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Consolidated Financial Results for the Fiscal Year 2016 (From April 1, 2016 to March 31, 2017) [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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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 FY2016 (From April 1, 2016 to March 31, 2017)

(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	%
FY2016	3,190,347	(10.6)	135,234	—	139,968	—	88,164	—
FY2015	3,570,202	(22.9)	(19,643)	—	(21,903)	—	(35,993)	—

Notes: Comprehensive income FY2016 ¥92,816 million —% FY2015 ¥(86,561) 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
	¥	¥	%	%	%
FY2016	551.19	—	16.3	5.6	4.2
FY2015	(225.03)	—	(6.6)	(0.9)	(0.6)

Reference: Equity in earnings of nonconsolidated subsidiaries and affiliates FY2016 ¥7,976 million
FY2015 ¥9,790 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥million	¥million	%	¥
FY2016	2,641,633	619,932	22.1	3,649.83
FY2015	2,402,118	537,660	20.8	3,129.93

Reference: Total equity FY2016 ¥583,800 million FY2015 ¥500,642 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
FY2016	53,539	(214,817)	136,143	90,093
FY2015	216,368	(98,052)	(105,581)	118,787

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	%	%
FY2015	—	25.00	—	25.00	50.00	7,997	—	1.5
FY2016	—	25.00	—	25.00	50.00	7,997	9.1	1.5
FY2017 (Forecast)	—	25.00	—	25.00	50.00		9.4	

3. Forecasts of Consolidated Financial Results for FY2017 (From April 1, 2017 to March 31, 2018)

(Percentages represent changes from prior year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
FY2017	3,500,000	9.7	124,000	(8.3)	140,000	0.0	89,000	0.9	556.41

* 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: **None**

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, 2017: 160,000,000 As of March 31, 2016: 160,000,000

b) Number of shares of treasury stock

As of March 31, 2017: 47,236 As of March 31, 2016: 46,956

c) Weighted average number of shares outstanding during the period

FY2016: 159,952,989 FY2015: 159,953,155

(Reference)

1. Nonconsolidated Financial Results for FY2016 (From April 1, 2016 to March 31, 2017)

(1) Nonconsolidated operating results (Percentages represent changes from prior year)

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY2016	2,455,694	(10.1)	87,701	—	96,946	—	65,298	—
FY2015	2,733,070	(27.1)	(48,862)	—	(6,924)	—	(5,096)	—

	Net income per share	Diluted net income per share
	¥	¥
FY2016	408.24	—
FY2015	(31.87)	—

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥million	¥million	%	¥
FY2016	2,158,878	423,377	19.6	2,646.89
FY2015	1,939,900	358,101	18.5	2,238.79

Reference: Total equity FY2016 ¥423,377 million FY2015 ¥358,101 million

- * This document is out of the scope of audit procedures under the Financial Instruments and Exchange Act.
- * 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 “Forecasts of consolidated financial results for FY2017” of the Appendix.

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[Appendix]

1. Overviews concerning Operating Results and Financial Position

(1) Overview of Operating Results

1) General economic conditions and environment surrounding the Idemitsu Group

During the fiscal year ended March 31, 2017, the Japanese economy continued its mild upward momentum amid the improving consumer spending and employment conditions as well as the upturn in business confidence centered on the manufacturing industry in the context of a steady US economy, the progress of a weakened yen, and the recovery of Chinese economic performance.

As for the domestic demand for petroleum products during fiscal 2016, while demand for gasoline slightly decreased due to the reaction to increased demand in fiscal 2015 caused by favorable summer weather, demand for middle distillate such as kerosene slightly increased thanks to lower temperatures than the previous fiscal year. While the operation of ethylene manufacturing facilities rose due to increased demand for petrochemical raw materials, demand for heavy fuel oil for the power industry decreased caused by the diversification of power sources. As a result, the overall demand for petroleum products remained almost unchanged from the previous fiscal year.

Dubai crude oil prices remained on an upward trend around spring of 2016. However, they dropped as summer approached amid widening recognition of an excess supply. Thereafter, prices turned to an upward trend and exceeded \$50/bbl because OPEC agreed to cut its oil production in late September and furthermore, they also agreed with non-OPEC countries to make a concerted effort to cut output in December. Nonetheless, they turned to a downward trend in March on account of the effect of increasing crude oil inventory in the US. Consequently, the average price of Dubai crude oil for fiscal 2016 rose \$1.4/bbl from the preceding year to \$46.9/bbl.

Demand for petrochemical products during fiscal 2016 increased from the previous fiscal year. Domestic production fared relatively well supported by a decrease in import volume due to the weaker yen. The annual average price of naphtha, a petrochemical raw material, dropped \$48/ton from the previous fiscal year to \$438/ton.

