



May 10, 2016

## Consolidated Financial Results for the Fiscal Year 2015

### (From April 1, 2015 to March 31, 2016) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL <http://www.idemitsu.com>)

Company Code: 5019, Shares listed on: Tokyo Stock Exchange

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Scheduled date of ordinary general meeting of shareholders: June 28, 2016

Scheduled date of commencement of dividend payments: June 7, 2016

Scheduled date of filing of Securities Report: June 28, 2016

Supplemental materials for the financial results: Yes

Financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

#### 1. Consolidated Financial Results for FY2015 (From April 1, 2015 to March 31, 2016)

##### (1) Consolidated operating results (Percentages represent changes from prior year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
FY2015	3,570,202	(22.9)	(19,643)	—	(21,903)	—	(35,993)	—
FY2014	4,629,732	(8.0)	(104,798)	—	(107,618)	—	(137,958)	—

Notes: Comprehensive income FY2015 ¥ (86,561) million —% FY2014 ¥ (102,865) million —%

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	¥	¥	%	%	%
FY2015	(225.03)	—	(6.6)	(0.9)	(0.6)
FY2014	(862.50)	—	(21.4)	(3.8)	(2.3)

Reference: Equity in earnings of nonconsolidated subsidiaries and affiliates FY2015 ¥ 9,790 million  
FY2014 ¥ 1,771 million

##### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥million	¥million	%	¥
FY2015	2,402,118	537,660	20.8	3,129.93
FY2014	2,731,001	630,384	21.5	3,671.39

Reference: Total equity FY2015 ¥ 500,642 million FY2014 ¥ 587,249 million

##### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	¥million	¥million	¥million	¥million
FY2015	216,368	(98,052)	(105,581)	118,787
FY2014	172,904	(131,146)	(98,253)	111,195

## 2. Dividends

	Cash Dividends per share					Total dividend amount	Payout ratio (Consolidated)	Dividends on equity ratio (Consolidated)
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total			
	¥	¥	¥	¥	¥	¥million	%	%
FY2014	—	25.00	—	25.00	50.00	7,997	—	1.2
FY2015	—	25.00	—	25.00	50.00	7,997	—	1.5
FY2016 (Forecast)	—	25.00	—	25.00	50.00		11.4	

## 3. Forecasts of Consolidated Financial Results for FY2016 (From April 1, 2016 to March 31, 2017)

(percentage figures represent changes from the corresponding previous periods)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
First half of FY2016	1,620,000	(13.2)	62,000	—	63,000	—	43,000	—	268.83
FY2016	3,260,000	(8.7)	113,000	—	112,000	—	70,000	—	437.63

### \* Notes

(1) Changes of number of material consolidated subsidiaries during the fiscal year: **None**

(2) Changes in accounting policies and accounting estimates, or restatement

a) Changes in accounting policies arising from revision of accounting standards: **Yes**

b) Changes arising from other factors: **None**

c) Changes in accounting estimates: **None**

d) Restatement: **None**

(3) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of March 31, 2016: 160,000,000 As of March 31, 2015: 160,000,000

b) Number of shares of treasury stock

As of March 31, 2016: 46,956 As of March 31, 2015: 46,776

c) Weighted average number of shares outstanding during the period

FY2015: 159,953,155 FY2014: 159,953,247

(Reference)

1. Nonconsolidated Financial Results for FY2015 (From April 1, 2015 to March 31, 2016)

(1) Nonconsolidated operating results

(Percentages represent changes from prior year)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY2015	2,733,070	(27.1)	(48,862)	—	(6,924)	—	(5,096)	—
FY2014	3,748,358	(10.8)	(138,034)	—	(133,021)	—	(159,996)	—

	Net income per share	Diluted net income per share
	¥	¥
FY2015	(31.87)	—
FY2014	(1,000.27)	—

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥million	¥million	%	¥
FY2015	1,939,900	358,101	18.5	2,238.79
FY2014	2,093,776	382,053	18.2	2,388.53

Reference: Total equity FY2015 ¥ 358,101 million FY2014 ¥ 382,053 million

\* This document is out of the scope of audit procedures under the Financial Instruments and Exchange Act. The audit procedures for the financial statements under this Act have not been completed as of the date of disclosure of this document.

\* The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 8.

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## [Appendix]

### 1. Analyses of Operating Results and Financial Position

#### (1) Analysis of operating results

##### 1) General economic conditions and environment surrounding the Idemitsu Group

During the fiscal year ended March 31, 2016, the Japanese economy, including share prices, had shown a steadily growing trend up until the end of 2015 underpinned by the favorable environment for corporate earnings. However, moving into 2016, the economy had been showing a sign of stagnation, amid growing uncertainty over the Chinese economy and the slowdown in emerging-market economies.

The domestic overall demand for petroleum products during fiscal 2015 fell short of its year-earlier level. While demand for transportation fuel, such as gasoline, almost unchanged from the prior fiscal year, demand for kerosene and heavy fuel oil for the power industry decreased, hit by the unusually warm winter.

Dubai crude oil prices remained on an upward trend around the spring of 2015. However, they started to drop in the summer on account of a cloudy outlook for China's economy triggered by the devaluation of the yuan and OPEC's unwillingness to cut its oil production. The pace of the drop accelerated when OPEC decided at a general assembly held in early December 2015 not to make supply and demand adjustment through reduction in oil production, and the prices temporarily plunged below \$30/bbl. Consequently, the average price of Dubai crude oil for fiscal 2015 plummeted \$37.9/bbl from the preceding year to \$45.5/bbl.

Demand for petrochemical products during fiscal 2015 remained consistent with the previous fiscal year. Domestic production fared relatively well supported by a decrease in import volume due to the weaker yen. The price for naphtha, a petrochemical raw material, tumbled by \$332/ton from a year earlier to \$486/ton.

The average exchange rate of the Japanese yen to the US dollar for fiscal 2015 decreased by ¥10.2/\$ from the last fiscal year to ¥121.1/\$ due to the further weakening yen, mainly attributable to the continued monetary easing policy of the Bank of Japan and expectations for interest rate rises in the US.

##### 2) Operating results

Under these circumstances, the Idemitsu Group's net sales for fiscal 2015 were ¥3,570.2 billion, down 22.9% from the prior fiscal year, due mainly to drops in crude oil prices.

Operating loss was ¥19.6 billion, affected chiefly by the effect of inventory valuation associated with a plunge in crude oil prices and the contracted margins of petroleum products. However, supported primarily by lower costs stemming from declining crude oil prices, operating loss improved by ¥85.2 billion, compared with the previous fiscal year.

Net non-operating expenses decreased by ¥0.6 billion from the prior fiscal year to ¥2.3 billion due mainly to increased equity in earnings of nonconsolidated subsidiaries and

affiliates. Ordinary loss improved by ¥85.7 billion from a year earlier, to ¥21.9 billion.

Net extraordinary loss was ¥33.1 billion, representing a year-on-year reduction of ¥36.4 billion, helped chiefly by decreased impairment loss in the resources business.

In addition, the Company recorded income tax credit of ¥18.6 billion and net loss attributable to noncontrolling interests of ¥0.4 billion.

As a result, net loss attributable to owners of the parent was ¥36.0 billion, an improvement of ¥102.0 billion from the previous fiscal year.

### 3) Progress and results of business

The progress and results of our business by segment are as follows:

(Unit: ¥Billion)

Segment	Net sales		Operating income (loss)	
	FY2015	Year-to-year change (decrease)	FY2015	Year-to-year change (decrease)
Petroleum products	2,752.7	(25.5) %	(67.4)	—
: excluding effect of inventory valuation	—	—	51.3	184.8%
Petrochemical products	520.8	(18.5) %	42.3	—
: excluding effect of inventory valuation	—	—	45.8	—
Resources	226.5	(6.0) %	(0.6)	—
Others	70.2	25.9 %	8.8	167.8 %
Reconciliation	—	—	(2.7)	—
Total	3,570.2	(22.9) %	(19.6)	—
: excluding effect of inventory valuation	—	—	102.5	259.9%

#### [Petroleum products segment]

In the petroleum products segment, the Company 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 took the following actions:

##### (Fuel oil business)

In the supply of petroleum products, the Company carried out crude oil processing taking the supply-demand and sales conditions into account and strived to promote reductions in supply costs while securing a stable supply of products. In light of a steadily decreasing trend of domestic demand, the Company cut the crude distillation unit capacity of the Chiba Refinery by 20,000 bbl/day in April 2015. At the same time, it enhanced products import capacity in Hokkaido and products export capacity in Aichi, thereby improving its ability to quickly respond to changes in domestic demand and supply.

In the marketing and sales of petroleum products, the Company reinforced the service

stations network through the opening of new service stations and the remodeling and revitalization of existing ones. It also started to allow holders of Rakuten Inc.'s Point Card to earn and use their Rakuten points at its service stations. Furthermore, the Company commenced participation in the au WALLET reward program launched by KDDI CORPORATION and granted shopping points to members of the program, in an attempt to increase customer convenience by leveraging the strength of its nationwide network.

As for business efforts in overseas markets, the Company further proceeded with the construction of the Nghi Son Refinery and Petrochemical Complex in Vietnam, with a view to embarking on commercial production in fiscal 2017.

In addition, the Company addressed the expansion of its business in Asia where demand is growing, by further enhancing the organization of IDEMITSU INTERNATIONAL (ASIA) PTE. LTD., a subsidiary in Singapore.

(Lubricants business)

In fiscal 2015, the total amount of lubricants sold in Japan and abroad surpassed 1.1 million kiloliters, hitting an all-time high. Moreover, in order to further promote the business globally, the production capacity was increased at the lubricants plant in Tianjin in China where the Company owns six operating bases, thereby meeting growing demand for high-performance lubricants in that country.

