(Translation)

Dear Shareholders:

Information to be Disclosed on the Internet upon Giving Notice of the 100th Ordinary General Meeting of Shareholders

Idemitsu Kosan Co., Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Important matters forming the basis of preparation of consolidated financial statements

(1) Matters concerning the scope of consolidation

(i) Consolidated subsidiaries:

- Number of consolidated subsidiaries: 67 companies
- Names of major consolidated subsidiaries:

Idemitsu Tanker Co., Ltd.
Idemitsu Retail Marketing Co., Ltd.
S.I. Energy Co., Ltd.
Idemitsu International (Asia) Pte. Ltd.
Idemitsu Unitech Co., Ltd.
Idemitsu Snorre Oil Development Co., Ltd.
Idemitsu Cuu Long Petroleum Co., Ltd.
Idemitsu Petroleum Norge AS
Idemitsu Australia Resources Pty Ltd
Idemitsu Canada Resources Ltd.
Idemitsu Canada Corporation
SDS Biotech K.K.
Idemitsu Oil & Gas Co., Ltd.

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

(ii) Non-consolidated subsidiaries

- Names of major non-consolidated subsidiaries:

Tomatoh Oil Storage Co., Ltd.

- Reason for excluding the non-consolidated subsidiaries from the scope of consolidation:

The scale of business conducted by each of the non-consolidated subsidiaries is small, and the total assets, net sales, net income or loss (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) of each non-consolidated subsidiary do not have a material impact on the consolidated financial statements.

(iii) Company in which the Company holds a majority of voting rights but which is not treated as a subsidiary:

- Name of the company: Astomos Energy Corporation

- Reason for not treating it as a subsidiary:

  Astomos Energy Corporation has been determined to be a jointly controlled company pursuant to Article 175 of the "Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (the Accounting Standards Board of Japan ("ASBJ") Accounting Standard Implementation Guidance No. 10) and excluded from the scope of consolidation to apply the accounting method similar to the equity method.

(2) Matters concerning the application of the equity method

(i) Non-consolidated subsidiaries and affiliates to which the equity method is applied

- Number of non-consolidated subsidiaries or affiliates to which the equity method is applied: 28 companies
- Names of the major companies: Astomos Energy Corporation
Idemitsu Credit Co., Ltd.
PS Japan Corporation
Prime Polymer Co., Ltd.

(ii) Non-consolidated subsidiaries and affiliates to which the equity method is not applied:

- Names of the major companies: Union Sekiyu Kogyo Co., Ltd.
Kuo Horng Co., Ltd.
- Reason for not applying the equity method to such companies:

  The net income or loss (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) of each company have no significant impact on the consolidated financial statements and is of no importance in general.

(iii) Special matter concerning the procedure to apply the equity method:

With regard to the equity method companies whose balance sheet dates do not correspond to the consolidated balance sheet date, the financial statements for the fiscal years of the respective equity method companies are used.
Astomos Energy Corporation has applied the equity method to its subsidiaries. Hence, the net incomes or losses (based on the company's equity interest) are included in its income or loss.

(3) Matters concerning changes in the scope of consolidation and the scope of application of the equity method

(i) Change in the scope of consolidation:

- Number of newly consolidated subsidiaries: 6 companies

- Names of the consolidated subsidiaries:

  Idemitsu Lube (Malaysia) Sdn. Bhd.

  Idemitsu Lube India Private Limited

  Shanghai Idemitsu Lube Trading Co., Ltd.

  Idemitsu Lube Asia Pacific Pte Ltd.

  Boggabri Coal Operations Pty Ltd.

  Tarrawonga Coal Sales Pty Ltd.

  Because of their increased importance, Idemitsu Lube (Malaysia) Sdn. Bhd., Idemitsu Lube India Private Limited and Shanghai Idemitsu Lube Trading Co., Ltd. are included in the scope of consolidation and Tarrawonga Coal Sales Pty Ltd has been changed from an equity method company to a consolidated subsidiary.

  Idemitsu Lube Asia Pacific Pte Ltd. and Boggabri Coal Operations Pty Ltd. are included in the scope of consolidation as a result of their new incorporation.

- Number of companies excluded from consolidation: 1 company

- Name of the consolidated subsidiary: Idemitsu Marines Corporation

  Idemitsu Marines Corporation was excluded from consolidation as a result of the sale of its shares.