The exchange rate of the Japanese yen to the US dollar remained at an underlying trend of a strong yen until the middle of the year due to the influence of the Brexiters' victory in the EU exit vote in the UK. Afterwards the trend turned to a weak yen due to the expectation of an economic stimulus package from Donald Trump, the winner of the US presidential election. The average exchange rate for fiscal 2016 increased by ¥11.7/\$ from the previous fiscal year to ¥109.4/\$.

2) Operating results

Under these circumstances, the Idemitsu Group's net sales for fiscal 2016 were ¥3,190.3 billion, down 10.6% from the previous fiscal year, due mainly to drops in crude oil prices on a yen basis affected by the strong yen.

Operating income was ¥135.2 billion improving by ¥154.9 billion in comparison with the previous fiscal year, affected chiefly by the improved margins of petroleum products, the increased profit in the resources business, and the effect of inventory valuation which turned profitable after a significant loss in the previous fiscal year. Net non-operating income was ¥4.7 billion due mainly to the decreased currency revaluation loss, an increase by ¥7.0 billion from net non-operating loss for the previous fiscal year. Ordinary income improved by ¥161.9 billion from the previous fiscal year to ¥140.0 billion.

Net extraordinary loss was ¥17.0 billion, representing a year-on-year reduction of ¥16.1 billion, helped chiefly by decreased impairment loss in the resources business.

In addition, the Company recorded income taxes of ¥32.5 billion and net income attributable to noncontrolling interests of ¥2.4 billion.

As a result, net income attributable to owners of the parent was ¥88.2 billion, an improvement of ¥124.2 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)	
	FY2016	Year-to-year change (decrease)	FY2016	Year-to-year change (decrease)
Petroleum products	2,438.2	(11.4) %	77.0	—
: excluding effect of inventory valuation	—	—	46.0	(10.3) %
Petrochemical products	461.2	(11.4) %	40.0	(5.5) %
: excluding effect of inventory valuation	—	—	37.9	(17.4) %
Resources	227.3	(0.7) %	16.6	—
Others	63.6	(8.6) %	5.1	(42.3) %
Reconciliation	—	—	(3.4)	—
Total	3,190.3	(10.6) %	135.2	—
: excluding effect of inventory valuation	—	—	102.1	(0.4) %

[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 supply-demand and sales conditions into account, and strived to promote reductions in supply costs while still securing a stable supply of products. Pursuant to the Second Announcement of Sophisticated Methods of Energy Supply Structures, the Company cut its crude distillation unit capacity at the Hokkaido Refinery by 10,000 bbl/day, the Chiba Refinery by 10,000 bbl/day, and the Aichi Refinery by 15,000 bbl/day by the end of March 2017, respectively. The Company responded to changes in the balance of domestic supply and demand which was steadily decreasing and decided to integrate the Chiba Refinery and Petrochemical Plant within fiscal 2017, working toward the construction of a more competitive production structure.

In the marketing and sales of petroleum products, the Company continuously reinforced its network of service stations through opening new service stations, and remodeling and revitalizing the existing ones. It also introduced a POS system before its competitors and started to handle the SoftBank Card (prepaid card). In this way, the Company attempted to increase customer convenience by leveraging the strength of its nationwide network.

As for business efforts in overseas markets, the construction of Nghi Son Refinery and Petrochemical Complex in Vietnam has been completed in April 2017, with a view to embarking on commercial production in fiscal 2017. Also, in order to develop the fuel oil wholesale and retail business in Vietnam, the Company established Idemitsu Q8 Petroleum LLC with Kuwait Petroleum International Ltd.

In Qatar, a Middle Eastern country, Laffan Refinery 2 constructed by Laffan Refinery Company Limited 2, in which the Company has invested, was completed and started production. In order to expand the business in growing overseas markets such as the Pacific Rim region and the Middle East, the Company improved the structure of overseas branches centering on IDEMITSU INTERNATIONAL (ASIA) PTE.LTD., a subsidiary in Singapore.

(Lubricants business)

In fiscal 2016, the total amount of lubricants sold in Japan and abroad was close to 1.2 million kiloliters, hitting an all-time high. Moreover, working toward the construction of a strong sales and supply structure as well as the development and expansion of highly functional products for the global market, the Company started operations of a new factory in Thailand and enhanced R&D functions in the US.

Consequently, net sales in the petroleum products segment for fiscal 2016 fell 11.4% year-on-year to ¥2,438.2 billion, owing primarily to decreases in crude oil prices on a yen basis. Operating income was ¥77.0 billion improving by ¥144.4 billion in comparison with the previous fiscal year on account of the improved product margins and the effect of inventory valuation which turned profitable after a significant loss in the previous fiscal year. Profit arising from inventory valuation included in operating income was ¥31.0 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, working toward enhanced competitiveness through the diversification of raw materials, the Company decided to improve ethylene manufacturing facilities of the Chiba Chemical Manufacturing LLP which was jointly operated with Mitsui Chemicals, Inc. Also, under a favorable market environment, it maintained the stable operation of its 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 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 2016, the Company completed consolidation of the production of special grade polycarbonates into FCFC and started supply for high value-added applications such as chassis for information equipment and optical components for vehicles. In this way, stable supply systems with greater competitive advantages were established. With regard to syndiotactic polystyrene resin (Product name: XAREC®), which has excellent properties such as superior heat resistance, electrical insulation, and chemical resistance, used for electrical components for vehicles and mobile devices, the Company stepped up efforts to find new applications and expanded the annual production capacity of the Chiba Plant from 7,000 tons to 9,000 tons in April 2016.