Consequently, net sales of the petroleum products segment for fiscal 2015 fell 25.5% year-on-year to ¥2,752.7 billion, owing primarily to decreases in crude oil prices. Operating loss was ¥67.4 billion on account of effect of inventory valuation and other factors. However, operating loss improved by ¥44.3 billion, compared with the previous fiscal year, due to favorable factors, such as reduced costs associated with lower crude oil prices, which were partially offset by such factors as decreased margins in petroleum products. Loss arising from inventory valuation included in operating loss was ¥118.6 billion.

[Petrochemical products segment]

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

(Basic chemicals business)

In the basic chemicals business, the Company endeavored to strengthen its competitiveness through measures such as importation of larger-sized lots of naphtha and start of acceptance of open-spec naphtha. It also maintained stable operation of major facilities and equipment such as manufacturing facilities for ethylene and aromatic compounds, thereby ensuring a stable supply of olefin and aromatic compounds to petrochemical complexes as well as for the manufacture of the Company's derivative products.

(Performance materials business)

In the engineering plastics business, the Company had pressed ahead step by step since 2013 with the consolidation of the production of polycarbonate resin (Product name: TARFLON®) into Formosa Chemicals & Fibre Corporation ("FCFC") of Taiwan to which the Company had granted a license. In fiscal 2015, the consolidation

of the production of a special grade of polycarbonates into FCFC was completed and the operation of polycarbonate production facility at the Chiba Plant came to a halt in December 2015. These moves helped the Company build stable supply systems with greater competitive advantages. With regard to syndiotactic polystyrene resin (Product name: XAREC®), which has excellent properties such as superior heat resistance, used for electrical components for vehicles and mobile devices, the Company had funneled its efforts into research to find new applications and decided to expand the annual production capacity of the Chiba Plant from 7,000 tons to 9,000 tons.

In the adhesive materials business, the Company has been planning to construct, in cooperation with FCFC of Taiwan, a new plant to manufacture hydrogenated petroleum resin (Product name: I-MARV®), whose demand has been on the rise as an excellent tackifier for hot-melt adhesives, in order to suit growing customer needs. The Company also strived to expand both domestic and overseas markets for functional soft polypropylene (Product name: L-MODU®), which has a melting point that is significantly lower than that of existing crystalline polypropylene, while conducting research to find product applications other than its traditional use as an adhesive for sanitary items and a modifier for non-woven fabrics.

Consequently, net sales of the petrochemical products segment for fiscal 2015 were ¥520.8 billion, down 18.5% year-on-year, due mainly to drops in naphtha prices. Operating income was ¥42.3 billion, representing an improvement of ¥49.4 billion from the prior fiscal year, supported by reduced costs deriving from lower crude oil and naphtha prices as well as the solid performance of overseas markets. Loss arising from inventory valuation included in operating income was ¥3.5 billion.

#### [Resources segment]

In the resources segment, the Company set as its basic strategy the securing of reserves and continuation of stable production of crude oil and gas through exploration activities while making cost-paring efforts and carefully selected investments and the reinforcement of the competitiveness of existing mines by cost reduction and other measures and the restructuring of the coal business through portfolio management, and took the following actions:

##### (Oil exploration and production business)

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

With regard to exploration activities, the Company conducted a survey on the accumulations of oil and gas discovered in the Norwegian Barents Sea and the waters off Vietnam in 2014, and carried out studies toward future development. Moreover, the Company acquired licenses of two blocks, offshore south-west Vietnam, thereby securing strategic reserves for the long term.

Including production which had begun at the new oil fields, the Company produced crude oil and natural gas in an amount of 36 thousand barrels (up 7 thousand barrels from a year earlier) of crude oil-equivalent per day in the Norwegian North Sea, the UK North Sea, and Vietnam.

Net sales of the oil exploration and production business for fiscal 2015 plummeted by 27.2% from the prior year to ¥74.3 billion, affected mainly by a significant drop in



crude oil prices. Operating loss was ¥2.9 billion, a decline of ¥16.3 billion from the preceding fiscal year, as favorable factors such as weakened currencies of commodity countries were more than offset by such factors as lower crude oil prices.

(Coal business and others)

Regarding the coal business, the Company made efforts to enhance the competitiveness of its Australian mines amid stagnant coal prices. In line with the completion of the installation of coal preparation facilities and works to expand production scale at the Boggabri Mine, the Company's core coal mine in Australia, a structure that ensures stable production of coals of high quality meeting market needs had been established. In addition, the Company strived to improve productivity and cut costs at all of its mines in Australia and Indonesia.

As for the uranium business, the Company put on the market uranium concentrates produced at the Cigar Lake Mine in Canada.

With regard to the geothermal energy business, the Company continued the smooth operation in the Takigami area in Oita prefecture and began constructing a binary cycle power station in the area. In addition, the Company drilled an exploratory well and conducted a short-term flow test in the Amemasudake district of Hokkaido, where it had been carrying out surveys aimed at expanding the business, and had been proceeding with the drilling of an exploratory well in the Oyasu district of Akita prefecture. The Company had also been conducting ground surface research in the Bandai district of Fukushima prefecture.

Net sales of the coal business and others for fiscal 2015 increased 9.5% from a year earlier to ¥152.3 billion due to increased domestic sales volume, which was partially offset by drops in coal prices. Operating income was ¥2.3 billion, an improvement of ¥2.6 billion from a year earlier, as favorable factors such as weakened currencies of commodity countries and the effect of cost reduction exceeded such factors as decreases in coal selling prices.

As a result, total net sales of the resources segment slid by 6.0% year-on-year to ¥226.5 billion with operating loss of ¥0.6 billion, a decline of ¥13.7 billion from the preceding fiscal year.

[Other segments]

Among other segments, as for the electronic materials business, the agricultural biotechnology business, the gas business, and the renewable energy business, the Company had achieved the following:

(Electronic materials business)

In the field of OLED materials, with the aims of cutting OLED manufacturing costs, increasing product competitiveness, and creating new OLED materials, the Company had concluded with Doosan Corporation of Korea a memorandum of understanding concerning mutual utilization of both companies' patents and their cooperation in manufacturing in the area of OLED materials.

In addition, opening an office in Shanghai, China, having a great potential as an OLED display manufacturing location, the Company improved customer service through an enhanced user-centered approach and reinforced operations as one of the largest OLED manufacturers, thereby striving to actively capture demand from the

growing display industry.

(Agricultural biotechnology business)

In the field of agricultural and greening materials, the Company launched across the country “IDESURF®,” which helps water infiltrate into the soil quickly and evenly and supplies turf grass roots with an adequate amount of water.

In the field of feed additives, applying the technologies related to the “RUMINUP®” series, existing product lines for cows and beef cattle, to new feed mix for chickens, the Company had developed and launched “Crosstop ® (for chickens),” which keeps chickens’ intestinal environment in good condition.

(Gas business)

In order to move ahead with study on and preparation for the natural gas power generation business, the Company had decided to establish Himeji Natural Gas Power Generation Co., Ltd. jointly with Osaka Gas Co., Ltd. at the site of the Company’s former Hyogo Refinery (Himeji city, Hyogo prefecture), in April 2016.

Regarding the Asia-bound shipment of LNG (liquefied natural gas) from North America by AltaGas Idemitsu Joint Venture Limited Partnership (“AIJVLP”), which the Company established jointly with AltaGas Ltd. of Canada, its commercialization had been suspended for the time being. On the other hand, Petrogas Energy Corp., whose shares the Company holds through AIJVLP, endeavored to enhance exports and increase export volume of LPG (liquefied petroleum gas) from the Ferndale terminal (the State of Washington) on the West Coast of the US to Japan.

(Renewable energy business)

As part of efforts to utilize idle land in the renewable energy business, the Company operates solar power generation facilities (mega-solar power plants) in Kitakyushu city, Fukuoka prefecture; Himeji city, Hyogo prefecture; and Iwaki city, Fukushima prefecture. In August 2015, the Company expanded mega-solar power generation facilities in Moji (Kitakyushu city, Fukuoka prefecture).

In the field of biomass power generation, the Company 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. and the power plant started operation in April 2015. Furthermore, Fukui Green Power Co., Ltd., in which the Company has a 50% interest, starts operation in April 2016.

As a result, net sales for other segments for fiscal 2015 increased by 25.9% to ¥70.2 billion, and operating income increased by 167.8% to ¥8.8 billion, compared with the preceding fiscal year.

#### 4) Forecasts of consolidated financial results for FY2016

The Company expects net sales for fiscal 2016 to be ¥3,260.0 billion, a decrease of 8.7% compared with FY2015, due mainly to expected decrease in average crude oil prices during the fiscal period.

Operating income is expected to be ¥113.0 billion, an improvement of ¥132.6 billion, due to an expected recovery of petroleum product margins and the effect from inventory valuation turning into gain from loss, and ordinary income is expected to be ¥112.0 billion, an improvement of ¥133.9 billion compared with FY2015. Net extraordinary loss is expected to be ¥7.0 billion, a reduction of loss of ¥26.1 billion compared with FY2015, due largely to a decrease in impairment loss. Net income attributable to owners of the parent is expected to be ¥70.0 billion, an increase of ¥106.0 billion compared with the prior fiscal year.

The above forecasts for the fiscal year ending March 31, 2017 are based on the assumptions below:

Dubai Crude Oil Price: US\$45 per bbl

Foreign Exchange Rate: ¥110 per US\$

Forecasts for FY2016 and financial results for FY2015:

(Unit: ¥Billion)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss) attributable to owners of the parent
FY2016	3,260.0	113.0	112.0	70.0
FY2015	3,570.2	(19.6)	(21.9)	(36.0)
Change (decrease)	(8.7) %	—	—	—

The above forecasts for FY2016 are based on information available as of the date of publication of this document. The actual results may differ from the forecasts due to various factors in the future.