(ii) Change in the scope of application of the equity method

- Number of new equity method companies: 1 company

- Name of the equity method company:

  Pt Mitrabara Adiperdana Tbk

  Pt Mitrabara Adiperdana Tbk was included in the scope of application of the equity method as a result of increased equity by investment by the Company.

- Number of companies excluded from the scope of application of the equity method: 1 company

- Name of the company excluded from the scope of application of the equity method: Tarrawonga Coal Sales Pty Ltd.

(4) Matters concerning the fiscal years of consolidated subsidiaries

With regard to any consolidated subsidiary whose balance sheet date does not correspond to the consolidated balance sheet date, the financial statements for the fiscal year of such any consolidated subsidiary are used. However, with regard to any important transaction that took place after the end of the relevant fiscal year and prior to the consolidated balance sheet date, necessary adjustments are made for the purpose of preparation of the consolidated financial statements.

(5) Notes on accounting standards

(i) Basis and method of valuation of major assets

(a) Basis and method of valuation of securities:

Bonds to be held to maturity:	At amortized cost (straight-line method)
Subsidiaries' stock and affiliates' stock:	At cost, determined by the moving average method
Other securities:	
• Those with market value:	At market value, which is determined by the average of the closing market prices for one month prior to the close of the fiscal year. Revaluation differences are all transferred directly to net assets. Acquisition costs, which shall be compared with market value, are determined by the moving average method, in principle.
• Those without market value:	At cost, determined by the moving average method

(b) Basis and method of evaluation of inventories:

At cost, determined by the gross average method, in principle

The balance sheet values are calculated by the write-down method based on declined margins.

(c) Basis and method of evaluation of derivatives:

At market value

(ii) Method of depreciation of important depreciable assets:

(a) Tangible fixed assets (excluding lease assets):	By the straight-line method, in principle
(b) Intangible fixed assets (excluding lease assets):	By the straight-line method, in principle; provided, however, that software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).
(c) Lease assets:	By the straight-line method on the assumption that the lease period is the useful life of the property and the residual value is zero In addition, finance lease transactions which do not transfer ownership, for which the commencement date of the transactions was March 31, 2008 or theretofore, an accounting method similar to the method for ordinary lease transactions is applied.

(iii) Basis for accounting for important allowances and reserves:

(a) Allowance for doubtful accounts:	To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.
(b) Allowance for bonuses:	To meet the payment of bonuses to employees, the Company sets aside the portion for the fiscal year under review of an estimated amount of bonuses to be paid in the future.
(c) Reserve for repair works:	To meet the payment for repair expenses in the future, the Company sets aside the portion for the fiscal year under review of an amount of expenses of inspection and repair to be defrayed in respect of the oil tanks and machinery and equipment and vessels that require periodic repairs in the future.

(iv) Method of important hedge accounting:

(a) Method of hedge accounting: Deferral hedge accounting is applicable.

(b) Hedging instruments and hedged items:

Hedging instruments: Forward exchange contracts, foreign currency debts payable, currency option transactions, crude oil and petroleum products swap transactions, futures transactions, interest rate swaps and option transactions

Hedged items: Foreign currency receivables and payables, foreign currency investment securities, crude oil and petroleum products, equity interests in overseas subsidiaries, debts payable and fixed assets

(c) Hedging policy: The Company and some of its consolidated subsidiaries, in accordance with their respective rules, carry out hedge transactions within the scope of actual requirements to hedge risk of price changes, interest rate and currency fluctuations with regard to the hedged items.

(d) Method of evaluating the effectiveness of a hedge:

The method of evaluating the effectiveness of a hedge is to confirm the compliance of the hedging instruments with the hedged items. No evaluation is made as to the effectiveness of any transaction in which important conditions are common for the hedged assets and liabilities or scheduled transactions and price changes or cash flow changes are assumed in advance to be offset upon the commencement of the hedging and continue to be offset thereafter.

(v) Amortization of goodwill:

Goodwill is amortized using the straight-line method over the estimated useful life of goodwill (five years to 20 years).

(vi) Other important matters forming the basis of preparation of consolidated financial statements:

(a) Basis of translation of assets and liabilities denominated in foreign currencies into the Japanese currency:

Foreign currency receivables and payables are translated into Japanese yen at the spot rate prevailing on the balance sheet date and translation differences are treated as gains and losses. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot rate prevailing on the balance sheet date. Income and expenses are translated into Japanese yen at the average rate for the period and translation differences are included in translation adjustments and minority interests under the net assets section on the consolidated balance sheet.

