and management of information on the execution by the Directors of the Company of their duties:
- Information on the execution by the Directors of their duties shall be stored and managed pursuant to the Regulations of the Board of Directors, the Document Handling Regulations, the Circular Decision Document Handling Regulations and other internal rules.
- (iii) Regulations concerning management of exposure to the risk of loss of the Company and its subsidiaries and other systems:
- (a) Pursuant to the Risk Management Regulations, the Company shall establish a Risk Management Committee to promote risk management activities.
  - (b) Pursuant to the Manual for Measures upon Outbreak of Crises and other internal rules, the Company shall take measures promptly and properly upon the outbreak of any serious crisis to the Company or any of its subsidiaries.
  - (c) The Company shall institute a Business Continuity Plan (BCP) for measures against an epicentral earthquake in the Tokyo metropolitan area, measures against a new type of influenza, etc., and exert group-wide efforts to implement, maintain and manage the BCP.
  - (d) Each business division shall, pursuant to the Self-Management Regulations, inspect risks to business by using the voluntary inspection list, etc.
  - (e) The Internal Audit Office shall, pursuant to the Internal Control Regulations, conduct audits to verify the state of risk management by each business division.

- (iv) Internal control over financial reporting:
  - (a) Pursuant to the Regulations of Internal Control over Financial Reporting, the Company shall establish a system to ensure reliability of financial reporting of the whole Group for the purpose of adequate improvement and administration of internal control on financial reporting.
  - (b) Pursuant to the regulations set forth in (a) above, the Company shall establish a Committee for Evaluation of Internal Control over Financial Reporting, which shall deliberate on and investigate matters concerning annual improvement and administration policies and evaluation plans, matters concerning the determination of the evaluation scope, etc.
  - (c) The Internal Audit Office shall conduct periodic evaluation of the effectiveness of internal control, as well as necessary improvements thereof.
- (v) Severance of all relations with antisocial forces:
  - (a) The Company shall deal with any person or group, including any crime syndicate and corporate racketeer, who engages in antisocial activities, violence and illegitimate demand in a resolute attitude and sever all relations therewith.
  - (b) In the event that any antisocial force sets on, the Company shall resolutely refuse without giving in and act properly pursuant to the Manual for Measures against Antisocial Forces.
- (vi) Systems to secure efficient execution by the Directors of the Company of their duties:
  - (a) To secure efficient execution of business, the Company shall have Executive Officers.
  - (b) Pursuant to the Regulations of Duties and Powers and the Regulations of Execution of Business, the Company shall clearly define the roles and authorities of the Board of Directors, Representative Directors and other Directors.
  - (c) As an organ to discuss and deliberate on management strategies and managerial issues of the whole Group and each business division, the Company shall establish a Management Committee comprised of the President acting as chairman and other members appointed by the chairman, which shall meet twice a month, in principle.
- (vii) Systems to secure the properness of business activities of the corporate group comprised of the Company, its parent company and its subsidiaries:
  - (a) In the Affiliated Companies Management Regulations, the Company shall specify subsidiaries under direct control of the President and subsidiaries for which the supervising office shall be responsible, to clearly define responsibilities for business administration.

- (b) Each subsidiary shall periodically file reports on its performance and other matters with the supervising office pursuant to the Affiliated Companies Management Regulations.
  - (c) In the Affiliated Companies Management Regulations, the Company shall provide a fundamental policy to the effect that "transactions with affiliated companies shall be based on market prices, in principle", to prevent conflicts of interest.
  - (d) In the Affiliated Companies Management Regulations, the Company shall provide for the rules for assumption of office of directors and statutory auditors of its subsidiaries, pursuant to which the Directors of the Company shall not assume office of directors of the subsidiaries, in principle.
  - (e) The Company shall improve operational efficiencies by utilizing the Group-standard IT infrastructures and integrating the tasks of overhead divisions.
- (viii) Matters concerning the employees to assist the Statutory Auditors of the Company to execute their duties when the Statutory Auditors request the assignment thereof:
- The Company shall, upon request from the Statutory Auditors, assign its employees as staff of the Statutory Auditors' Secretariat to assist the Statutory Auditors to execute their duties.
- (ix) Matters to secure the independence of the employees set forth in (viii) above from the Directors and the effectiveness of directions given to the employees:
- (a) Staff at the Statutory Auditors' Secretariat shall serve on a full-time basis. The final decision on personnel changes, evaluations, etc. of the Statutory Auditors' staff shall be subject to consent of the Statutory Auditors, which shall be provided for in the internal rules of the Personnel Department.
  - (b) In the Regulations of Segregation of Duties, the Company shall provide for the duties of the Statutory Auditors' Secretariat.
- (x) System for reporting by the Directors and employees of the Company and its subsidiaries and the statutory auditors of the subsidiaries to the Statutory Auditors (the Board of Statutory Auditors) of the Company and other systems for reporting to the Statutory Auditors of the Company:
- (a) The Directors, the head of each business division and the General Manager of Safety and Environmental Protection and Quality Assurance Department shall, pursuant to the Regulations of Execution of Business, report the specified matters to the Statutory Auditors.
  - (b) The Internal Audit Office shall, pursuant to the Internal Audit Regulations, report the results of audits to the Statutory Auditors.
  - (c) The Compliance Committee shall periodically report the state of consultations and measures at the Compliance Contact Offices to the



Statutory Auditors.