## (2) Analysis concerning financial position

### 1) Analysis of financial position

Total assets as of March 31, 2016 were ¥2,402.1 billion, a decrease of ¥328.9 billion compared with the end of the previous fiscal year, due partly to decreases in inventories and notes and accounts receivable-trade owing to the fall in crude oil prices.

Total liabilities as of March 31, 2016 were ¥1,864.5 billion, a decrease of ¥236.2 billion compared with the end of the previous fiscal year, which was attributable partly to a decrease in interest-bearing debt (¥909.6 billion) and a decrease in notes and accounts payable-trade due to the fall in crude oil prices.

Total net assets were ¥537.7 billion, a decrease of ¥92.7 billion compared with the end of the previous fiscal year, which was attributable to such factors as net loss attributable to owners of the parent recorded during FY2015 and decreased foreign currency translation adjustments due to the further weakening of the currencies of commodities countries.

As a result, the equity ratio as of March 31, 2016 was 20.8%, decreased from 21.5% at the end of the preceding fiscal year.

### 2) Analysis of cash flows

Cash and cash equivalents (“funds”) as of March 31, 2016 were ¥118.8 billion, an increase of ¥7.6 billion compared with the end of the preceding fiscal year. Major factors for this increase are as follows:

Net cash provided by operating activities amounted to ¥216.4 billion. Although the Company recorded substantial amount of loss before income taxes, most of the factors were non-cash expense items such as depreciation, inventory valuation effect due to a drop in crude oil prices and impairment loss, and a decrease in accounts receivable-trade which also contributed to an increase in operating cash flows.

Net cash used in investing activities amounted to ¥98.1 billion, due mainly to investments in maintenance and rehabilitation of facilities at refineries, the oil exploration and production business, the coal business, and investments in and loans to affiliated companies.

Net cash used in financing activities amounted to ¥105.6 billion, attributable primarily to the fact that repayments of long-term borrowings exceeded funding from borrowing.

The Idemitsu Group's trend of financial indexes was as follows:

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio (%)	21.9	24.0	23.5	21.5	20.8
Equity ratio on a market value basis (%)	12.3	11.9	11.3	12.3	13.4
Debt repayment years (year)	5.8	17.7	21.6	5.8	4.2
Interest coverage ratio (times)	11.2	3.9	4.5	17.2	19.6

Notes:

1. Calculation formulas for indexes:

Equity ratio: (Total net assets - Noncontrolling interests)/Total assets

Equity ratio on a market value basis: Total value of stock at market price/Total assets

Debt repayment years: Interest-bearing debt/ Net cash provided by (used in) operating activities

Interest coverage ratio: Net cash provided by (used in) operating activities /Interest paid

2. Each index was calculated based on consolidated financial information.

3. Total value of stock at market price was calculated using the number of shares issued after excluding the number of treasury stock.

4. "Net cash provided by (used in) operating activities" for the fiscal year was based on the amount described in the consolidated statements of cash flows. Interest-bearing debt was based on debt for which interest expenses were paid among debt recognized in the consolidated balance sheets including short-term loans payable, commercial paper, bonds payable, long-term loans payable and lease obligations. "Interest paid" was based on the amount described in the consolidated statements of cash flows.

### (3) Basic policy on distribution of profits/dividends for FY2015 and FY2016

The Company considers the return of profits to shareholders as one of the most important matters and intends to pay stable dividends to shareholders, taking into consideration the strategic investment to enhance existing businesses and to develop future business operations, the improvement of the corporate financial structure, and the business performance. With respect to the year-end dividends for fiscal 2015, the Company determined to pay a dividend of ¥25 per share. As a result, annual dividends for the fiscal year ended March 31, 2016 are ¥50 per share.

The Company's Articles of Incorporation stipulate that the Company may, by a resolution of the board of directors, make a distribution out of the Company's surplus to shareholders pursuant to the provision of Article 459, Paragraph 1 of the Companies Act. The Company has been paying out dividends twice in each fiscal year as interim dividends and year-end dividends since the fiscal year ended March 2008.

### (4) Business risk factors

Since there has been no material change in descriptions from those in the latest Securities Report (submitted on June 25, 2015), disclosure is omitted. The Securities Report can be accessed at the following URL.

(Idemitsu's website)

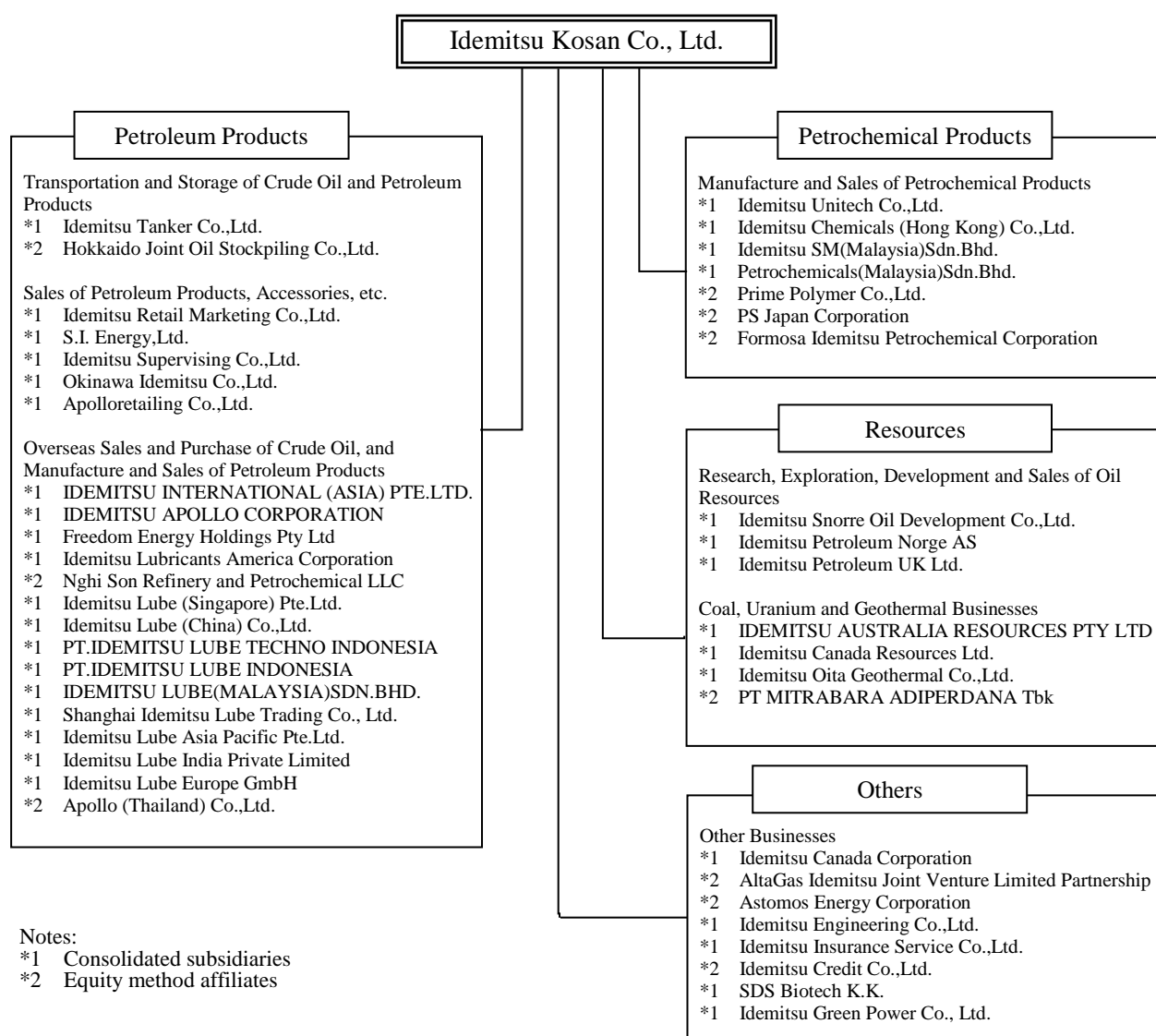
<http://www.idemitsu.com/ir/library/annual.html>

## 2. Description of Idemitsu Group

The principle businesses of the Company, its subsidiaries (92 companies) and its affiliates (46 companies) and their principal businesses are as follows:

Segment	Principal Businesses	Primary Subsidiaries and Affiliates
Petroleum Products	Import, refinery, transportation, storage and sales of crude oil and petroleum products	Idemitsu Kosan Co.,Ltd., Idemitsu Tanker Co.,Ltd., Hokkaido Joint Oil Stockpiling Co.,Ltd.
	Sales of petroleum products, accessories, etc.	Idemitsu Retail Marketing Co.,Ltd., S.I. Energy,Ltd., Idemitsu Supervising Co.,Ltd., Okinawa Idemitsu Co.,Ltd., Apolloretailing Co.,Ltd.
	Overseas sales and purchase of crude oil, and manufacture and sales of petroleum products	IDEMITSU INTERNATIONAL (ASIA) PTE.LTD., IDEMITSU APOLLO CORPORATION, Freedom Energy Holdings Pty Ltd, Idemitsu Lubricants America Corporation, Nghi Son Refinery and Petrochemical LLC, Idemitsu Lube (Singapore) Pte.Ltd., Idemitsu Lube (China) Co.,Ltd., PT.IDEMITSU LUBE TECHNO INDONESIA, PT.IDEMITSU LUBE INDONESIA, IDEMITSU LUBE (MALAYSIA) SDN.BHD., Shanghai Idemitsu Lube Trading Co., Ltd., Idemitsu Lube Asia Pacific Pte.Ltd., Idemitsu Lube India Private Limited, Idemitsu Lube Europe GmbH, Apollo (Thailand) Co.,Ltd.
Petrochemical Products	Manufacture and sales of petrochemical products	Idemitsu Kosan Co.,Ltd., Idemitsu Unitech Co.,Ltd., Idemitsu Chemicals(Hong Kong)Co.,Ltd., Idemitsu SM(Malaysia)Sdn.Bhd., Petrochemicals(Malaysia)Sdn.Bhd., Prime Polymer Co.,Ltd., PS Japan Corporation, Formosa Idemitsu Petrochemical Corporation
Resources	Research, exploration, development and sales of oil resources, coal, uranium and geothermal resources	Idemitsu Kosan Co.,Ltd., Idemitsu Snorre Oil Development Co.,Ltd., Idemitsu Petroleum Norge AS, Idemitsu Petroleum UK Ltd., IDEMITSU AUSTRALIA RESOURCES PTY LTD, Idemitsu Canada Resources Ltd., Idemitsu Oita Geothermal Co.,Ltd., PT MITARABARA ADIPERDANA Tbk
Others	Import, purchase and sales of gas	Idemitsu Canada Corporation, AltaGas Idemitsu Joint Venture Limited Partnership, Astomos Energy Corporation
	Manufacture and sales of electronics materials, and licensing business	Idemitsu Kosan Co.,Ltd.
	Construction, insurance and credit service	Idemitsu Engineering Co.,Ltd., Idemitsu Insurance Service Co.,Ltd., Idemitsu Credit Co.,Ltd.
	Manufacture, import and sales of pesticides, etc.	SDS Biotech K.K.
	Renewable energy	Idemitsu Green Power Co., Ltd.

The following is the illustration of the Idemitsu group:



### 3. Management Policy

#### (1) Principles of management

Since its foundation, Idemitsu has practiced the concept of “respect for human beings” in the conduct of business, and the Company strives to realize this ideal and to be trusted and relied on widely by society.

Based on this management philosophy, the Company makes the following five commitments to each stakeholder in the Idemitsu Group’s management policies. The Idemitsu Group will continue to strive to be a corporation that all stakeholders can rely on, through further deepening and developing the management, focusing on humanity.

◆ **Creation and provision of new value to customers**

We provide products, technologies and services that give customers a strong feeling of assurance, greater vitality and absolute satisfaction, as we strive to create new value.

◆ **Contribution to society and the environment**

We make safety the cornerstone of business and strive to preserve and improve the natural environment. We also contribute to communities, culture and society.

◆ **Assured returns to shareholders**

We fulfill our corporate social responsibilities, strive for sound, sustainable growth, and endeavor to generate stable returns for shareholders.

◆ **Cooperation with partners**

We secure the confidence, greater vitality and absolute satisfaction of our customers through cooperation with service station staff and others involved in our businesses, and aim to share results and success.

◆ **Pursuit of employees’ growth and self-realization**

We create a work environment in which each employee can pursue his or her own growth and self-realization. We also make every effort to ensure that each employee is respected.

#### (2) Medium- and long-term management strategy

[Management policy]

The Idemitsu 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 proprietary technologies.”

The Company is currently negotiating with SHOWA SHELL SEKIYU K.K. for formation of an integrated company sometime between October 2016 and April 2017. We will formulate a medium-term management strategy for the integrated company at a later date.



### (3) Matters to be addressed by the Company

#### 1) Environment recognition

Although the Japanese economy has continued to follow a moderate recovery path, business confidence has worsened and uncertainty over the outcome of the government's growth strategy has increased. Meanwhile, a look at overseas economies finds that while the US economy stays on a track to recovery led chiefly by favorable employment conditions, the recent economic slowdown in China and other emerging and commodity countries has caused a great deal of concern, a situation which is far from rosy.

Regarding the demand for energy, the continuous decline in demand for petroleum products is inevitable in Japan. However, expansion in the demand for energy is expected overseas, particularly in the Asian emerging countries.

#### 2) Matters to be addressed

##### a) Petroleum products segment

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

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

##### b) Petrochemical products segment

In the basic chemicals business, the Company will move ahead with optimization of the supply chain for olefin-related products, including derivative products. It will also promote integration with refineries, diversification of raw materials, etc., thereby endeavoring to further strengthen its competitiveness.

In the performance materials business, the Company will concentrate its management resources on and develop the field of engineering plastics such as syndiotactic polystyrene resin and polycarbonate resin as well as that of adhesive materials such as hydrogenated petroleum resin and functional soft polypropylene, positioning such fields as core businesses.

##### c) Resources segment

In the oil exploration and production business, while making cost-paring efforts and carefully selected investments, the Company will promote the expansion of reserves through exploration activities and maintain stable production.

In the coal business, the Company will strive to strengthen the competitiveness of its entire value chain composed of operation of mines owned by the Company, procurement, logistics, and marketing.

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

d) Other segments

In the electronic materials business, the Company will capture growing demand mainly from the display industry and boost sales driven by continuous technology development, which will ensure high performance of OLED materials and lower manufacturing costs, and promote measures to put its business on a growth track.

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

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 achieving an economic advantage due to shorter transportation distances, and will make efforts to further expand export and sales to Asian countries of LPG from North America. The Company will also continue to conduct studies on commercialization of the business through Himeji Natural Gas Power Generation Co., Ltd.

In the renewable energy business, the Company will conduct studies on the development of electric power sources such as wind power, biomass, solar light, and geothermal heat (including binary power generation), and expand the electricity retailing business, which will actively utilize renewable energy sources.

The Company will take on the above-mentioned challenges to the best of its ability. Simultaneously, in order to make a leap forward as a “leading company of the industry having the sharpest competitive edge” and “new energy company originated in Japan,” which will be realized through business merger with Showa Shell Sekiyu K.K. (“Showa Shell”), the Company will steadily prepare for the acquisition of shares of, and the subsequent business merger with Showa Shell.

The information regarding future forecasts above are based on information available as of the date of publication of this document. The actual operating results may differ from the forecasts due to various factors in the future.

(Idemitsu's website)

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

#### **4. Principal Policy for Selecting Financial Reporting Framework**

The Idemitsu Group applies generally accepted accounting principles in Japan. We do not yet plan to elect to adopt International Financial Reporting Standards (“IFRS”). In response to potentially possible adoption of IFRS in the future, we have been tailoring group accounting policies.

## 5. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

	(Unit: ¥Million)	
	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Assets		
Current assets:		
Cash and deposits	112,959	121,120
Notes and accounts receivable, trade	321,703	259,817
Inventories	513,801	362,746
Deferred tax assets	31,969	24,557
Other	106,381	92,748
Less: Allowance for doubtful accounts	(1,874)	(2,330)
Total current assets	1,084,940	858,661
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	143,014	191,512
Machinery, equipment and vehicles, net	248,906	235,916
Land	589,485	586,690
Construction in progress	111,666	9,379
Other, net	42,670	43,084
Total property, plant and equipment	1,135,743	1,066,583
Intangible fixed assets:		
Goodwill	10,381	9,699
Other	14,832	13,866
Total intangible fixed assets	25,213	23,566
Investments and other assets:		
Investment securities	237,751	255,021
Investments in capital of affiliates	31,701	24,051
Long-term loans receivable	4,323	20,904
Assets for employees' retirement benefits	267	340
Deferred tax assets	36,645	61,704
Oil field premium assets	80,190	23,188
Other	94,413	68,566
Less: Allowance for doubtful accounts	(191)	(468)
Total investments and other assets	485,102	453,308
Total fixed assets	1,646,060	1,543,457
Total assets	2,731,001	2,402,118

(Unit: ¥Million)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	366,559	291,676
Short-term loans payable	376,525	293,947
Commercial paper	26,997	—
Accounts payable, other	232,565	255,994
Income taxes payable	6,061	3,856
Deferred tax liabilities	262	193
Provision for bonuses	6,299	6,157
Other	112,346	85,345
Total current liabilities	1,127,619	937,171
Non-current liabilities:		
Bonds payable	65,000	65,000
Long-term loans payable	537,658	550,639
Deferred tax liabilities	32,563	13,011
Deferred tax liability related to land revaluation	92,508	95,795
Liability for employees' retirement benefits	15,642	21,351
Reserve for repair work	26,530	28,440
Asset retirement obligations	93,813	79,843
Oil field premium liabilities	83,098	29,042
Other	26,181	44,162
Total non-current liabilities	972,997	927,286
Total liabilities	2,100,616	1,864,457
Net assets		
Shareholders' equity:		
Common stock	108,606	108,606
Capital surplus	71,131	71,131
Retained earnings	212,119	168,990
Treasury stock	(130)	(130)
Total shareholders' equity	391,727	348,597
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	9,920	4,527
Deferred gains (losses) on hedging activities, net	(7,896)	(12,854)
Surplus from land revaluation	157,460	154,263
Foreign currency translation adjustments	34,795	10,764
Defined retirement benefit plans	1,243	(4,656)
Total accumulated other comprehensive income	195,522	152,045
Noncontrolling interests	43,134	37,018
Total net assets	630,384	537,660
Total liabilities and net assets	2,731,001	2,402,118