(b) Basis of accounting for liability for employees' retirement benefits:

To meet the payment of retirement benefits to employees, the Company provides an amount obtained by deducting the amount of plan assets from retirement benefit obligations, based on their respective estimated amounts as of the end of the fiscal year under review, as a liability for employees' retirement benefits.

Actuarial differences are treated as expenses, based on the straight line method for a specific period of years (ten years) not exceeding the average remaining years of service of employees, from the fiscal year next following the fiscal year when such differences occur.

Prior year service liabilities are treated as expenses in a lump sum during the fiscal year when such liabilities occur.

Unrecognized actuarial differences, after adjusting for taxes, are recognized as a retirement benefit liability adjustment under accumulated other comprehensive income in the net assets section.

(c) Accounting treatment of deferred assets:

Bond issuing expenses are all treated as expenses upon payment thereof.

(d) Accounting treatment of consumption taxes, etc.:

Consumption taxes and local consumption taxes are excluded from each account subject to such taxes.

(e) Oil premium liquidation assets and liabilities:

With regard to premiums payable to the assigner of the Snorre mining lot pursuant to the agreement entered into upon the purchase of the mining lot, the Company has estimated an amount to be payable in the future based on the crude oil reserves and crude oil futures prices to recognize an amount after deductions as oil premium liquidation liabilities and the same amount as oil premium liquidation assets simultaneously. Oil premium liquidation assets will be depreciated in proportion to the yield and oil premium liquidation liabilities will be accrued in the actual amount of payment.

(6) Change in accounting policies:

(Adoption of Accounting Standard for Retirement Benefits)

Effective April 1, 2014, the Company adopted certain provisions prescribed in paragraph 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter referred to as the "Standard") and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015). In accordance with those provisions, the Company changed the method of attributing expected benefits to periods from a straight-line method to a benefit formula basis. In addition, the Company changed the determination of discount rates from using rates determined by reference to the average remaining period of employees to using primarily multiple rates determined for each estimated payment period of retirement benefits.

In accordance with a transitional provision prescribed in paragraph 37 of the Standard, the Company accounted for the effect from those changes as an adjustment to retained earnings as of April 1, 2014. As a result, liability for employees' retirement benefits as of April 1, 2014 increased by ¥7,065 million and retained earnings as of April 1, 2014 decreased by ¥4,541 million.

The effect of those changes on the consolidated statement of income is not material.

(7) Change in presentation methods:

Not applicable

(8) Change in accounting estimates:

Not applicable

(9) Matters concerning error correction:

Not applicable

2. Notes on the consolidated balance sheet

(1) Assets pledged and corresponding liabilities

(i)	Factory foundation mortgage:	
	Lands	¥337,963 million
(ii)	Other pledges:	
	Investment securities	¥6,456 million
	Total	¥344,419 million

The assets of the above factory foundation were subjected to revolving mortgage related to bank transactions but substantially, no liabilities with assets pledged existed.

(2) Accumulated depreciation of tangible fixed assets ¥2,127,978 million

(3) Contingent liabilities:

Guarantee of obligations	¥10,303 million
Management directive memorandums	¥110 million
Construction completion guarantee	¥83,828 million
Total	¥94,242 million

(4) Land revaluation

In accordance with the Land Revaluation Act (Act No. 34, promulgated on March 31, 1998) of Japan) and the Act to Amend Part of the Land Revaluation Act (Act No. 19, promulgated on March 31, 2001) of Japan, the Company's lands used for business are revaluated and an amount equivalent to taxes on the difference on revaluation is included in liabilities as "deferred tax liabilities upon revaluation" and the difference on revaluation minus the amount of such taxes is included in net assets as "revaluation difference of lands".

(i) Method of revaluation:

Land revaluation is made in accordance with the method of calculation by making reasonable adjustments to the assessed value of fixed assets as set forth in Article 2, item 3 of the Ordinance to Implement the Land Revaluation Act (Cabinet Order No. 119, promulgated on March 31, 1998; the "Ordinance"), the method of calculation by making reasonable adjustments to the land values that form the basis of land tax calculations as set forth in Article 2, item 4 of the Ordinance, and appraisals by real estate appraisers as set forth in Article 2, item 5 of the Ordinance.