- (xi) System to ensure the prevention of unfair treatment of the person who has given a report under (x) above because of such report:
  - (a) It shall be prohibited to treat unfairly the person who has given a report under (x) above because of such report.
  - (b) The Compliance Committee shall decree that any person shall not be treated unfairly because of consulting with the Compliance Contact Offices and stipulate in the Compliance Handbook to that effect and make it thoroughly educated through training and other sessions.
- (xii) Matters concerning the policy to pay expenses incurred by the Statutory Auditors in executing their duties:

All expenses necessary for the Statutory Auditors in performing their roles and duties, including audits of the execution by the Directors of their duties, election and dismissal of the account auditors, shall be borne by the Company.
- (xiii) Other systems to ensure effective audits by the Statutory Auditors (the Board of Statutory Auditors) of the Company:
  - (a) The Representative Directors shall hold a regular meeting with the Statutory Auditors quarterly, in principle.
  - (b) The Internal Audit Office shall closely coordinate and cooperate with the Statutory Auditors and the account auditors with regard to internal audit schedules, visiting audits, etc.

(Note) The "Act to Amend Part of the Companies Act" (2014 Act No. 90) and the "Ministerial Ordinance to Amend Part of the Regulations to Enforce the Companies Act, Etc." (2015 Ordinance of the Ministry of Justice No. 6) came into effect on May 1, 2015. Accordingly, the content of this section was partly revised by the resolution adopted at the meeting of the Board of Directors held on May 7, 2015 and the above fundamental policy is presented herein as amended. The content so amended has been revised with regard to the systems to secure the properness of business activities of the Group to comply with the amendment to the act and the regulations upon taking into consideration the current status of the Group.

- (7) Fundamental policy on corporate control:

The Company has exerted its efforts to attain constant and sustainable growth to secure and enhance the corporate value of the Group and the common interests of its shareholders.

Hence, in the event that any party engages in any large purchase action with regard to the shares of the Company and consequently, it threatens to prejudice the corporate value of the Group and the common interests of its shareholders, it is the Company's fundamental policy to take any appropriate measure to the extent permitted by laws or ordinances and the Articles of Incorporation.

## **CONSOLIDATED BALANCE SHEET**

(As of March 31, 2015)

(million yen)

### **ASSETS**

<b>Current assets:</b>	<b>1,084,940</b>
Cash and deposit	112,959
Notes and accounts receivable, trade	321,703
Inventories	513,801
Deferred tax assets	31,969
Other current assets	106,381
Allowance for doubtful accounts	(1,874)
<b>Fixed assets:</b>	<b>1,646,060</b>
<b>Tangible fixed assets</b>	<b>1,135,743</b>
Buildings and structures	143,014
Machinery, equipment and vehicles	248,906
Lands	589,485
Construction in progress	111,666
Other tangible fixed assets	42,670
<b>Intangible fixed assets</b>	<b>25,213</b>
Goodwill	10,381
Other intangible fixed assets	14,832
<b>Investment and other assets</b>	<b>485,102</b>
Investment securities	237,751
Investments in capital of affiliates	31,701
Long-term loans receivable	4,323
Assets for employees' retirement benefits	267
Deferred tax assets	36,645
Oil field premium assets	80,190
Other investments	94,413
Allowance for doubtful accounts	(191)
<b>TOTAL ASSETS</b>	<b>2,731,001</b>

(Note) Figures are indicated by discarding fractions of one million yen.

(million yen)

## **LIABILITIES**

<b>Current liabilities:</b>	<b>1,127,619</b>
Accounts payable, trade	366,559
Short-term borrowings	376,525
Commercial paper	26,997
Accounts payable, other	232,565
Accrued income taxes	6,061
Deferred tax liabilities	262
Allowance for bonuses	6,299
Other current liabilities	112,346
<b>Long-term liabilities:</b>	<b>972,997</b>
Bonds	65,000
Long-term debt	537,658
Deferred tax liabilities	32,563
Deferred tax liabilities upon revaluation	92,508
Liability for employees' retirement benefits	15,642
Reserve for repair works	26,530
Asset retirement obligations	93,813
Oil field premium liabilities	83,098
Other long-term liabilities	26,181
<b>Total liabilities</b>	<b>2,100,616</b>

## **NET ASSETS**

<b>Shareholders' equity</b>	<b>391,727</b>
Common stock	108,606
Additional paid-in capital	71,131
Retained earnings	212,119
Treasury stocks	(130)
<b>Accumulated other comprehensive income</b>	<b>195,522</b>
Unrealized holding gains on other securities	9,920
Deferred gains (loss) on hedges	(7,896)
Revaluation difference of lands	157,460
Translation adjustments	34,795
Retirement benefit liability adjustment	1,243
<b>Minority interests</b>	<b>43,134</b>
<b>Total net assets</b>	<b>630,384</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,731,001</b>

(Note) Figures are indicated by discarding fractions of one million yen.