In the adhesive materials business, the Company began constructing, in cooperation with Formosa Petrochemical Corporation 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 in the petrochemical products segment for fiscal 2016 were ¥461.2 billion, down 11.4% year-on-year, due mainly to drops in naphtha prices. Operating income fell 5.5% year-on-year to ¥40.0 billion because of such factors as the impact of currency exchange owing to the strong yen which surpassed favorable factors including the expanded margins of products like styrene monomer. Profit arising from inventory valuation included in operating income was ¥2.1 billion.

[Resources segment]

In the resources segment, the Company set as its basic policy the continuation of stable production, the appreciation of assets held by the Company through thorough cost reduction and productivity improvement, and reviewing the asset portfolio. Actions

taken are as follows:

(Oil exploration and production business)

With regard to exploration activities, the Company discovered accumulations of oil and gas in the Cara structure of the Norwegian North Sea in September 2016. Moreover, the Company conducted studies related to the future development of oil and gas fields which were discovered off the coast of Vietnam in 2014.

In the existing oil fields, the Company carried out operation improvement activities in addition to stable operation and production. Therefore, it produced crude oil and natural gas in an amount of 43 thousand barrels of crude oil-equivalent per day in the Norwegian North Sea, the UK North Sea, and Vietnam.

Net sales in the oil exploration and production business for fiscal 2016 decreased by 1.4% from the prior year to ¥73.6 billion, affected mainly by a drop in crude oil prices despite an increase in production volume. Operating income was ¥8.5 billion, an improvement of ¥11.4 billion from the previous fiscal year, as favorable factors such as the weakened currencies of commodity countries offset the lower crude oil prices.

(Coal business and others)

Regarding the coal business, amid a wide swing in coal prices due mainly to China's policy trend, the Company made efforts to enhance competitiveness through improving productivity at all of its mines including those in Indonesia and cost reduction through integrated purchasing and others. Consequently, the Company produced a record-high of approximately 13 million tons of coals in total from its own mines in Australia and Indonesia. Moreover, three companies, namely the Company, NYK Trading Corporation, and NYK Line, agreed to jointly sell "ULTY", NYK Trading's optimization system to control coal boilers, and to jointly develop a new ULTY model that integrates the existing ULTY with the Company's highly efficient combustion technique.

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

With regard to the geothermal energy business, the Company continued smooth operations in the Takigami area of Oita Prefecture and started commercial operations of a binary cycle power station with a generating capacity of 5,050 kW in the area from March 2017. In addition, the Company carried out surveys aimed at expanding business in the Amemasudake district of Hokkaido, the Oyasu district of Akita Prefecture, and the Bandai district of Fukushima Prefecture.

Net sales in the coal business and others for fiscal 2016 decreased 0.3% from the preceding fiscal year to ¥153.7 billion due mainly to the commodity countries' weakened currencies against the yen despite increases in coal prices. Operating income was ¥8.1 billion, an improvement of ¥5.9 billion from the preceding fiscal year, owing to the weakened currencies of commodity countries and the effect of cost reduction.

As a result, total net sales of the resources segment slid by 0.7% year-on-year to ¥227.3 billion with operating income of ¥16.6 billion, an increase in ¥17.2 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, the Company enhanced the production capacity of its factory in Paju-si, Korea and added more evaluation equipment in the factory allowing the Company to respond to the rising demand for OLED materials along with the future expansion of the popularity of OLED displays. Furthermore, with the aims of facilitating the development of high-performance OLED materials, the Company concluded with Merck KGaA of Germany a collaboration agreement concerning mutual utilization of both companies' patents in the field of OLED materials. It also established an OLED materials development company in Basel, Switzerland to succeed to the development structure from BASF Schweiz AG, a partner for technological exchanges.

(Agricultural biotechnology business)

In the field of agriculture and greening materials, the Company is currently working on activities to expand the sales of its microbe control agent, a disinfectant, to advanced producers' groups through its sales subsidiary, Idemitsu Agri co., ltd.

In the field of feed additives, the Company progressed with efforts to increase the adoption of "RUMINUP®" which has the effect of keeping the intestinal environment of cows and beef cattle normal, and "Crosstop®" which has the same effect on chickens at mainly large-scale farms in Japan as well as efforts to develop channels to sell these products overseas.

(Gas business)

In order to move ahead with studies on and preparation for the natural gas power generation business, the Company established Himeji Natural Gas Power Generation Co., Ltd. in April 2016 through joint capital investment with Osaka Gas Co., Ltd. on the site of the Company's former Hyogo Refinery (Himeji City, Hyogo Prefecture) and is currently implementing a commercialization study.