## (2) Consolidated Statements of Income and Comprehensive Income

## 1) Consolidated Statements of Income

(Unit: ¥Million)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net sales	4,629,732	3,570,202
Cost of sales	4,431,066	3,309,167
Gross profit	198,666	261,034
Selling, general and administrative expenses	303,464	280,678
Operating income (loss)	(104,798)	(19,643)
Non-operating income:		
Interest income	1,216	1,331
Dividend income	4,244	5,540
Subsidy income	5,330	2,350
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	1,771	9,790
Other	4,402	3,333
Total non-operating income	16,965	22,347
Non-operating expenses:		
Interest expense	12,117	11,361
Loss on foreign exchange, net	3,950	7,930
Other	3,717	5,316
Total non-operating expenses	19,785	24,607
Ordinary income (loss)	(107,618)	(21,903)
Extraordinary income:		
Gain on sales of fixed assets	7,442	5,414
Gain on sale of affiliate stock	—	3,628
Gain on transfer of business	1,003	474
Other	90	53
Total extraordinary income	8,535	9,570
Extraordinary loss:		
Impairment loss on fixed assets	70,511	35,589
Loss on sales of fixed assets	1,032	333
Loss on disposals of fixed assets	4,781	2,797
Other	1,660	3,908
Total extraordinary loss	77,986	42,629
Income (loss) before income taxes	(177,069)	(54,961)
Income taxes-current	14,718	9,053
Income taxes-deferred	(57,861)	(27,637)
Total income taxes	(43,143)	(18,584)
Net income (loss)	(133,925)	(36,377)
Noncontrolling interests	4,033	(383)
Net income (loss) attributable to owners of the parent	(137,958)	(35,993)

## 2) Consolidated Statements of Comprehensive Income

(Unit: ¥Million)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net income (loss)	(133,925)	(36,377)
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	4,855	(5,098)
Deferred gains (losses) on hedging activities, net	(5,808)	(5,171)
Foreign currency translation adjustments	11,876	(29,019)
Defined retirement benefit plans	1,392	(5,893)
Surplus from land revaluation	10,243	(3,257)
Share of other comprehensive income in equity method affiliates	8,499	(1,744)
Total other comprehensive income	31,059	(50,184)
Comprehensive income	(102,865)	(86,561)
Comprehensive income attributable to:		
Owners of the parent	(104,772)	(80,268)
Noncontrolling interests	1,906	(6,293)

(3) Consolidated Statements of Changes in Net Assets  
FY2014 (From April 1, 2014 to March 31, 2015)

(Unit: ¥Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	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 of items during the period:					
Dividends from surplus			(7,997)		(7,997)
Net income (loss) attributable to owners of the parent			(137,958)		(137,958)
Change in scope of consolidation			2,185		2,185
Acquisitions of treasury stock				(0)	(0)
Disposals of treasury stock		(0)		0	0
Adjustment due to sales and revaluation of land			497		497
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(0)	(143,273)	(0)	(143,273)
Balance at the end of current period	108,606	71,131	212,119	(130)	391,727

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedging activities, net	Surplus from land revaluation	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	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 of items during the period:								
Dividends from surplus								(7,997)
Net income (loss) attributable to owners of the parent								(137,958)
Change in scope of consolidation								2,185
Acquisitions of treasury stock								(0)
Disposals of treasury stock								0
Adjustment due to sales and revaluation of land			(497)			(497)		—
Net changes of items other than shareholders' equity	5,396	(6,700)	10,243	22,779	1,415	33,134	1,784	34,918
Total changes of items during the period	5,396	(6,700)	9,745	22,779	1,415	32,636	1,784	(108,852)
Balance at the end of current period	9,920	(7,896)	157,460	34,795	1,243	195,522	43,134	630,384



**FY2015 (From April 1, 2015 to March 31, 2016)**

(Unit: ¥Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	108,606	71,131	212,119	(130)	391,727
Cumulative effects of changes in accounting policies					—
Restated balance	108,606	71,131	212,119	(130)	391,727
Changes of items during the period:					
Dividends from surplus			(7,997)		(7,997)
Net income (loss) attributable to owners of the parent			(35,993)		(35,993)
Change in scope of consolidation			922		922
Acquisitions of treasury stock				(0)	(0)
Disposals of treasury stock					—
Adjustment due to sales and revaluation of land			(60)		(60)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(43,129)	(0)	(43,129)
Balance at the end of current period	108,606	71,131	168,990	(130)	348,597

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedging activities, net	Surplus from land revaluation	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	9,920	(7,896)	157,460	34,795	1,243	195,522	43,134	630,384
Cumulative effects of changes in accounting policies								—
Restated balance	9,920	(7,896)	157,460	34,795	1,243	195,522	43,134	630,384
Changes of items during the period:								
Dividends from surplus								(7,997)
Net income (loss) attributable to owners of the parent								(35,993)
Change in scope of consolidation								922
Acquisitions of treasury stock								(0)
Disposals of treasury stock								—
Adjustment due to sales and revaluation of land			60			60		—
Net changes of items other than shareholders' equity	(5,392)	(4,957)	(3,257)	(24,030)	(5,899)	(43,538)	(6,116)	(49,655)
Total changes of items during the period	(5,392)	(4,957)	(3,196)	(24,030)	(5,899)	(43,477)	(6,116)	(92,724)
Balance at the end of current period	4,527	(12,854)	154,263	10,764	(4,656)	152,045	37,018	537,660

## (4) Consolidated Statements of Cash Flows

(Unit: ¥Million)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Cash flows from operating activities:		
Income (loss) before income taxes	(177,069)	(54,961)
Depreciation and amortization	66,744	80,282
Impairment loss on fixed assets	70,511	35,589
Amortization of goodwill	3,405	1,232
Increase (decrease) in liability for employees' retirement benefits	(4,051)	(198)
Increase (decrease) in reserve for repair work	3,263	1,909
Interest and dividend income	(5,461)	(6,872)
Interest expense	12,117	10,909
(Gain) loss on sales of fixed assets, net	(6,409)	(5,081)
(Gain) loss on sale of affiliate stock	—	(3,628)
(Increase) decrease in notes and accounts receivable, trade	108,175	61,291
(Increase) decrease in inventories	209,752	149,734
Increase (decrease) in notes and accounts payable, trade	(84,283)	(72,883)
(Increase) decrease in accounts receivable, other	(749)	8,543
Increase (decrease) in accounts payable, other	(3,651)	28,858
Other, net	10,138	(4,629)
Subtotal	202,432	230,098
Interest and dividends received	8,835	10,628
Interest paid	(10,068)	(11,067)
Income taxes paid	(28,295)	(13,290)
Net cash provided by (used in) operating activities	172,904	216,368
Cash flows from investing activities:		
Purchases of tangible fixed assets	(111,698)	(60,149)
Proceeds from sales of tangible fixed assets	16,975	11,879
Purchases of intangible fixed assets	(1,247)	(575)
Acquisitions of investment securities	(27,331)	(25,008)
Proceeds from sales and redemption of securities	6,198	405
Proceeds from sale of affiliate stock	—	5,991
Disbursements for long-term loans	(183)	(17,970)
Proceeds from collection of long-term loans receivable	889	1,334
(Increase) decrease in short-term loans receivable, net	(1,267)	(1,649)
Payments for investments in capital of affiliates	(643)	(914)
Other, net	(12,837)	(11,393)
Net cash provided by (used in) investing activities	(131,146)	(98,052)

	(Unit: ¥Million)	
	FY2014	FY2015
	(From April 1, 2014 to March 31, 2015)	(From April 1, 2015 to March 31, 2016)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(118,539)	(20,549)
Increase (decrease) in commercial paper, net	(32,997)	(26,997)
Proceeds from long-term loans payable	163,151	163,997
Repayments of long-term loans payable	(121,898)	(213,820)
Proceeds from issuance of bonds	19,903	—
Purchases of treasury stock	(0)	(0)
Proceeds from sales of treasury stock	0	—
Cash dividends paid	(7,997)	(7,997)
Cash dividends paid to noncontrolling interests	(102)	(419)
Other, net	226	205
Net cash provided by (used in) financing activities	(98,253)	(105,581)
Effect of exchange rate change on cash and cash equivalents	3,216	(6,183)
Net increase (decrease) in cash and cash equivalents	(53,279)	6,551
Cash and cash equivalents at the beginning of period	159,991	111,195
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	4,483	1,040
Cash and cash equivalents at the end of period	111,195	118,787

- (5) Events or Conditions that may Cast Significant Doubt about the Company's Ability to Continue as a Going Concern: **None**
- (6) Significant Matters Constituting the Basis for the Preparation of the Consolidated Financial Statements

Since there has been no material change in descriptions from those in the latest financial statements (submitted on June 25, 2015), disclosure is omitted.

- (7) Changes in Accounting Policies

(Adoption of Accounting Standard for Business Combinations)

Effective April 1, 2015, the Company adopted revised Accounting Standard Board of Japan (“ASBJ”) Statement No.21, “Accounting Standard for Business Combinations,” revised ASBJ Statement No.22, “Accounting Standard for Consolidated Financial Statements,” and revised ASBJ Statement No.7, “Accounting Standard for Business Divestitures.” In accordance with these standards, the Company changed the method of accounting whereby any difference arising from the changes in ownership interest in subsidiaries is accounted for as capital surplus as long as the parent retains control over its subsidiary and acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred. With respect to the business combinations occurring on or after April 1, 2015, the Company changed the accounting method whereby adjustments to the allocation of purchase costs using provisional amounts are retrospectively recognized in the consolidated financial statements for the period in which the business combination occurs. In addition, presentation of net income has been changed in the consolidated statement of income and minority interests have been changed to noncontrolling interests on the consolidated balance sheet. Comparative figures have been reclassified to reflect these changes.

The Company applies these revised standards to business combinations occurring on or after April 1, 2015 in accordance with certain transitional provisions prescribed in these standards.

The adoption of these revised standards has no impact on the consolidated financial statements.