# **CONSOLIDATED STATEMENT OF INCOME**

(April 1, 2014 to March 31, 2015)

(million yen)

<b>Net sales</b>		<b>4,629,732</b>
<b>Cost of sales</b>		<b>4,431,066</b>
<b>Gross profit</b>		<b>198,666</b>
<b>Selling, general and administrative expenses</b>		<b>303,464</b>
<b>Operating loss</b>		<b>(104,798)</b>
<b>Non-operating income</b>		
Interest income	1,216	
Dividend income	4,244	
Subsidy income	5,330	
Equity in earnings of affiliates	1,771	
Others	4,402	16,965
<b>Non-operating expenses</b>		
Interest expenses	12,117	
Loss on foreign exchange, net	3,950	
Others	3,717	19,785
<b>Ordinary loss</b>		<b>(107,618)</b>
<b>Extraordinary gain</b>		
Gain on sales of fixed assets	7,442	
Gain on transfer of business	1,003	
Others	90	8,535
<b>Extraordinary expenses</b>		
Impairment loss on fixed assets	70,511	
Loss on sales of fixed assets	1,032	
Loss on disposal of fixed assets	4,781	
Others	1,660	77,986
<b>Loss before income taxes and minority interests</b>		<b>(177,069)</b>
Income taxes - current	14,718	
Income taxes - deferred	(57,861)	(43,143)
<b>Loss before minority interests</b>		<b>(133,925)</b>
Minority interests		4,033
<b>Net loss</b>		<b>(137,958)</b>

(Note) Figures are indicated by discarding fractions of one million yen.

# **CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.**

(April 1, 2014 to March 31, 2015)

(million yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at April 1, 2014	108,606	71,131	359,934	(130)	539,542
Cumulative effects of changes in accounting policies			(4,541)		(4,541)
Restated balance	108,606	71,131	355,393	(130)	535,000
Changes during the year					
Distribution of retained earnings			(7,997)		(7,997)
Net loss			(137,958)		(137,958)
Change in scope of consolidation			2,185		2,185
Acquisition of treasury stock				(0)	(0)
Disposal of treasury stock		(0)		0	0
Reversal of revaluation difference of lands			497		497
Change in items other than shareholders' equity during the year (net)					
Total changes during the year	-	(0)	(143,273)	(0)	(143,273)
Balance at March 31, 2015	108,606	71,131	212,119	(130)	391,727

	Accumulated other comprehensive income						Minority interests	Total net assets
	Unrealized holding gains on other securities	Deferred gains (loss) on hedges	Revaluation difference of lands	Translation adjustments	Retirement benefit liability adjustment	Total accumulated other comprehensive income		
Balance at April 1, 2014	4,523	(1,196)	147,714	12,016	(172)	162,886	41,358	743,786
Cumulative effects of changes in accounting policies							(8)	(4,549)
Restated balance	4,523	(1,196)	147,714	12,016	(172)	162,886	41,350	739,237
Changes during the year								
Distribution of retained earnings								(7,997)
Net loss								(137,958)
Change in scope of consolidation								2,185
Acquisition of treasury stock								(0)
Disposal of treasury stock								0
Reversal of revaluation difference of lands			(497)			(497)		-
Change in items other than shareholders' equity during the year (net)	5,396	(6,700)	10,243	22,779	1,415	33,134	1,784	34,918
Total changes during the year	5,396	(6,700)	9,745	22,779	1,415	32,636	1,784	(108,852)
Balance at March 31, 2015	9,920	(7,896)	157,460	34,795	1,243	195,522	43,134	630,384

(Note) Figures are indicated by discarding fractions of one million yen.

## **NON-CONSOLIDATED BALANCE SHEET**

(As of March 31, 2015)

(million yen)

### **ASSETS**

<b>Current assets:</b>	<b>872,441</b>
Cash and deposit	37,547
Notes receivable, trade	240
Accounts receivable, trade	249,188
Merchandise and finished goods	269,277
Raw material and supplies	180,949
Prepaid expenses	3,661
Short-term loans receivable	39,974
Deferred tax assets	28,921
Other current assets	64,486
Allowance for doubtful accounts	(1,805)
<b>Fixed assets:</b>	<b>1,221,335</b>
<b>Tangible fixed assets</b>	<b>825,321</b>
Buildings	50,920
Structures	62,044
Oil tanks	24,815
Machinery and equipment	90,957
Vehicles and transportation equipment	700
Tools, furniture and fixtures	6,328
Lands	586,452
Construction in progress	3,102
<b>Intangible fixed assets</b>	<b>10,539</b>
Leasehold rights	8,184
Software	2,027
Other intangible fixed assets	326
<b>Investments and other assets:</b>	<b>385,475</b>
Investment securities	41,532
Investments in shares of affiliates	278,476
Long-term loans receivable	9,336
Deferred tax assets	32,262
Other investments	24,042
Allowance for doubtful accounts	(175)
<b>TOTAL ASSETS</b>	<b>2,093,776</b>

(Note) Figures are indicated by discarding fractions of one million yen.