(ii) Revaluation date: March 31, 2002

(iii) Difference of the market value as at the end of the fiscal year under review of the lands revaluated and the book value thereof after such revaluation:

(¥150,587 million)

3. Notes on the consolidated statement of shareholders' equity, etc.

(1) Matters concerning the total number of issued shares

Class of shares	Number of shares as of April 1, 2014	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2015
Shares of common stock	160,000 thousand shares	-	-	160,000 thousand shares

(2) Matters concerning the number of shares of treasury stock

Class of shares	Number of shares as of April 1, 2014	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2015
Shares of common stock	46 thousand shares	0 thousand share	0 thousand share	46 thousand shares

(3) Matters concerning the distribution of retained earnings

(i) Amount of payment for dividends, etc.:

Matters concerning the dividends by resolution of the Board of Directors held on May 2, 2014:

- Aggregate amount of dividends ¥3,998 million
- Amount of dividend per share ¥25
- Record date March 31, 2014
- Effective date June 5, 2014

Matters concerning the dividends by resolution of the Board of Directors held on November 4, 2014:

- Aggregate amount of dividends ¥3,998 million
- Amount of dividend per share ¥25
- Record date September 30, 2014
- Effective date December 5, 2014

(ii) Dividends for which the record date falls during the fiscal year under review but the effective date falls during the next fiscal year:

The following matters were determined at the meeting of the Board of Directors held on May 7, 2015:

- Aggregate amount of dividends ¥3,998 million
- Amount of dividend per share ¥25
- Record date March 31, 2015
- Effective date June 4, 2015

4. Notes on financial instruments

(1) Matters relating to the status of financial instruments

The Group raises required funds (principally by bank loans and the issuance of bonds) according to plant and equipment plans. The Group invests temporary surplus funds in high-security deposits and others and raises operating funds through bank loans and commercial paper.

The Group utilizes derivatives to mitigate risk relating to its actual requirements and engages in no speculative transaction.

To reduce clients' credit risks relating to notes and accounts receivable-trade, the Group has stipulated its credit management rules and credit sales management rules. With regard to investment securities, which are principally stocks of client companies with which the Group has business ties, the market prices of listed stocks are recognized for each quarter and with regard to unlisted stocks, the financial positions of the issuers are recognized for each fiscal year.

With regard to foreign currency accounts payable-trade relating to imports of raw materials, the Group utilizes exchange contracts to reduce foreign currency risk.

To avert interest-rate risk relating to long-term loans payable, the Group engages in interest rate swaps and fixes interest expenses. In addition, to reduce market risk relating to crude oil and petroleum products, the Group engages in product swap transactions and future transactions.

The Group engages in derivatives all in accordance with the policy approved for each fiscal year based on its internal trading rules and within actual requirements.

(2) Matters concerning fair values, etc. of financial instruments

The following chart shows the balance sheet amounts of financial instruments as of March 31, 2015, along with their fair values and the variances:

(million yen)

	Balance sheet amount	Fair value	Variance
(1) Cash and deposit	112,959	112,959	-
(2) Notes and accounts receivable-trade	321,703	321,703	-
(3) Investment securities	38,545	38,545	0
(4) Long-term loans receivable	4,323	4,337	13
Total assets	477,532	477,546	13
(1) Accounts payable-trade	366,559	366,559	-
(2) Short-term borrowings	376,525	376,525	-
(3) Commercial paper	26,997	26,997	-
(4) Bonds	65,000	65,433	433
(5) Long-term debt	537,658	543,058	5,399
Total liabilities	1,372,741	1,378,574	5,832
Derivatives (*)	(5,404)	(5,404)	-

(*) Net receivables and payables resulting from derivatives transactions are presented on net base. If total net is payables, it is presented in parentheses.

(Note) Matters concerning the calculation method of the fair values of financial instruments, as well as securities and derivatives:

<u>Assets</u>:

(1) Cash and deposit

The book value is used for deposits, as the fair value is nearly equal to the book value as a result of their short terms.

(2) Notes and accounts receivable-trade

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(3) Investment securities

With regard to investment securities with market value, the fair value of stocks is determined by the price thereof traded on an exchange. For bonds, the value is determined by the price announced by the Company's financial institutions. Unlisted shares (¥199,205 million) that have no market price are not included in the above table as determining the market value is recognized as being extremely difficult.

(4) Long-term loans receivable

The fair value is calculated from the present value of the future cash flow discounted at a rate supposing a similar loan is newly extended.