- (8) Change in Presentation Methods

“Disbursements for long-term loans” and “Proceeds from collection of long-term loans receivable” which were included in “(Increase) decrease in loans receivable, net” under the cash flows from investing activities in FY2014 are reported as separate items because of an increase in its significance. To reflect this change in presentation, reclassification has been made for the consolidated statement of cash flows for the previous fiscal year.

As a result, in the consolidated statement of cash flows for the previous fiscal year, ¥ (560) million in “(Increase) decrease in loans receivable, net” in the cash flows from investing activities has been reclassified as “Disbursements for long-term loans” of ¥ (183) million, “Proceeds from collection of long-term loans receivable” of ¥889 million and “(Increase) decrease in short-term loans receivable, net” of ¥ (1,267) million.

(9) Additional Information

(Agreement to Purchase Showa Shell Sekiyu K.K. Share)

On July 30, 2015, the Company's board of directors meeting reached a resolution to purchase Showa Shell Sekiyu K.K. ("Showa Shell") shares with 33.3% voting rights from subsidiary companies of Royal Dutch Shell plc and a share purchase agreement has been entered into by between the Company and such subsidiary companies on the same day. The details are as follows:

(a) Names of sellers

The Shell Petroleum Company Limited  
The Anglo-Saxon Petroleum Company Limited

(b) Overview of acquiree

- i. Company name: Showa Shell Sekiyu K.K.
- ii. Main business: oil business and energy solutions business
- iii. Scale:
  - Capital: ¥ 34,197 million
  - Consolidated sales: ¥ 2,177,625 million (fiscal year ended December 31, 2015)

(c) Schedule for share transfer

The transfer of the shares is planned for the first half of 2016.  
(Execution of the share transfer is contingent upon the completion of the Japan Fair Trade Commission's corporate merger review, potential merger reviews in a small number of other jurisdictions and other conditions.)

(d) Number of shares to be purchased, purchase price, and shareholding after purchase

Number of shares to be purchased: 125,261,200  
Purchase price: ¥ 169,103 million (¥ 1,350 per share)  
Shareholding after purchase: 33.3% of voting rights

(e) Method of funding share purchase

The share purchase is planned to be funded through borrowings. The Company entered into a syndicate loan agreement for ¥100 billion subject to subordination ("Subordinated Loan") with financial institutions on March 31, 2016. 75% of the Subordinated Loan will be treated as equity by a credit rating agency for credit rating purposes. The execution of the Subordinated Loan is expected at the time of the share purchase.

(Execution of Memorandum of Understanding Regarding the Business Integration)

On November 12, 2015, the Company signed a Memorandum of Understanding for the Business Integration of Idemitsu Kosan Co.,Ltd. and Showa Shell Sekiyu K.K. (collectively the “Companies”) (the “MoU”) based on the spirit of equal partnership with Showa Shell.

The MoU has no binding effect and the Companies plan to consult with each other and separately execute a legally binding definitive agreement after taking necessary procedures including, among others, obtaining their board of directors’ resolutions.

(a) Objectives of the Business Integration

The Companies have agreed to create an industry-leading player with an unparalleled competitive position by combining the strengths and management resources of the Companies. The new company (the “NewCo”) will lead the effort to resolve various structural issues in the industry to improve the lives of Japanese citizens through more efficient and stable energy supplies.

(b) Method of the Business Integration

The Companies have set a merger as the basic structure of the Business Integration subject to further consideration and discussion, and will definitely agree on the method of the Business Integration.

(c) Schedule of the Business Integration

The schedule of the Business Integration will be discussed further, with the aim to commence due diligence of the Companies and their subsidiaries after the signing of the MoU, followed by the signing of a binding definitive agreement providing for the definitive details and terms of the Business Integration, approval at the shareholders meetings of both parties, and the launch of the NewCo between October 2016 and April 2017. However, if necessary, changes to the schedule may be made upon consultation between the Companies for certain reasons such as delays in the review process by the relevant competition law authorities, delays in the progress of post-merger integration preparation required for a smooth start of operations on Day 1, and for other reasons.

(d) Name of the New Company

The name of the NewCo is currently undetermined and is scheduled to be decided upon further discussion between the Companies.

(e) Location of the Head Office of the NewCo

The Companies have yet to decide the location of the NewCo’s head office, but are planning to find a location different from the current offices of the Companies by the effective date of the Business Integration or as soon as possible thereafter.

(f) Structure of the Board of Directors

While the structure of the board of directors will be decided upon further discussions between the Companies, representative directors and executive directors are expected to comprise an equal number of representatives from each company.

(10) Notes to Consolidated Financial Statements  
(Notes to Consolidated Balance Sheets)

(Unit: ¥Million)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
1. Assets pledged as collateral	344,419	344,346

In addition to the above, the Company pledged investment securities in Nghi Son Refinery and Petrochemical LLC (“NSRP”) amounting to ¥95,572 million as of March 31, 2016 (¥76,867 million as of March 31, 2015) and long-term loans receivable from NSRP amounting to ¥14,973 million as of March 31, 2016 (nil as of March 31, 2015) as collateral for NSRP’s borrowings from financial institutions.

(Unit: ¥Million)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
2. Contingent liabilities:		
Guaranty liabilities	10,413	6,750
and items of similar nature		
Construction completion guarantee	83,828	132,004
3. Accumulated depreciation for		
property, plant and equipment	2,127,978	2,171,787

4. Revaluation of land

The Company revalued its land used for business activities in accordance with the “Law of Land Revaluation” (No. 34, March 31, 1998) and the “Law for Partial Revision of the Law of Land Revaluation” (No. 19, March 31, 2001).” The difference between the revaluated amount and the book value is stated as “Surplus from land revaluation” in net assets after deducting the related deferred tax liability.

(a) Method of revaluation

The Company’s land was revaluated based on the land value determined for calculating property tax, the land value determined for calculating landholding tax and appraisal by certified real estate appraisers as stipulated in Articles 2-3, 2-4 and 2-5 of the “Enforcement Ordinance of the Law of Land Revaluation” (No.119, March 31, 1998), respectively.

(b) Date of revaluation: March 31, 2002

(c) Difference between the total fair value and the total carrying amount of revaluated land at fiscal year-ends

(Unit: ¥Million)

FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
(150,587)	(149,552)

## (Notes to Consolidated Statements of Comprehensive Income)

Reclassification adjustments for components of other comprehensive income and income tax effect are as follows:

(Unit: ¥Million)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Unrealized gains (losses) on available-for-sale securities:		
Amount arising during the period	6,667	(7,498)
Reclassification adjustments to profit or loss	221	(39)
Amount before income tax effect	6,889	(7,537)
Income tax effect	(2,034)	2,439
Total	4,855	(5,098)
Deferred gains (losses) on hedging activities, net:		
Amount arising during the period	1,544	(6,654)
Reclassification adjustments to profit or loss	(8,588)	(664)
Amount before income tax effect	(7,044)	(7,319)
Income tax effect	1,236	2,147
Total	(5,808)	(5,171)
Surplus from land revaluation:		
Income tax effect	10,243	(3,257)
Foreign currency translation adjustments:		
Amount arising during the period	12,126	(28,988)
Reclassification adjustments to profit or loss	—	(51)
Amount before income tax effect	12,126	(29,040)
Income tax effect	(249)	20
Total	11,876	(29,019)
Defined retirement benefit plans:		
Amount arising during the period	1,831	(8,561)
Reclassification adjustments to profit or loss	78	131
Amount before income tax effect	1,910	(8,430)
Income tax effect	(517)	2,537
Total	1,392	(5,893)
Share of other comprehensive income in equity method affiliates:		
Amount arising during the period	8,756	(1,740)
Reclassification adjustments to profit or loss	(256)	(3)
Total	8,499	(1,744)
Total other comprehensive income	31,059	(50,184)



(Notes to Consolidated Statements of Changes in Net Assets)  
FY2014 (From April 1, 2014 to March 31, 2015)

1. Issued shares

	Number of shares at the beginning of current period	Increase	Decrease	Number of shares at the end of current period
Common stock	160,000,000	—	—	160,000,000

2. Treasury stock

	Number of shares at the beginning of current period	Increase	Decrease	Number of shares at the end of current period
Common stock (*)	46,696	140	60	46,776

(\*) The increase during the current period is due to repurchase of less-than-one-unit shares. The decrease during the current period is due to resale of treasury stock to holders of less-than-one-unit shares.

3. Dividends

(a) Dividends paid

Resolution	Class of shares	Total dividends paid (¥Million)	Dividends per share (¥)	Record date	Effective date
Board of directors' meeting on May 2, 2014	Common stock	3,998	25.00	March 31, 2014	June 5, 2014
Board of directors' meeting on November 4, 2014	Common stock	3,998	25.00	September 30, 2014	December 5, 2014

(b) Dividends of which record date is the current fiscal year and effective date is next fiscal year

Resolution	Class of shares	Total dividends paid (¥Million)	Source of dividends	Dividends per share (¥)	Record date	Effective date
Board of directors' meeting on May 7, 2015	Common stock	3,998	Retained earnings	25.00	March 31, 2015	June 4, 2015

FY2015 (From April 1, 2015 to March 31, 2016)

1. Issued shares

	Number of shares at the beginning of current period	Increase	Decrease	Number of shares at the end of current period
Common stock	160,000,000	—	—	160,000,000

2. Treasury stock

	Number of shares at the beginning of current period	Increase	Decrease	Number of shares at the end of current period
Common stock (*)	46,776	180	—	46,956

(\*) The increase during the current period is due to repurchase of less-than-one-unit shares.