Petrogas Energy Corp., whose shares the Company holds through AltaGas Idemitsu Joint Venture Limited Partnership which the Company jointly established with AltaGas Ltd. of Canada, endeavored to enhance exports of LPG (liquefied petroleum gas) from the Ferndale terminal (the State of Washington) on the West Coast of the US to Japan and other Asian countries.

(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 Moji Ward, Kitakyushu City; Himeji City, Hyogo Prefecture; and Iwaki City, Fukushima Prefecture. In the field of biomass power generation, Tosa Green Power Co., Ltd. with an output capacity of 6,250 kW, 50% of whose shares are held by the Company, and Fukui Green Power Co., Ltd. with an output capacity of 7,000 kW, 10% of whose shares are held by the Company, are in operation.

As a result, net sales for other segments for fiscal 2016 decreased by 8.6% to ¥63.6 billion, and operating income decreased by ¥3.7 billion to ¥5.1 billion, compared with

the preceding fiscal year.

4) Forecasts of consolidated financial results for FY2017

The Company expects net sales for FY2017 to be ¥3,500.0 billion, an increase of 9.7% compared with FY2016, due mainly to expected increase in average crude oil prices during the fiscal period.

Operating income is expected to be ¥124.0 billion, a drop of 8.3%, because the effect of inventory valuation in the previous fiscal year has disappeared despite an expected recovery of petroleum product margins, and ordinary income is expected to be ¥140.0 billion, almost unchanged from the preceding fiscal year. Net extraordinary loss is expected to be ¥6.0 billion, a reduction of loss of ¥11.0 billion compared with FY2016, due largely to a decrease in impairment loss. Net income attributable to owners of the parent is expected to be ¥89.0 billion, an increase of 0.9% compared with the prior fiscal year.

The above forecasts for the fiscal year ending March 31, 2018 are based on the assumptions below:

Dubai Crude Oil Price: US\$50 per bbl

Foreign Exchange Rate: ¥110 per US\$

Forecasts for FY2017 and financial results for FY2016:

(Unit: ¥Billion)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss) attributable to owners of the parent
FY2017	3,500.0	124.0	140.0	89.0
FY2016	3,190.3	135.2	140.0	88.2
Change (decrease)	9.7 %	(8.3) %	0.0 %	0.9 %

The above forecasts for FY2017 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) Overview concerning Financial Position

1) Overview of financial position

Total assets as of March 31, 2017 were ¥2,641.6 billion, an increase of ¥239.5 billion compared with the end of the previous fiscal year, due partly to an investment into Showa Shell Sekiyu K.K. (“Showa Shell”) and increases in accounts receivable-trade and inventories owing to a rise in crude oil prices.

Total liabilities as of March 31, 2017 were ¥2,021.7 billion, an increase of ¥157.2 billion compared with the end of the previous fiscal year, which was attributable partly to an increase in interest-bearing debt (¥1,052.3 billion) and an increase in notes and accounts payable-trade due to the rise in crude oil prices.

Total net assets were ¥619.9 billion, an increase of ¥82.3 billion compared with the end of the previous fiscal year, which was attributable to net income attributable to owners of the parent of ¥88.2 billion recorded during FY2016.

As a result, the equity ratio as of March 31, 2017 was 22.1%, improved by 1.3% from 20.8% at the end of the preceding fiscal year.

2) Analysis of cash flows

Cash and cash equivalents (“funds”) as of March 31, 2017 were ¥90.1 billion, a decrease of ¥28.7 billion compared with the end of the preceding fiscal year. Major factors for this decrease are as follows:

Net cash provided by operating activities amounted to ¥53.5 billion, as the positive impact of factors such as income before income taxes and depreciation exceeded the negative impact of factors such as increases in accounts receivable-trade and inventories due to a rise in crude oil prices.

Net cash used in investing activities amounted to ¥214.8 billion, due mainly to the acquisition of Showa Shell shares and investments in maintenance and rehabilitation of facilities at refineries.

Net cash provided by financing activities amounted to ¥136.1 billion, attributable primarily to an increase in funding from mainly short-term loans payable and commercial paper.

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

	FY2012	FY2013	FY2014	FY2015	FY2016
Equity ratio (%)	24.0	23.5	21.5	20.8	22.1
Equity ratio on a market value basis (%)	11.9	11.3	12.3	13.4	23.4
Debt repayment years (year)	17.7	21.6	5.8	4.2	19.7
Interest coverage ratio (times)	3.9	4.5	17.2	18.8	5.7

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, current portion of bonds payable, 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 FY2016 and FY2017

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 2016, the Company determined to pay a dividend of ¥25 per share. As a result, annual dividends for the fiscal year ended March 31, 2017 are ¥50 per share.