Liabilities:

(1) Accounts payable-trade, (2) Short-term borrowings and (3) Commercial paper

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(4) Bonds

The fair value is based on the market price.

(5) Long-term debt

The fair value is calculated from the present value of the total principal and interest discounted at a rate supposing similar borrowings are newly conducted.

Derivatives:

The fair value is calculated based on the forward exchange rate, the futures price and the price and other information shown by the Company's counterparties.

5. Notes on real estate for lease, etc.

(1) Matters relating to the status of real estate for lease, etc.

The Company and some of its subsidiaries possess office buildings for lease, oil storage tanks, commercial establishments, etc. (including lands) in Tokyo, Osaka and other areas in Japan and overseas. For the year ended March 31, 2015, with regard to real estate for lease, etc., income on lease was ¥1,557 million (lease income and lease expenses are accounted for in net sales and selling, general and administrative expenses, respectively, in principle), loss on disposal and sales of fixed assets was ¥208 million (it is accounted for in extraordinary gain/expenses) and impairment loss on fixed assets was ¥1,553 million (it is accounted for in extraordinary expenses).

(2) Matters concerning fair values, etc. of real estate for lease, etc.

(million yen)

Balance sheet amount	Fair value
112,244	93,144

(Note 1) The balance sheet amount is an amount obtained by deducting from the acquisition cost the accumulated depreciation of tangible fixed assets and the accumulated loss on impairment.

(Note 2) The fair value as at the close of the fiscal year under review is an amount (including any adjustment made using indexes, etc.) calculated by the Company principally in accordance with its "Real Estate Appraisal Standards".

6. Notes on the information per share

(1) Net assets per share (yen):	3,671.39
(2) Net loss per share (yen):	(862.50)

(Note) Net income per share (diluted) for the fiscal year under review is not presented as the Company reports a net loss though dilutive shares exist.

7. Notes on asset retirement obligations

Asset retirement obligations recorded on the consolidated balance sheet:

(1) Summary of the asset retirement obligations:

Restitution obligations in connection with real estate lease agreements with regard to lands for facilities of service stations, expenses of removal of oil and coal production facilities upon termination of production or mining rights and other items are reasonably estimated and recorded as asset retirement obligations.

(2) Method of calculation of the amounts of the asset retirement obligations:

The periods projected prior to defrayment are based on, with regard to service stations, the useful lives of principal facilities thereof and with regard to oil development, coal, etc., mining lives from the commencement of operations. Applicable discount rates range from 1.5% to 5.0%.

(3) Changes in the total amount of the asset retirement obligations during the fiscal year under review:

	(million yen)
Balance at beginning of year	56,692
Increased amount in connection with the acquisition of tangible fixed assets	11,119
Adjustments by lapse of time	2,230
Decreased amount as a result of asset retirement obligations	(643)
Increased amount as a result of changes in estimates (see Note 1)	25,285
Other increased (decreased) amount (see Note 2)	(461)
Balance at end of year	94,223

(Note 1) During the fiscal year under review, the Company changed estimates principally because it became clear that the expenses to be incurred upon termination of production or mining rights by some overseas consolidated subsidiaries would increase. The increased amount as a result of changes in estimates comprises an increase of ¥14,121 million due to the abovementioned reason and an increase of ¥11,164 million as a result of a revision of the discount rate.

(Note 2) "Other increased (decreased) amount" was generated principally by exchange rate fluctuations.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Matters concerning significant accounting policies

(1) Basis and method of valuation of assets:

(i) Basis and method of valuation of securities:

a. Bonds to be held to maturity: At amortized cost (straight-line method)

b. Capital stocks of affiliates: At cost, determined by the moving average method

c. Other securities:

・ Those with market value: At market value, which is determined by the average of the closing market prices for one month prior to the close of the fiscal year. Revaluation differences are all transferred directly to net assets.
Acquisition costs, which shall be compared with market value, are determined by the moving average method.

・ Those without market value: At cost, determined by the moving average method

(ii) Basis and method of evaluation of inventories:

Merchandise and finished goods, and
Raw material and supplies: At cost, determined by the gross average method, in principle (the balance sheet values are calculated by the write-down method based on declined margins).

(iii) Basis and method of evaluation of derivatives:

At market value

(2) Method of depreciation of fixed assets:

(i) Tangible fixed assets (excluding lease assets): By the straight-line method

(ii) Intangible fixed assets (excluding lease assets): By the straight-line method; provided, however, that software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).