(million yen)

**LIABILITIES**

<b>Current liabilities:</b>	<b>1,006,397</b>
Accounts payable, trade	309,291
Short-term borrowings	337,659
Commercial paper	26,997
Accounts payable, other	225,620
Accrued expenses	2,438
Advances received	26,355
Deposit received	51,565
Allowance for bonuses	4,274
Other current liabilities	22,196
<b>Long-term liabilities:</b>	<b>705,325</b>
Bonds	65,000
Long-term debt	487,342
Deferred tax liabilities upon revaluation	92,508
Retirement allowances for employees	15,008
Reserve for repair works	25,378
Other long-term liabilities	20,087
<b>Total liability</b>	<b>1,711,722</b>

**NET ASSETS**

<b>Shareholders' equity</b>	<b>219,678</b>
Common stock	108,606
Additional paid-in capital	67,599
Capital reserve	57,245
Other additional paid-in capital	10,354
<b>Retained earnings</b>	<b>43,602</b>
Retained earnings reserve	1,081
Other retained earnings	42,521
Reserve for special depreciation	1,832
Reserve for loss on overseas investment, etc.	596
Reserve for deferred income tax on fixed assets	34,243
Retained earnings carried forward	5,849
<b>Treasury stocks</b>	<b>(130)</b>
<b>Valuation and translation adjustments</b>	<b>162,374</b>
Unrealized holding gains on other securities	8,556
Deferred gains (loss) on hedges	(3,641)
Revaluation difference of lands	157,460
<b>Total net assets</b>	<b>382,053</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,093,776</b>

(Note) Figures are indicated by discarding fractions of one million yen.

# **NON-CONSOLIDATED STATEMENT OF INCOME**

(April 1, 2014 to March 31, 2015)

(million yen)

<b>Net sales</b>		<b>3,748,358</b>
<b>Cost of sales</b>		<b>3,672,269</b>
<b>Gross profit</b>		<b>76,088</b>
<b>Selling, general and administrative expenses</b>		<b>214,123</b>
<b>Operating loss</b>		<b>(138,034)</b>
<b>Non-operating income</b>		
Interest income	535	
Dividend income	9,163	
Gain on foreign exchange, net	174	
Subsidy income	5,330	
Others	3,740	18,946
<b>Non-operating expenses</b>		
Interest expenses	10,351	
Others	3,581	13,932
<b>Ordinary loss</b>		<b>(133,021)</b>
<b>Extraordinary income</b>		
Gain on sales of fixed assets	547	
Gain on transfer of business	796	
Others	27	1,371
<b>Extraordinary expenses</b>		
Impairment loss on fixed assets	4,221	
Loss on sale of fixed assets	929	
Loss on disposal of fixed assets	4,668	
Impairment loss on investments in subsidiaries and affiliates	66,391	
Others	642	76,853
<b>Loss before income taxes</b>		<b>(208,503)</b>
Income taxes - current	33	
Income taxes - deferred	(48,540)	(48,507)
<b>Net loss</b>		<b>(159,996)</b>

(Note) Figures are indicated by discarding fractions of one million yen.



# **NON-CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.**

(April 1, 2014 to March 31, 2015)

(million yen)

	Shareholders' equity									
	Common stock	Additional paid-in capital			Retained earnings reserve	Retained earnings				Total retained earnings
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital		Other retained earnings			Retained earnings carried forward	
						Reserve for special depreciation	Reserve for loss on overseas investment, etc.	Reserve for deferred income tax on fixed assets		
Balance at April 1, 2014	108,606	57,245	10,354	67,599	1,081	2,650	627	33,011	178,460	215,832
Cumulative effects of changes in accounting policies									(4,732)	(4,732)
Restated balance	108,606	57,245	10,354	67,599	1,081	2,650	627	33,011	173,727	211,099
Changes during the year										
Distribution of retained earnings									(7,997)	(7,997)
Net loss									(159,996)	(159,996)
Acquisition of treasury stock										
Disposal of treasury stock			(0)	(0)						
Additions to other retained earnings						86	28	4,864	(4,979)	-
Reversal of other retained earnings						(904)	(60)	(3,633)	4,597	-
Reversal of revaluation difference of lands									497	497
Changes in items other than shareholders' equity during the year (net)										
Total changes during the year	-	-	(0)	(0)	-	(818)	(31)	1,231	(167,878)	(167,496)
Balance at March 31, 2015	108,606	57,245	10,354	67,599	1,081	1,832	596	34,243	5,849	43,602