3. Dividends

(a) Dividends paid

Resolution	Class of shares	Total dividends paid (¥Million)	Dividends per share (¥)	Record date	Effective date
Board of directors' meeting on May 7, 2015	Common stock	3,998	25.00	March 31, 2015	June 4, 2015
Board of directors' meeting on November 4, 2015	Common stock	3,998	25.00	September 30, 2015	December 4, 2015

(b) Dividends of which record date is the current fiscal year and effective date is next fiscal year

Resolution	Class of shares	Total dividends paid (¥Million)	Source of dividends	Dividends per share (¥)	Record date	Effective date
Board of directors' meeting on May 10, 2016	Common stock	3,998	Retained earnings	25.00	March 31, 2016	June 7, 2016

(Notes to Consolidated Statements of Cash Flows)

Reconciliation between “Cash and cash equivalents” in the consolidated statements of cash flows and captions on the consolidated balance sheets are as follows:

	(Unit:¥Million)	
	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Cash and deposits	112,959	121,120
Time deposits with original maturities of longer than three months	(1,763)	(2,333)
Cash and cash equivalents	111,195	118,787

(Segment Information)

Segment Information

1. Description of reportable segments

The Company’s business segments cover the Group’s business units for which separate financial information is available on the business units for the whole Group and for which the Company’s Board of Directors carries out a periodic review in order to determine the allocation of management resources and to evaluate their operating performance.

Taking into consideration the nature of the products and the business standing in the Group, the Company adopts the three reportable segments of: Petroleum products, Petrochemical products and Resources. In addition, other business segments are summarized under Others.

The Petroleum products segment is engaged in the manufacturing and sales of fuel oils and lubricant oils. The Petrochemical products segment is involved in the manufacturing and sales of basic chemicals as raw materials for various petrochemical products, as well as solvents and various functional materials. The Resources segment carries out exploration, development, production and sales of energy resources, including crude oil and coal.

2. Methods of measurement for the amounts of sales, income, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in (6) “Significant Matters Constituting the Basis for the Preparation of the Consolidated Financial Statements.” The Company accounts for inter-segment sales and transfers as if the sales and transfers were made to third parties.

### 3. Information about sales, income, assets and other items by reportable segment

FY2014 (From April 1, 2014 to March 31, 2015)

(Unit: ¥Million)

	Reportable segments				Others (*1)	Total	Reconciliation (*2, 4, 5, 6)	Consolidated (*3)
	Petroleum products	Petro- chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	3,693,908	638,977	241,076	4,573,961	55,770	4,629,732	—	4,629,732
Inter-segment	11,852	5,950	7	17,810	5,023	22,833	(22,833)	—
Total	3,705,760	644,927	241,083	4,591,772	60,794	4,652,566	(22,833)	4,629,732
Operating income (loss)	(111,634)	(7,083)	13,072	(105,645)	3,270	(102,374)	(2,424)	(104,798)
Segment assets	1,729,765	389,819	590,100	2,709,685	98,070	2,807,756	(76,754)	2,731,001
Other items:								
Depreciation and amortization	27,494	8,650	29,038	65,184	935	66,119	624	66,744
Amortization of goodwill	717	34	2,364	3,116	289	3,405	—	3,405
Equity in earnings (losses) of affiliates	(503)	4,352	—	3,849	(2,147)	1,702	68	1,771
Impairment loss on fixed assets	2,553	2,198	65,758	70,511	—	70,511	—	70,511
Investment in equity method affiliates	87,105	37,077	4,420	128,602	69,948	198,550	—	198,550
Unamortized balance of goodwill	8,156	285	55	8,497	1,883	10,381	—	10,381
Increase of property, plant, equipment and intangible fixed assets	30,764	8,286	105,966	145,017	1,880	146,898	508	147,406

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income (loss) of the reportable segments is reconciled to the amount of operating income (loss) in the consolidated statements of income.
4. The amount of reconciliation for the segment assets represents elimination among the reportable segments and the amount of Company assets that are not allocated to reportable segments.
5. The amounts of reconciliation for “Depreciation and amortization” and “Increase of property, plant, equipment and intangible fixed assets” mainly represent depreciation and increases in fixed assets for research and development that do not belong to the reportable segments.
6. The amount of reconciliation for “Equity in earnings (losses) of affiliates” is due to elimination of inter-segment transactions.

FY2015 (From April 1, 2015 to March 31, 2016)

(Unit: ¥Million)

	Reportable segments				Others (*1)	Total	Reconciliation (*2, 4, 5, 6)	Consolidated (*3)
	Petroleum products	Petro- chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	2,752,675	520,790	226,533	3,499,999	70,203	3,570,202	—	3,570,202
Inter-segment	10,316	5,682	2	16,000	4,961	20,961	(20,961)	—
Total	2,762,991	526,472	226,535	3,515,999	75,164	3,591,164	(20,961)	3,570,202
Operating income (loss)	(67,350)	42,276	(626)	(25,699)	8,760	(16,939)	(2,703)	(19,643)
Segment assets	1,549,021	366,439	379,327	2,294,787	104,602	2,399,390	2,727	2,402,118
Other items:								
Depreciation and amortization	28,436	8,563	41,513	78,513	1,134	79,648	634	80,282
Amortization of goodwill	706	34	—	741	491	1,232	—	1,232
Equity in earnings (losses) of affiliates	(2,099)	10,092	986	8,978	781	9,759	30	9,790
Impairment loss on fixed assets	1,016	327	34,245	35,589	—	35,589	—	35,589
Investment in equity method affiliates	105,681	44,041	5,148	154,871	60,763	215,635	—	215,635
Unamortized balance of goodwill	7,020	251	—	7,272	2,427	9,699	—	9,699
Increase of property, plant, equipment and intangible fixed assets	28,297	5,478	21,402	55,178	1,675	56,853	777	57,630

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income (loss) mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income (loss) of the reportable segments is reconciled to the amount of operating income (loss) in the consolidated statements of income.
4. The amount of reconciliation for the segment assets represents elimination among the reportable segments and the amount of Company assets that are not allocated to reportable segments
5. The amounts of reconciliation for “Depreciation and amortization” and “Increase of property, plant, equipment and intangible fixed assets” mainly represent depreciation and increases in fixed assets for research and development that do not belong to the reportable segments.
6. The amount of reconciliation for “Equity in earnings (losses) of affiliates” is due to elimination of inter-segment transactions.

## Related Information

FY2014 (From April 1, 2014 to March 31, 2015)

(a) Information for each product and service

Since “Segment Information” includes similar information, descriptions have been omitted.

(b) Geographic segment information

(1) Sales

(Unit: ¥Million)

Japan	Asia and Oceania	North America	Europe	Others	Total
3,708,080	544,739	263,205	104,794	8,912	4,629,732

(Notes)

1. Areas are segmented based on their geographical proximity.

2. The principal areas included in each region are as follows:

Asia and Oceania : China, Australia, South Korea, Singapore, etc.

North America : USA and Canada

Europe : UK, Norway, etc.

Others : South America, etc.

(2) Property, plant and equipment

(Unit: ¥Million)

Japan	Asia and Oceania	Europe	Others	Total
837,085	130,090	163,450	5,117	1,135,743

(Notes)

1. Areas are segmented based on their geographical proximity.

2. The principal areas included in each region are as follows:

Asia and Oceania : Australia, Malaysia, South Korea, Indonesia, etc.

Europe : UK and Norway

Others : USA, Canada, etc.

(c) Principal customer information

Of the net sales to outside customers, no customer accounted for 10% or more of net sales in the consolidated statements of income. As such, descriptions have been omitted.

FY2015 (From April 1, 2015 to March 31, 2016)

(a) Information for each product and service

Since “Segment Information” includes similar information, descriptions have been omitted.

(b) Geographic segment information

(1) Sales

(Unit: ¥Million)

Japan	Asia and Oceania	North America	Europe	Others	Total
2,677,913	576,857	222,394	86,698	6,339	3,570,202

(Notes)

1. Areas are segmented based on their geographical proximity.

2. The principal areas included in each region are as follows:

Asia and Oceania : China, Australia, South Korea, Singapore, etc.

North America : USA and Canada

Europe : UK, Norway, etc.

Others : South America, etc.

(2) Property, plant and equipment

(Unit: ¥Million)

Japan	Asia and Oceania	Europe	Others	Total
826,652	120,776	89,367	29,786	1,066,583

(Notes)

1. Areas are segmented based on their geographical proximity.

2. The principal areas included in each region are as follows:

Asia and Oceania : Australia, Malaysia, South Korea, Indonesia, etc.

Europe : UK and Norway

Others : USA, Canada, etc.

(c) Principal customer information

Of the net sales to outside customers, no customer accounted for 10% or more of net sales in the consolidated statements of income. As such, descriptions have been omitted.

Information Regarding Impairment Loss on Fixed Assets by Reportable Segment

Since “Segment Information” includes similar information, descriptions have been omitted.

Information Regarding Amortization and Unamortized Balances of Goodwill by Reportable Segment

Since “Segment Information” includes similar information, descriptions have been omitted.

Information Regarding Negative Goodwill Gain by Reportable Segment

No negative goodwill was recognized during the periods.

(Other Notes to Consolidated Financial Statements)

Certain notes such as notes on lease transactions, income taxes, securities, derivatives, retirement benefits to employees and business combinations have been omitted since the Company believes that they are not as material as those disclosed in this release.

These notes will become available on EDINET on-line disclosure as the Company plans to file the Securities Report on June 28, 2016.

(Per Share Information)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net assets per share	¥3,671.39	¥3,129.93
Net income (loss) per share	¥(862.50)	¥(225.03)

(\*)1. Diluted net income per share is not calculated for the fiscal year ended March 31, 2015 and 2016 because of net loss for the fiscal year although dilutive shares exist.