(iii) Lease assets: By the straight-line method on the assumption that the lease period is the useful life of the property and the residual value is zero.

In addition, finance lease transactions which do not transfer ownership, for which the commencement date of the transactions was March 31, 2008 or theretofore, an accounting method similar to the method for ordinary lease transactions is applied.

(3) Basis for accounting for allowances and reserves:

(i) Allowance for doubtful accounts: To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.

(ii) Allowance for bonuses: To meet the payment of bonuses to employees, the Company sets aside the portion for the fiscal year under review of an estimated amount of bonuses to be paid in the future.

(iii) Retirement allowances for employees: To meet the payment of retirement benefits to employees, the Company provides an amount estimated to accrue at the close of the fiscal year under review, based on the estimated retirement benefit obligations and pension plan assets as of the close of each such fiscal year.

Actuarial differences are treated as expenses, based on the straight line method for a specific period of years (ten years) not exceeding the average remaining years of service of employees, from the fiscal year next following the fiscal year when such differences occur. Prior year service liabilities are treated as expenses in a lump sum when such liabilities occur.

(iv) Reserve for repair works: To meet the payment for repair expenses in the future, the Company sets aside the portion for the fiscal year under review of an amount of expenses of inspection and repair to be defrayed in respect of the oil tanks and machinery and equipment that require periodic repairs in the future.

(4) Method of hedge accounting:

(i) Method of hedge accounting: Deferral hedge accounting is applicable.

(ii) Hedge instruments and hedged items:

Hedge instruments: Forward exchange contracts, currency option transactions, foreign currency debts payable, futures transactions, crude oil and petroleum products swap transactions, interest rate swaps and option transactions

Hedged items: Foreign currency receivables and payables, foreign currency investment securities, equity interests in overseas subsidiaries, crude oil and petroleum products and debts payable

(iii) Hedging policy: The Company, in accordance with its rules, carries out hedge transactions within the scope of actual requirements to hedge risk of price changes, interest rate and currency fluctuations with regard to the hedged items. Trading volumes in interest rate swaps and forward exchange contracts are limited within actual requirements.

(iv) Method of evaluating the effectiveness of a hedge:

The method of evaluating the effectiveness of a hedge is to confirm the compliance of the hedging instruments with the hedged items. No evaluation is made as to the effectiveness of any transaction in which important conditions are common for the hedged assets and liabilities or scheduled transactions and price changes or cash flow changes are assumed in advance to be offset upon the commencement of the hedging and continue to be offset thereafter.

(5) Other important matters forming the basis of preparation of financial statements:

(i) Accounting treatment of deferred assets:

Bond issuing expenses are all treated as expenses upon payment thereof.

(ii) Accounting treatment of consumption taxes, etc.:

Consumption taxes and local consumption taxes are excluded from each account subject to such taxes.

(6) Change in accounting policies:

(Adoption of Accounting Standard for Retirement Benefits)

Effective April 1, 2014, the Company adopted certain provisions prescribed in paragraph 35 of the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; hereinafter referred to as the "Standard") and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, March 26, 2015). In accordance with those provisions, the Company changed the method of attributing expected benefits to periods from a straight-line method to a benefit formula basis. In addition, the Company changed the determination of discount rates from using rates determined by reference to the average remaining period of employees to using primarily multiple rates determined for each estimated payment period of retirement benefits.

In accordance with a transitional provision prescribed in paragraph 37 of the Standard, the Company accounted for the effect from those changes as an adjustment to retained earnings as of April 1, 2014.

As a result, liability for employees' retirement benefits as of April 1, 2014 increased by ¥7,353 million and retained earnings as of April 1, 2014 decreased by ¥4,732 million. The effect of those changes on the non-consolidated statement of income is not material.

(7) Changes in presentation methods:

Non-consolidated statement of income: As from the fiscal year under review, "Impairment loss on investments in subsidiaries and affiliates" (¥873 million for the previous fiscal year), which was presented by inclusion in the item of "Other" under "Extraordinary expenses" in the previous fiscal year, are presented individually as it is more important in terms of the amount.

2. Notes to the non-consolidated balance sheet

(1) Assets pledged and corresponding liabilities

(i) Factory foundation mortgage:

Lands	¥337,963 million

(ii) Other pledges:

Investment securities	¥3,456 million
Investments in shares of affiliates	¥3,000 million
Total	¥344,419 million

The assets of the above factory foundation were subjected to revolving mortgage related to bank transactions but substantially, no liabilities with assets pledged existed.