(million yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stocks	Total shareholders' equity	Unrealized holding gains on other securities	Deferred gains (loss) on hedges	Revaluation difference of lands	Total valuation and translation adjustments	
Balance at April 1, 2014	(130)	391,908	3,680	(5,624)	147,714	145,770	537,678
Cumulative effects of changes in accounting policies		(4,732)					(4,732)
Restated balance	(130)	387,175	3,680	(5,624)	147,714	145,770	532,945
Changes during the year							
Distribution of retained earnings		(7,997)					(7,997)
Net loss		(159,996)					(159,996)
Acquisition of treasury stock	(0)	(0)					(0)
Disposal of treasury stock	0	0					0
Additions to other retained earnings		-					-
Reversal of other retained earnings		-					-
Reversal of revaluation difference of lands		497			(497)	(497)	-
Changes in items other than shareholders' equity during the year (net)			4,876	1,982	10,243	17,101	17,101
Total changes during the year	(0)	(167,496)	4,876	1,982	9,745	16,604	(150,892)
Balance at March 31, 2015	(130)	219,678	8,556	(3,641)	157,460	162,374	382,053

(Note) Figures are indicated by discarding fractions of one million yen.

COPY OF ACCOUNT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

April 30, 2015

To: The Board of Directors  
Idemitsu Kosan Co., Ltd.

Deloitte Touche Tohmatsu LLC

Masahiko Tezuka (seal)  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

Masahiko Inoue (seal)  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

Naoaki Inagaki (seal)  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

We have audited the consolidated financial statements, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements of Idemitsu Kosan Co., Ltd. (the "Company"), applicable to its consolidated fiscal year from April 1, 2014 to March 31, 2015 pursuant to Article 444, paragraph 4 of the Companies Act of Japan.

Management's Responsibility for Consolidated Financial Statements

The responsibility of the Company's management is to prepare and present properly these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these consolidated financial statements free of material misstatement by fraud or error.

Account Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements from an independent standpoint, based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require

us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these consolidated financial statements are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in consolidated financial statements and disclosure thereof. Audit procedures, on our own judgment, are selected and applied based on our risk assessment of material misstatement in the consolidated financial statements by fraud or error. An audit is not contemplated to express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these consolidated financial statements to form a plan for adequate audit procedures according to conditions. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

We believe that our audit provides sufficient and appropriate audit evidence forming a basis for our opinion.

#### Account Auditors' Opinion

We are of the opinion that the above consolidated financial statements present properly the financial position and profit and loss of the corporate group comprised of Idemitsu Kosan Co., Ltd. and its consolidated subsidiaries for the period related to the consolidated financial statements in all material respects in conformity with the corporate accounting standards generally accepted in Japan.

#### Financial Interest

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountant Act of Japan.

- END -

COPY OF ACCOUNT AUDITORS' REPORT ON THE NON-CONSOLIDATED  
FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

April 30, 2015

To: The Board of Directors  
Idemitsu Kosan Co., Ltd.

Deloitte Touche Tohmatsu LLC

Masahiko Tezuka (seal)  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

Masahiko Inoue (seal)  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

Naoaki Inagaki (seal)  
Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant

We have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the accompanying supplemental schedules of Idemitsu Kosan Co., Ltd. (the "Company"), applicable to its 100th fiscal year from April 1, 2014 to March 31, 2015 pursuant to Article 436, paragraph 2, item 1 of the Companies Act of Japan.

Management's Responsibility for Financial Statements, etc.

The responsibility of the Company's management is to prepare and present properly these financial statements and the accompanying supplemental schedules in accordance with corporate accounting standards generally accepted in Japan. This includes maintaining and improving internal control considered necessary by management to prepare and present properly these financial statements and the accompanying supplemental schedules free of material misstatement by fraud or error.

## Account Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules based on our audit conducted. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require us to formulate an audit plan and conduct an audit based thereon to obtain reasonable assurance about whether these non-consolidated financial statements and the accompanying supplemental schedules are free of material misstatement.

In an audit, procedures are taken to obtain audit evidence as to the amount in non-consolidated financial statements and accompanying supplemental schedules and disclosure thereof. Audit procedures, on our own judgment, are selected and applied based on our risk assessment of material misstatement in the non-consolidated financial statements and the accompanying supplemental schedules by fraud or error. An audit is not contemplated to express an opinion on the effectiveness of internal control. However, in assessing risk, we assess internal control related to the preparation and proper presentation of these non-consolidated financial statements and the accompanying supplemental schedules to form a plan for adequate audit procedures according to conditions. An audit also includes assessing the accounting policies and methods of application thereof employed by management and estimates made by management, as well as evaluating the overall presentation of these non-consolidated financial statements and the accompanying supplemental schedules.