2. The basis for calculating net income (loss) per share is as follows:

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net income (loss) per share:		
Net income (loss) attributable to owners of the parent (¥million)	(137,958)	(35,993)
Amount not attributable to common stock (¥million)	—	—
Net income (loss) attributable to common stock (¥million)	(137,958)	(35,993)
Weighted-average common shares outstanding during the period (thousands of shares)	159,953	159,953
Summary of information for potential dilutive securities not included in the basis for calculating diluted net income per share	—	—

(Significant Subsequent Events)

None



## 6. Nonconsolidated Financial Statements

### (1) Nonconsolidated Balance Sheets

(Unit: ¥Million)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Assets		
Current assets:		
Cash and deposits	37,547	28,430
Notes receivable, trade	240	234
Accounts receivable, trade	249,188	199,663
Merchandise and finished goods	269,277	170,301
Raw material and supplies	180,949	128,154
Prepaid expenses	3,661	2,799
Short-term loans receivable	39,974	36,557
Deferred tax assets	28,921	22,570
Other	64,486	83,102
Less: Allowance for doubtful accounts	(1,805)	(2,456)
Total current assets	872,441	669,358
Fixed assets:		
Property, plant and equipment:		
Buildings, net	50,920	50,184
Structures, net	62,044	62,880
Oil tanks, net	24,815	24,862
Machinery and equipment, net	90,957	85,457
Vehicles, net	700	617
Tools, furniture and fixtures, net	6,328	6,514
Land	586,452	585,187
Construction in progress	3,102	3,384
Total property, plant and equipment	825,321	819,087
Intangible fixed assets:		
Leasehold rights	8,184	8,257
Software	2,027	1,609
Other	326	329
Total intangible fixed assets	10,539	10,196
Investments and other assets:		
Investment securities	41,532	33,486
Investments in subsidiaries and affiliates	278,476	303,674
Long-term loans receivable	9,336	7,830
Deferred tax assets	32,262	53,742
Other	24,042	42,981
Less: Allowance for doubtful accounts	(175)	(457)
Total investments and other assets	385,475	441,257
Total fixed assets	1,221,335	1,270,542
Total assets	2,093,776	1,939,900

(Unit: ¥Million)

	FY2014 (As of March 31, 2015)	FY2015 (As of March 31, 2016)
Liabilities		
Current liabilities:		
Accounts payable, trade	309,291	244,868
Short-term loans payable	337,659	250,838
Commercial paper	26,997	—
Accounts payable, other	225,620	249,425
Accrued expenses	2,438	2,206
Advances received	26,355	23,771
Deposits received	51,565	63,198
Provision for bonuses	4,274	4,148
Other	22,196	16,391
Total current liabilities	1,006,397	854,848
Non-current liabilities:		
Bonds payable	65,000	65,000
Long-term loans payable	487,342	489,030
Deferred tax liability related to land revaluation	92,508	95,795
Provision for retirement benefits	15,008	12,316
Reserve for repair work	25,378	27,416
Other	20,087	37,391
Total non-current liabilities	705,325	726,950
Total liabilities	1,711,722	1,581,799
Net assets		
Shareholders' equity:		
Common stock	108,606	108,606
Capital surplus		
Legal capital surplus	57,245	57,245
Other capital surplus	10,354	10,354
Total capital surplus	67,599	67,599
Retained earnings		
Legal retained earnings	1,081	1,081
Other retained earnings		
Reserve for special depreciation	1,832	1,566
Reserve for overseas investment loss	596	448
Reserve for advanced depreciation of fixed assets	34,243	35,099
Retained earnings brought forward	5,849	(7,748)
Total retained earnings	43,602	30,447
Treasury stock	(130)	(130)
Total shareholders' equity	219,678	206,523
Valuation and translation adjustments:		
Unrealized gains (losses) on available-for-sale securities	8,556	3,376
Deferred gains (losses) on hedging activities, net	(3,641)	(6,062)
Surplus from land revaluation	157,460	154,263
Total valuation and translation adjustments	162,374	151,578
Total net assets	382,053	358,101
Total liabilities and net assets	2,093,776	1,939,900

## (2) Nonconsolidated Income Statements

(Unit: ¥Million)

	FY2014 (From April 1, 2014 to March 31, 2015)	FY2015 (From April 1, 2015 to March 31, 2016)
Net sales	3,748,358	2,733,070
Cost of sales	3,672,269	2,583,479
Gross profit	76,088	149,590
Selling, general and administrative expenses	214,123	198,452
Operating income (loss)	(138,034)	(48,862)
Non-operating income:		
Interest income	535	508
Dividend income	9,163	51,783
Gain on foreign exchange, net	174	—
Subsidy income	5,330	2,350
Other	3,740	2,714
Total non-operating income	18,946	57,357
Non-operating expenses:		
Interest expense	10,351	8,902
Loss on foreign exchange, net	—	1,062
Other	3,581	5,455
Total non-operating expenses	13,932	15,420
Ordinary income (loss)	(133,021)	(6,924)
Extraordinary income:		
Gain on sales of fixed assets	547	1,072
Gain on sales of investment securities	—	38
Gain on sale of affiliate stock	—	1,731
Gain on extinguishment of subsidiary shares resulting from a merger	—	5,579
Gain on transfer of business	796	474
Other	27	0
Total extraordinary gain	1,371	8,895
Extraordinary loss:		
Loss on impairment of fixed assets	4,221	1,011
Loss on sales of fixed assets	929	315
Loss on disposals of fixed assets	4,668	2,411
Impairment loss on investments in subsidiaries and affiliates	66,391	12,118
Other	642	3,616
Total extraordinary loss	76,853	19,473
Income (loss) before income taxes	(208,503)	(17,501)
Income taxes-current	33	(719)
Income taxes-deferred	(48,540)	(11,686)
Total income taxes	(48,507)	(12,405)
Net income (loss)	(159,996)	(5,096)

(3) Nonconsolidated Statements of Changes in Net Assets  
FY2014 (From April 1, 2014 to March 31, 2015)

(Unit: ¥Million)

(Unit: ¥ million)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for overseas investment loss	Reserve for advanced depreciation of fixed assets	Retained earnings brought forward	
Balance at the beginning of current period	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 of items during the period										
Dividends from surplus									(7,997)	(7,997)
Net income (loss)									(159,996)	(159,996)
Acquisitions of treasury stock										
Disposals of treasury stock			(0)	(0)						
Provision of other retained earnings						86	28	4,864	(4,979)	—
Reversal of other retained earnings						(904)	(60)	(3,633)	4,597	—
Adjustment due to sales and revaluation of land									497	497
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	(0)	(0)	—	(818)	(31)	1,231	(167,878)	(167,496)
Balance at the end of period	108,606	57,245	10,354	67,599	1,081	1,832	596	34,243	5,849	43,602

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedging activities, net	Surplus from land revaluation	Total valuation and translation adjustments	
Balance at the beginning of current period	(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 of items during the period							
Dividends from surplus		(7,997)					(7,997)
Net income (loss)		(159,996)					(159,996)
Acquisitions of treasury stock	(0)	(0)					(0)
Disposals of treasury stock	0	0					0
Provision of other retained earnings		—					—
Reversal of other retained earnings		—					—
Adjustment due to sales and revaluation of land		497			(497)	(497)	—
Net changes of items other than shareholders' equity			4,876	1,982	10,243	17,101	17,101
Total changes of items during the period	(0)	(167,496)	4,876	1,982	9,745	16,604	(150,892)
Balance at the end of period	(130)	219,678	8,556	(3,641)	157,460	162,374	382,053

**FY2015 (From April 1, 2015 to March 31, 2016)**

(Unit: ¥Million)

(Unit: Million)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for overseas investment loss	Reserve for advanced depreciation of fixed assets	Retained earnings brought forward	
Balance at the beginning of current period	108,606	57,245	10,354	67,599	1,081	1,832	596	34,243	5,849	43,602
Cumulative effects of changes in accounting policies										
Restated balance	108,606	57,245	10,354	67,599	1,081	1,832	596	34,243	5,849	43,602
Changes of items during the period										
Dividends from surplus									(7,997)	(7,997)
Net income (loss)									(5,096)	(5,096)
Acquisitions of treasury stock										
Disposals of treasury stock										
Provision of other retained earnings						36	9	2,984	(3,030)	—
Reversal of other retained earnings						(302)	(157)	(2,128)	2,588	—
Adjustment due to sales and revaluation of land									(60)	(60)
Net changes of items other than shareholders' equity										
Total changes of items during the period						(265)	(147)	855	(13,597)	(13,155)
Balance at the end of period	108,606	57,245	10,354	67,599	1,081	1,566	448	35,099	(7,748)	30,447

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedging activities, net	Surplus from land revaluation	Total valuation and translation adjustments	
Balance at the beginning of current period	(130)	219,678	8,556	(3,641)	157,460	162,374	382,053
Cumulative effects of changes in accounting policies							
Restated balance	(130)	219,678	8,556	(3,641)	157,460	162,374	382,053
Changes of items during the period							
Dividends from surplus		(7,997)					(7,997)
Net income (loss)		(5,096)					(5,096)
Acquisitions of treasury stock	(0)	(0)					(0)
Disposals of treasury stock							
Provision of other retained earnings		—					—
Reversal of other retained earnings		—					—
Adjustment due to sales and revaluation of land		(60)			60	60	—
Net changes of items other than shareholders' equity			(5,179)	(2,420)	(3,257)	(10,857)	(10,857)
Total changes of items during the period	(0)	(13,155)	(5,179)	(2,420)	(3,196)	(10,796)	(23,952)
Balance at the end of period	(130)	206,523	3,376	(6,062)	154,263	151,578	358,101