(2) Accumulated depreciation of tangible fixed assets ¥1,677,685 million

(3) Contingent liabilities:

Guarantee of obligations	¥140,180 million
Management directive memorandums	¥110 million
Construction completion guarantee	¥83,828 million
Total	¥224,119 million

(4) Receivables from associates and payables to associates:

(i)	Short-term receivables from associates:	¥156,184 million
(ii)	Long-term receivables from associates:	¥9,176 million
(iii)	Short-term payables to associates:	¥75,512 million
(iv)	Long-term payables to associates:	¥552 million

(5) Land revaluation

In accordance with the Land Revaluation Act (Act No. 34, promulgated on March 31, 1998) of Japan and the Act to Amend Part of the Land Revaluation Act (Act No. 19, promulgated on March 31, 2001) of Japan, the Company's lands used for business are revaluated and an amount equivalent to taxes on the difference on revaluation is included in liabilities as "deferred tax liabilities upon revaluation" and the difference on revaluation minus the amount of such taxes is included in net assets as "revaluation difference of lands".

(i) Method of revaluation:

Land revaluation is made in accordance with the method of calculation by making reasonable adjustments to the assessed value of fixed assets as set forth in Article 2, item 3 of the Ordinance to Implement the Land Revaluation Act (Cabinet Order No. 119, promulgated on March 31, 1998; the "Ordinance"), the method of calculation by making reasonable adjustments to the land values that form the basis of land tax calculations as set forth in Article 2, item 4 of the Ordinance, and appraisals by real estate appraisers as set forth in Article 2, item 5 of the Ordinance.

(ii) Revaluation date: March 31, 2002

(iii) Difference of the market value as at the end of the fiscal year under review of the lands revaluated and the book value thereof after such revaluation:

(¥150,587 million)

3. Notes on the non-consolidated statement of income

Transactions with associates:

(i) Sales: ¥795,988 million

(ii) Purchases: ¥330,863 million

(iii) Transactions other than ordinary business: ¥5,487 million

4. Notes on the non-consolidated statement of shareholders' equity, etc.

Matters concerning the number of shares of treasury stock:

Class of shares	Number of shares as of April 1, 2014	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2015
Shares of common stock	46 thousand shares	0 thousand shares	0 thousand shares	46 thousand shares

(Note) The number of shares of treasury stock increased as a result of the shareholders' requests for purchases by the Company of less-than-one-unit shares, and decreased as a result of the shareholders' requests for additional purchases of less-than-one-unit shares.

5. Notes on tax effect accounting

Principal components of deferred tax assets and deferred tax liabilities:

(Deferred tax assets)	(million yen)
Tax loss carry forwards	43,757
Tax effect on investments	23,807
Impairment loss on fixed assets	8,345
Reserve for repair works	8,250
Retirement allowances for employees	7,559
Estimated selling prices	6,530
Software	5,963
Deferred loss on hedges	1,780
Allowance for bonuses	1,414
Business structure improvement expenses	104
Unrealized holding gains on other securities	87
Others	4,145
Subtotal of deferred tax assets	111,747
Valuation reserve	(27,172)
Total deferred tax assets	84,575
(Deferred tax liabilities)	
Reserve for deferred income tax on fixed assets	(16,381)
Unrealized holding gains (loss) on other securities	(4,065)
Adjustments for revaluation of inventories	(1,739)
Reserve for special depreciation	(881)
Reserve for loss on overseas investment	(285)
Deferred gains (loss) on hedges	(38)
Total deferred tax liabilities	(23,391)
Net deferred tax assets	61,183

(2) Revision of deferred tax assets and deferred tax liabilities as a result of the revision of the rate of corporate tax, etc.

The "Act for Partial Amendment of the Income Tax Act, etc." (2015 Act No. 9) and the "Act for Partial Amendment of the Local Tax Act, etc." (2015 Act No. 2) were promulgated on March 31, 2015. Consequently, the corporate tax rate, among others, will be reduced from the fiscal year commencing on or after April 1, 2015. Accordingly, the statutory effective tax rate to be used for the calculation of deferred tax assets and deferred tax liabilities will be reduced from the previous 35.64% to 33.10% with regard to the temporary differences expected to be eliminated for the fiscal year commencing on April 1, 2015, and to 32.34% with regard to the temporary differences expected to be eliminated for the fiscal year commencing on April 1, 2016 and thereafter.