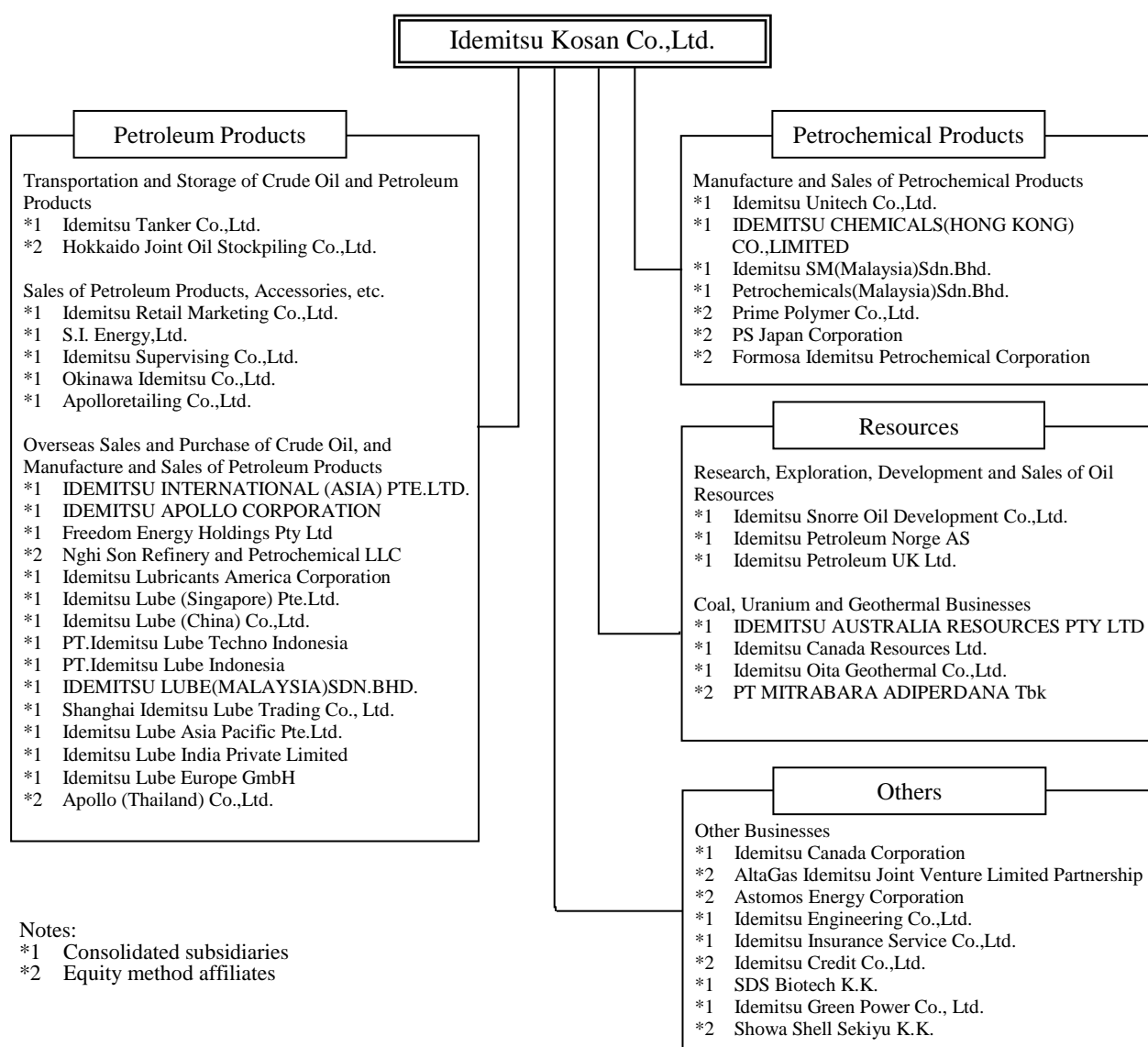
The Company's Articles of Incorporation stipulate that the Company may, by a resolution of the board of directors, make a distribution out of the Company's surplus to shareholders pursuant to the provision of Article 459, Paragraph 1 of the Companies Act. The Company has been paying out dividends twice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

2. Description of Idemitsu Group

The principle businesses of the Company, its subsidiaries (94 companies) and its affiliates (48 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, Nghi Son Refinery and Petrochemical LLC, Idemitsu Lubricants America Corporation, 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.,LIMITED, 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.
	Oil and energy solutions business	Showa Shell Sekiyu K.K.

The following is the illustration of the Idemitsu group:



3. 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.

4. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Unit: ¥Million)	
	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Assets		
Current assets:		
Cash and deposits	121,120	91,423
Notes and accounts receivable, trade	259,817	327,402
Inventories	362,746	430,861
Deferred tax assets	24,557	16,763
Other	92,748	95,948
Less: Allowance for doubtful accounts	(2,330)	(2,629)
Total current assets	858,661	959,770
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	191,512	182,869
Machinery, equipment and vehicles, net	235,916	203,493
Land	586,690	584,350
Construction in progress	9,379	7,808
Other, net	43,084	43,564
Total property, plant and equipment	1,066,583	1,022,086
Intangible fixed assets:		
Goodwill	9,699	7,623
Other	13,866	14,501
Total intangible fixed assets	23,566	22,124
Investments and other assets:		
Investment securities	255,021	414,455
Investments in capital of affiliates	24,051	23,180
Long-term loans receivable	20,904	36,666
Assets for employees' retirement benefits	340	362
Deferred tax assets	61,704	57,188
Oil field premium assets	23,188	30,617
Other	68,566	75,638
Less: Allowance for doubtful accounts	(468)	(457)
Total investments and other assets	453,308	637,652
Total fixed assets	1,543,457	1,681,863
Total assets	2,402,118	2,641,633

(Unit: ¥Million)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	291,676	331,602
Short-term loans payable	293,947	357,566
Commercial paper	—	104,005
Current portion of bonds payable	—	10,000
Accounts payable, other	255,994	231,990
Income taxes payable	3,856	14,529
Deferred tax liabilities	193	328
Provision for bonuses	6,157	8,247
Other	85,345	86,708
Total current liabilities	937,171	1,144,978
Non-current liabilities:		
Bonds payable	65,000	55,000
Long-term loans payable	550,639	524,115
Deferred tax liabilities	13,011	9,968
Deferred tax liability related to land revaluation	95,795	93,951
Liability for employees' retirement benefits	21,351	15,093
Reserve for repair work	28,440	28,357
Asset retirement obligations	79,843	78,132
Oil field premium liabilities	29,042	38,114
Other	44,162	33,988
Total non-current liabilities	927,286	876,722
Total liabilities	1,864,457	2,021,700
Net assets		
Shareholders' equity:		
Common stock	108,606	108,606
Capital surplus	71,131	71,131
Retained earnings	168,990	249,549
Treasury stock	(130)	(131)
Total shareholders' equity	348,597	429,156
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	4,527	7,617
Deferred gains (losses) on hedging activities, net	(12,854)	(7,713)
Surplus from land revaluation	154,263	155,541
Foreign currency translation adjustments	10,764	318
Defined retirement benefit plans	(4,656)	(1,119)
Total accumulated other comprehensive income	152,045	154,644
Noncontrolling interests	37,018	36,132
Total net assets	537,660	619,932
Total liabilities and net assets	2,402,118	2,641,633

(2) Consolidated Statements of Income and Comprehensive Income

1) Consolidated Statements of Income

(Unit: ¥Million)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net sales	3,570,202	3,190,347
Cost of sales	3,309,167	2,770,857
Gross profit	261,034	419,489
Selling, general and administrative expenses	280,678	284,254
Operating income (loss)	(19,643)	135,234
Non-operating income:		
Interest income	1,331	2,555
Dividend income	5,540	5,338
Subsidy income	2,350	870
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	9,790	7,976
Other	3,333	2,390
Total non-operating income	22,347	19,131
Non-operating expenses:		
Interest expense	11,361	9,258
Loss on foreign exchange, net	7,930	1,047
Other	5,316	4,092
Total non-operating expenses	24,607	14,397
Ordinary income (loss)	(21,903)	139,968
Extraordinary income:		
Gain on sales of fixed assets	5,414	1,504
Gain on sales of investment securities	39	1,320
Gain on sale of affiliate stock	3,628	39
Gain on transfer of business	474	—
Other	14	3
Total extraordinary income	9,570	2,868
Extraordinary loss:		
Impairment loss on fixed assets	35,589	10,897
Loss on sales of fixed assets	333	212
Loss on disposals of fixed assets	2,797	6,178
Other	3,908	2,539
Total extraordinary loss	42,629	19,827
Income (loss) before income taxes	(54,961)	123,008
Income taxes-current	9,053	27,393
Income taxes-deferred	(27,637)	5,091
Total income taxes	(18,584)	32,484
Net income (loss)	(36,377)	90,524
Net income (loss) attributable to noncontrolling interests	(383)	2,359
Net income (loss) attributable to owners of the parent	(35,993)	88,164

2) Consolidated Statements of Comprehensive Income

(Unit: ¥Million)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net income (loss)	(36,377)	90,524
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(5,098)	3,097
Deferred gains (losses) on hedging activities, net	(5,171)	3,659
Surplus from land revaluation	(3,257)	1,670
Foreign currency translation adjustments	(29,019)	(7,603)
Defined retirement benefit plans	(5,893)	3,557
Share of other comprehensive income in equity method affiliates	(1,744)	(2,088)
Total other comprehensive income	(50,184)	2,292
Comprehensive income	(86,561)	92,816
Comprehensive income attributable to:		
Owners of the parent	(80,268)	91,156
Noncontrolling interests	(6,293)	1,660

(3) Consolidated Statements of Changes in Net Assets
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
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)
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
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)
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