We believe that our audit provides sufficient and appropriate audit evidence forming a basis for our opinion.

## Account Auditors' Opinion

We are of the opinion that the non-consolidated financial statements and the accompanying supplemental schedules referred to above present properly the financial position and profit and loss of the Company for the period related to the non-consolidated financial statements and the accompanying supplemental schedules in all material respects in conformity with the corporate accounting standards generally accepted in Japan.

## Financial Interest

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountant Act of Japan.

- END -

## COPY OF THE BOARD OF STATUTORY AUDITORS' AUDIT REPORT

### AUDIT REPORT

We, the Board of Statutory Auditors of the Company, based on the audit report prepared by each Statutory Auditor on the performance by the Directors of their duties during the 100th fiscal year from April 1, 2014 to March 31, 2015, have prepared this audit report upon deliberation and hereby report unanimously as follows:

1. Method of audit by the Statutory Auditors and the Board of Statutory Auditors and the particulars thereof:

The Board of Statutory Auditors determined the audit policy and audit plans for the fiscal year under review, received from each Statutory Auditor reports on the state of his performance of audits and the results thereof, and also received from the Directors, etc. and the account auditors reports on the state of performance of their duties and demanded their explanations whenever necessary.

Each Statutory Auditor, pursuant to the rules of audits by the Statutory Auditors determined by the Board of Statutory Auditors and in accordance with the audit policy, assignment of duties among them, etc., maintained constant communication with the Directors, the Internal Audit Office and other employees, etc. in an effort to collect information and improve the environment for auditing, attended meetings of the Board of Directors and other important meetings, received from the Directors and employees, etc. reports on the state of performance of their duties, demanded their explanations whenever necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company. We also monitored and verified the details of the resolutions of the Board of Directors for establishing systems to secure that the performance by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation and such other systems provided for in Article 100, paragraphs 1 and 3 of the Regulations to Enforce the Companies Act of Japan as necessary to secure the adequacy of business of joint-stock corporations, as well as the status of the formulation and operation of the systems (internal control systems) established pursuant to such resolutions.

With regard to internal control over financial reporting, we received from the Directors, etc. and the account auditors reports on the state of evaluation and audits of the internal control and demanded explanations whenever necessary.

With regard to its subsidiaries, we maintained constant communication and exchanged information with the directors, statutory auditors, etc. thereof and required the subsidiaries to render reports on their business operations or made on-site investigation into the state of their activities and property whenever necessary.

In accordance with such methods, we investigated the business report and its supplementary schedules for the fiscal year under review.

We also monitored and verified whether the account auditors had maintained an independent position and conducted adequate audits, and received from the account auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the account auditors a notice that the "systems to secure adequate performance of duties" (as listed in the items of Article 131 of the Regulations on Corporate Accounts) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary.

In accordance with such methods, we investigated the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements) and the accompanying supplemental schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements), for the fiscal year under review.

## 2. Results of audit:

### (1) Results of audit of the business report, etc.:

We are of the opinion:

- (i) That the business report and its supplementary schedules present fairly the state of the Company in accordance with laws or ordinances and the Articles of Incorporation;
- (ii) That in connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws or ordinances or the Articles of Incorporation exists; and
- (iii) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the performance by the Directors of their duties concerning such internal control systems, including internal control over financial reporting, contains nothing to be pointed out. With regard to internal control over financial reporting, we have received from the Directors, etc. and the account auditors reports that there exists no material inadequacy to be disclosed at the time of preparing this audit report.

### (2) Results of audit of the non-consolidated financial statements and the accompanying supplemental schedules:

We are of the opinion that the method and results of the audit made by the account auditors are proper.

### (3) Results of audit of the consolidated financial statements:

We are of the opinion that the method and results of the audit made by the account auditors are proper.



May 11, 2015

The Board of Statutory Auditors  
Idemitsu Kosan Co., Ltd.

Katsuo Sato  
Full-time Statutory Auditor

Takanori Kuniyasu (seal)  
Full-time Statutory Auditor

Taigi Ito (seal)  
(Outside) Statutory Auditor

Michiyoshi Kuriyama (seal)  
(Outside) Statutory Auditor

Shoichiro Niwayama (seal)  
(Outside) Statutory Auditor

- END -

## Reference Document for the General Meeting of Shareholders

### Proposition No. 1:            Election of ten (10) Directors

The term of office of all of the Directors will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that ten (10) Directors be elected.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
1	[For reelection]  Takashi Tsukioka (May 15, 1951)	April 1975	Joined the Company	31,897 shares
		July 2002	General Manager of Kobe Branch	
		April 2005	General Manager of Chubu Branch	
		June 2007	Executive Officer and General Manager of Supply and Demand Department	
		June 2008	Managing Executive Officer and General Manager of Supply and Demand Department	
		June 2009	Director and General Manager of Supply and Demand Department	
		June 2010	Managing Director and Executive Corporate Officer and General Manager of Corporate Planning Department	
		April 2011	Managing Director	
		June 2012	Executive Vice President and Director	
		June 2013	President (to date)	