The tax rate revision has decreased the amount of deferred tax assets (after the deduction of the amount of deferred tax liabilities) by ¥5,486 million, increased the amounts of income taxes - deferred and unrealized holding gains on other securities by ¥5,715 million and ¥405 million, respectively and decreased deferred gains (loss) on hedges by ¥176 million. It also has decreased deferred tax liabilities upon revaluation by ¥9,449 million and increased revaluation difference of lands by ¥9,449 million.

6. Notes on the fixed assets used by lease

The notes are omitted because they are insignificant.

7. Notes on transactions with related parties

Attribute	Trade name	Capital stock (million yen)	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Relationship	Transaction	Transaction amount (million yen)	Account item	End-of-year balance (million yen)
Affiliate	Idemitsu Credit Co., Ltd.	1,950	Credit card and credit guarantee business	50.0%	Interlocking directorate	Collection of trade receivables (Note 1)	568,372 (Note 2)	Account receivable-other	42,691
Subsidiary	Idemitsu Australia Resources Pty Ltd.	A$106,698 thousand	Investigation, exploration, development and sale of coals	100.0	None	Guarantee of obligations (Note 3)	68,800	-	-
Subsidiary	Idemitsu Canada Resources Ltd.	C$131,167 thousand	Investigation, exploration, development and sale of uranium and other mineral resources	100.0	None	Loan of funds (Note 4)	3,764	Short-term loans receivable	21,750
Affiliate	Nghi Son Refinery and Petrochemical Limited Liability Company	US$1,852,551 thousand	Oil refinery and production and sale of petrochemical products	35.1%	None	Underwriting of capital increase	21,432	-	-
						Construction completion guarantee (Note 5)	83,828	-	-

(Note 1) The Company receives from Idemitsu Credit Co., Ltd. part of trade receivables of petroleum products, etc. for exclusive distributors (after offsets by such exclusive distributors against credit receivables from Idemitsu Credit Co., Ltd.).

(Note 2) The transaction amount represents a total annual collection amount.

(Note 3) The Company guarantees obligations principally for bank loans.

(Note 4) Gains (loss) on foreign exchange are not included in the transaction amount but included in the end-of-year balance.

(Note 5) The Company has provided a construction completion guarantee for the project finance in connection with the project of constructing the Nghi Son Refinery and Petrochemical Complex.

8. Notes on the information per share

(1)	Net assets per share (yen):	2,388.53
(2)	Net loss per share (yen):	(1,000.27)

9. Notes on significant subsequent events

The Company, at the meeting of its Board of Directors held on December 16, 2014, adopted a resolution to merge its wholly-owned subsidiary Idemitsu Oil & Gas Development Co., Ltd., with the Company being a surviving company. The merger became effective as of April 1, 2015.

(1) Summary of the transaction

(i) Names and businesses of the parties to the business combination:

Surviving company upon merger

Name: Idemitsu Kosan Co., Ltd.

Business: Oil refinery and production and sale of petrochemical products

Dissolving company upon merger

Name: Idemitsu Oil & Gas Development Co., Ltd.

Business: Investigation, exploration and development of oil resources

(ii) Date of the business combination:

April 1, 2015

(iii) Legal form of the business combination:

Absorption-type merger in which the Company shall survive and Idemitsu Oil & Gas Development Co., Ltd. shall dissolve upon the merger

(iv) Name of the company after the business combination:

Idemitsu Kosan Co., Ltd.

(v) Other matters related to the summary of the transaction:

The objective of the merger is to centralize the monitoring function for the oil exploration and production business in order to further accelerate decision-making within the business and to enhance operating and capital efficiency. Following the merger, the Company will conduct the management covering entire resource development businesses in oil exploration and production, coal, uranium, geothermal and gas. The Company aims to enhance its resource development business portfolio and expand the businesses.

(2) Summary of the accounting treatment taken

In accordance with the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance on Accounting Standards No. 10, issued on September 13, 2013), the Company will process the merger as a transaction under common control.

The difference between (i) the difference between assets and liabilities to be transferred from the dissolving company on the effective date of the merger and (ii) the book value of the shares of the subsidiary held by the Company will be recorded as an extraordinary income (a gain on extinguishment of tie-in shares).

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