FY2016 (From April 1, 2016 to March 31, 2017)

(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	168,990	(130)	348,597
Changes of items during the period:					
Dividends from surplus			(7,997)		(7,997)
Net income (loss) attributable to owners of the parent			88,164		88,164
Change in scope of consolidation					—
Acquisitions of treasury stock				(0)	(0)
Adjustment due to sales and revaluation of land			392		392
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	80,559	(0)	80,558
Balance at the end of current period	108,606	71,131	249,549	(131)	429,156

	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	4,527	(12,854)	154,263	10,764	(4,656)	152,045	37,018	537,660
Changes of items during the period:								
Dividends from surplus								(7,997)
Net income (loss) attributable to owners of the parent								88,164
Change in scope of consolidation								—
Acquisitions of treasury stock								(0)
Adjustment due to sales and revaluation of land			(392)			(392)		—
Net changes of items other than shareholders' equity	3,089	5,140	1,670	(10,446)	3,537	2,991	(885)	2,105
Total changes of items during the period	3,089	5,140	1,277	(10,446)	3,537	2,599	(885)	82,272
Balance at the end of current period	7,617	(7,713)	155,541	318	(1,119)	154,644	36,132	619,932

(4) Consolidated Statements of Cash Flows

(Unit: ¥Million)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities:		
Income (loss) before income taxes	(54,961)	123,008
Depreciation and amortization	80,282	70,200
Impairment loss on fixed assets	35,589	10,897
Amortization of goodwill	1,232	1,115
Increase (decrease) in liability for employees' retirement benefits	(198)	(2,715)
Increase (decrease) in reserve for repair work	1,909	(82)
Interest and dividend income	(6,872)	(7,893)
Interest expense	11,361	9,258
(Gain) loss on sales of fixed assets, net	(5,081)	(1,292)
(Gain) loss on sale of affiliate stock	(3,628)	(39)
(Increase) decrease in notes and accounts receivable, trade	61,291	(70,211)
(Increase) decrease in inventories	149,734	(70,623)
Increase (decrease) in notes and accounts payable, trade	(72,883)	42,412
(Increase) decrease in accounts receivable, other	8,543	(9,842)
Increase (decrease) in accounts payable, other	28,858	(25,212)
Other, net	(4,629)	(6,604)
Subtotal	230,549	62,372
Interest and dividends received	10,628	14,766
Interest paid	(11,518)	(9,367)
Income taxes paid	(13,290)	(14,231)
Net cash provided by (used in) operating activities	216,368	53,539
Cash flows from investing activities:		
Purchases of tangible fixed assets	(60,149)	(41,454)
Proceeds from sales of tangible fixed assets	11,879	3,128
Purchases of intangible fixed assets	(575)	(1,968)
Acquisitions of investment securities	(25,008)	(162,009)
Proceeds from sales and redemption of securities	405	3,925
Proceeds from sale of affiliate stock	5,991	49
Disbursements for long-term loans	(17,970)	(17,329)
Proceeds from collection of long-term loans receivable	1,334	1,887
(Increase) decrease in short-term loans receivable, net	(1,649)	2,293
Payments for investments in capital of affiliates	(914)	(1,655)
Other, net	(11,393)	(1,682)
Net cash provided by (used in) investing activities	(98,052)	(214,817)

	(Unit: ¥Million)	
	FY2015	FY2016
	(From April 1, 2015 to March 31, 2016)	(From April 1, 2016 to March 31, 2017)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(20,549)	104,408
Increase (decrease) in commercial paper, net	(26,997)	104,005
Proceeds from long-term loans payable	163,997	45,745
Repayments of long-term loans payable	(213,820)	(107,554)
Purchases of treasury stock	(0)	(0)
Cash dividends paid	(7,997)	(7,997)
Cash dividends paid to noncontrolling interests	(419)	(2,546)
Other, net	205	84
Net cash provided by (used in) financing activities	(105,581)	136,143
Effect of exchange rate change on cash and cash equivalents	(6,183)	(3,559)
Net increase (decrease) in cash and cash equivalents	6,551	(28,693)
Cash and cash equivalents at the beginning of period	111,195	118,787
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1,040	—
Cash and cash equivalents at the end of period	118,787	90,093

- (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 28, 2016), disclosure is omitted.

- (7) Changes in Accounting Policies: **None**

- (8) Change in Presentation Methods

“Gain on sales of investment securities” included in “Other” under “Extraordinary income” in FY2015 is reported as a separate item because of an increase in its significance. To reflect this change in presentation, reclassification has been made for the Consolidated Statements of Income for the previous fiscal year.

As a result, in the Consolidated Statements of Income for the previous fiscal year, ¥53 million in “Other” under “Extraordinary income” has been reclassified as “Gain on sales of investment securities” of ¥39 million and “Other” of ¥14 million.