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
2	[For reelection]  Yoshihisa Matsumoto (January 9, 1953)	April 1977	Joined the Company	27,043 shares
		April 2007	General Manager of Corporate Planning Office	
		June 2008	General Manager of Corporate Planning Department	
		June 2008	Executive Officer and General Manager of Electronic Materials Department	
		June 2009	Managing Executive Officer and General Manager of Electronic Materials Department	
		June 2010	Managing Director	
		June 2012	Executive Vice President and Director (to date)	
		Current duties:	Assistant to President (petrochemicals and functional materials divisions), in charge of safety, petrochemicals and functional materials (Safety and Environmental Protection and Quality Assurance Department, Lubricating Oil Department, Agribio Business Div., Electronic Materials Department, Chemical Business Div. and Idemitsu Unitech Co., Ltd.) and Division Manager, Safety and Environmental Protection Division, and Division Manager, Quality Assurance Division	

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
3	[For reelection]  Daisuke Seki (September 2, 1954)	April 1977	Joined the Company	16,462 shares
		April 2007	Deputy General Manager of Chiba Refinery and Deputy General Manager of Chiba Plant	
		June 2009	Executive Officer and General Manager of Sales Department	
		April 2011	Executive Officer and General Manager of Supply and Demand Department	
		July 2011	Managing Executive Officer and General Manager of Supply and Demand Department	
		June 2012	Director, Managing Executive Officer and General Manager of Supply and Demand Department	
		June 2013	Managing Director	
		June 2014	Director and Vice President (to date)	
		Current duties:	Assistant to President (fuel business division), In general control over sales and supply and demand (Sales Department, New Energy Department, International Supply and Demand Department, Distribution Department, Astomos Energy Corporation and Idemitsu Credit Co., Ltd.)	

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
4	[For reelection]  Hiroshi Seki (November 1, 1954)	<p>April 1977    Joined the Company</p> <p>April 2005    General Manager of Hokuriku Branch</p> <p>April 2007    Executive Officer and General Manager of Industrial Energy Department</p> <p>June 2008    Executive Officer and General Manager of Lubricating Oil Department</p> <p>April 2011    Executive Officer and General Manager of Corporate Planning Department</p> <p>July 2011    Managing Executive Officer and General Manager of Corporate Planning Department</p> <p>June 2012    Director, Managing Executive Officer and General Manager of Corporate Planning Department</p> <p>April 2013    Director, Managing Executive Officer and General Manager of Resources Department</p> <p>                  Responsible for New Energy Office and Resources Department</p> <p>June 2013    Managing Director (to date)</p> <p>Current duties:    In general control over resources (Resources Department, Coal Business Department, Resources Planning Department and Gas Business Office)</p>		14,044 shares
5	[For reelection]  Katsumi Saito (August 8, 1955)	<p>April 1978    Joined the Company</p> <p>July 2005    Deputy General Manager of Kansai Branch Office</p> <p>April 2007    Deputy General Manager of Corporate Planning Office</p> <p>June 2008    Deputy General Manager of Corporate Planning Department</p> <p>April 2010    Executive Officer and General Manager of Agribio Department</p> <p>June 2013    Director</p> <p>June 2014    Managing Director (to date)</p> <p>Current duties:    In charge of general affairs, personnel affairs and information systems (General Affairs Department, Personnel Department and Information System Department), in charge of restructuring promotion, and Chairman of Compliance &amp; Risk Management Committee</p>		10,242 shares

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
6	[For reelection]  Takashi Matsushita (July 9, 1956)	<p>April 1979    Joined the Company</p> <p>Oct. 2004    Deputy General Manager of Hokkaido Refinery</p> <p>April 2007    Deputy General Manager of Manufacturing Department</p> <p>April 2010    Executive Officer and General Manager of Tokuyama Refinery and General Manager of Tokuyama Plant</p> <p>April 2013    Executive Officer and General Manager of Manufacturing and Engineering Department</p> <p>June 2013    Director, Managing Executive Officer and General Manager of Manufacturing &amp; Technology Department</p> <p>June 2014    Managing Director (to date)</p> <p>Division and Advance Technology Laboratory)</p> <p>Current duties:    In general control over manufacturing and engineering (Manufacturing &amp; Technology Department, refineries, petrochemical plant, complex, Technology &amp; Engineering Center and Idemitsu Engineering Co., Ltd.), in charge of intellectual properties and research (Intellectual Property</p>	8,379 shares
7	[For reelection]  Shunichi Kito (April 6, 1956)	<p>April 1980    Joined the Company</p> <p>April 2005    Deputy General Manager of Personnel Department</p> <p>July 2008    Deputy General Manager of Accounting Department</p> <p>June 2011    Executive Officer and General Manager of Accounting Department</p> <p>June 2013    Director, Managing Executive Officer and General Manager of Accounting Department</p> <p>June 2014    Managing Director (to date)</p> <p>Current duties:    In charge of accounting, public relations and CSR (Accounting Department and Public Relations and CSR Office)</p>	8,072 shares

Candidate No.	Name (Date of birth)	Brief history and position and assignment in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
8	[For new election]  Susumu Nibuya (November 22, 1959)	April 1982    Joined the Company June 2008    Managing Director, Idemitsu Engineering Co., Ltd. April 2011    General Manager, Internal Audit Office April 2013    Executive Officer and General Manager, Corporate Planning Department (to date)	4,776 shares
9	[For reelection]  Eri Yokota (August 25, 1960)	April 1995    Full-time Lecturer, Faculty of Economics of Musashi University April 2001    Professor of Musashi University after serving as Assistant Professor April 2005    Professor, Faculty of Business and Commerce of Keio University (to date) June 2014    Director (to date) Director, TOLI Corporation (to date)	164 shares
10	[For reelection]  Ryosuke Ito (January 26, 1955)	April 1983    Registered as attorney at law June 1988    Joined Nishimura and Sanada Graduated from New York University School of Law (M.C.J.) Joined De Bandt, van Hecke & Lagae in Brussels, Belgium Sept. 1988    Joined Graham & James in San Francisco June 1989    Admitted to the bar in New York Nov. 1990    Admitted to the bar in California Dec. 1991    Joined TMI Associates as partner (to date) June 2001    Part-time Lecturer, Doshisha University, Graduate School (to date) Oct. 2005    Part-time Lecturer, Hitotsubashi University, Law School (to date) June 2014    Director (to date)	-

- (Notes)
1. There is no special relationship between any candidate for Director and the Company.
  2. Ms. Eri Yokota and Mr. Ryosuke Ito are candidates for outside Director.
  3. It is hereby proposed that Ms. Eri Yokota be elected as outside Director to reflect her long experience and wide knowledge as a university professor. She has not engaged in corporate management in any manner other than serving as an outside director or outside statutory auditor. However, management has judged that she will be able to perform her duties as an outside Director properly as she is familiar with corporate accounting as a university professor and has full knowledge about corporate management.
  4. It is hereby proposed that Mr. Ryosuke Ito be elected as outside Director to reflect his long experience and wide knowledge as an attorney at law. He has not engaged in corporate management in any manner other than serving as an outside

director or outside statutory auditor. However, management has judged that he will be able to perform his duties as an outside Director properly as he is familiar with corporate legal affairs as an attorney at law and has full knowledge about corporate management.

5. Ms. Eri Yokota and Mr. Ryosuke Ito, who are currently outside Directors of the Company, will have served as outside Directors for a year at the close of this Ordinary General Meeting of Shareholders, respectively.
6. The Company has entered into an agreement with each of Ms. Eri Yokota and Mr. Ryosuke Ito to limit the liability for damages provided for in Article 423, paragraph 1 of the Companies Act of Japan pursuant to the provision of Article 427, paragraph 1 of the said act. The limit on the liability under the agreement shall be the amount as provided for in laws or ordinances. If the election of Ms. Eri Yokota and Mr. Ryosuke Ito is approved, the Company plans to continue such agreement with each of them.
7. The Company has registered Ms. Eri Yokota and Mr. Ryosuke Ito as independent officers with the Tokyo Stock Exchange in accordance as provided for in its rules.
8. The number of shares of the Company held by each Candidate for Director includes his interests in the Idemitsu Officer Stockholders Committee and the Idemitsu Employee Stockholders Committee.

Proposition No. 2: Election of one (1) Statutory Auditor

Statutory Auditor Mr. Katsuo Sato will retire upon expiration of the term of office at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that one (1) Statutory Auditor be elected.

The Board of Statutory Auditors has consented to this proposition.

The candidate for Statutory Auditor is as follows:

Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
[For new election]  Sakae Hirano (May 28, 1957)	April 1980	Joined the Company	9,347 shares
	April 2007	Deputy General Manager of Accounting Department of the Company	
	July 2008	President, Idemitsu Lubricants America Corporation	
	July 2010	In general control over North and South Americans Business, Lubricating Oil Department of the Company and President, Idemitsu Lubricants America Corporation	
	June 2011	General Manager of IR & Public Relations Department of the Company	
	April 2012	General Manager of Public Relations and CSR Department of the Company (to date)	



- (Notes)
1. There is no special relationship between the candidate for Statutory Auditor and the Company.
  2. The number of shares of the Company held by the candidate for Statutory Auditor includes his interests in the Idemitsu Employee Stockholders Committee.

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