- (9) Additional Information

(Agreement to Purchase Showa Shell Sekiyu K.K. Share and Discussions toward Business Integration)

In its meeting held on July 30, 2015, the Company’s board of directors approved 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 was entered into by between the Company and such subsidiary companies on the same day. In addition, in its meeting held on December 19, 2016, the Company’s board of directors approved a resolution to conclude an agreement on amendment of the above share purchase agreement, and on the same day this agreement on amendment was concluded with the subsidiary companies of Royal Dutch Shell plc and the acquisition of Showa Shell shares with 31.3% voting rights was completed.

Discussions toward business integration of the Company and Showa Shell were undertaken based on a Memorandum of Understanding for the Business Integration of Idemitsu Kosan Co.,Ltd. and Showa Shell Sekiyu K.K. (“MoU”) concluded November 12, 2015. Companies will continue discussions toward business integration respecting the spirits of the MoU, with the goal of creating an industry-leading player with an unparalleled competitive position. Through these discussions, the Company and Showa Shell have signed an agreement on May 9, 2017 to enhance and promote business collaboration business prior to the business integration of both companies.

- (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: ¥1,726,075 million (fiscal year ended December 31, 2016)

(c) Schedule for share transfer

The acquisition of the shares was completed on December 19, 2016.

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

	Before the Amendment	After the Amendment
Number of Shares to be purchased	125,261,200	117,761,200
Purchase price	¥169,103 million (¥1,350 per Share)	¥158,978 million (¥1,350 per Share)
Ownership % after the purchase	33.3% of the voting rights	31.3% of the voting rights

(e) Method of funding share purchase

The funds were raised through a bridge loan.

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company adopted revised Guidance No.26 (revised on March 28, 2016) "Implementation Guidance on Recoverability of Deferred Tax Assets" from the current fiscal year.

(10) Notes to Consolidated Financial Statements

(Notes to Consolidated Balance Sheets)

(Unit: ¥Million)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
1. Assets pledged as collateral	344,346	345,319

In addition to the above, the Company pledged investment securities in Nghi Son Refinery and Petrochemical LLC ("NSRP") amounting to ¥88,798 million as of March 31, 2017 (¥95,572 million as of March 31, 2016) and long-term loans receivable from NSRP amounting to ¥31,892 million as of March 31, 2017 (¥14,973 million as of March 31, 2016) as collateral for NSRP's borrowings from financial institutions.

(Unit: ¥Million)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
2. Contingent liabilities:		
Guaranty liabilities and items of similar nature	6,750	8,787
Construction completion guarantee	132,004	148,961
Total	138,754	157,749

3. Accumulated depreciation for property, plant and equipment	2,171,787	2,204,925
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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)

FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
(149,552)	(147,016)

(Notes to Consolidated Statements of Comprehensive Income)

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

	(Unit: ¥Million)	
	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Unrealized gains (losses) on available-for-sale securities:		
Amount arising during the period	(7,498)	5,683
Reclassification adjustments to profit or loss	(39)	(1,232)
Amount before income tax effect	(7,537)	4,451
Income tax effect	2,439	(1,353)
Total	(5,098)	3,097
Deferred gains (losses) on hedging activities, net:		
Amount arising during the period	(6,654)	2,604
Reclassification adjustments to profit or loss	(664)	2,628
Amount before income tax effect	(7,319)	5,232
Income tax effect	2,147	(1,572)
Total	(5,171)	3,659
Surplus from land revaluation:		
Income tax effect	(3,257)	1,670
Foreign currency translation adjustments:		
Amount arising during the period	(28,988)	(7,603)
Reclassification adjustments to profit or loss	(51)	—
Amount before income tax effect	(29,040)	(7,603)
Income tax effect	20	—
Total	(29,019)	(7,603)
Defined retirement benefit plans:		
Amount arising during the period	(8,561)	3,222
Reclassification adjustments to profit or loss	131	2,039
Amount before income tax effect	(8,430)	5,261
Income tax effect	2,537	(1,704)
Total	(5,893)	3,557
Share of other comprehensive income in equity method affiliates:		
Amount arising during the period	(1,740)	(2,497)
Reclassification adjustments to profit or loss	(3)	408
Total	(1,744)	(2,088)
Total other comprehensive income	(50,184)	2,292

(Notes to Consolidated Statements of Changes in Net Assets)
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

FY2016 (From April 1, 2016 to March 31, 2017)

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	280	—	47,236

(*) 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 10, 2016	Common stock	3,998	25.00	March 31, 2016	June 7, 2016
Board of directors' meeting on November 1, 2016	Common stock	3,998	25.00	September 30, 2016	December 7, 2016

(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 15, 2017	Common stock	3,998	Retained earnings	25.00	March 31, 2017	June 8, 2017

(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)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Cash and deposits	121,120	91,423
Time deposits with original maturities of longer than three months	(2,333)	(1,330)
Cash and cash equivalents	118,787	90,093

(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

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	2,750,970	520,790	228,838	3,500,599	69,603	3,570,202	—	3,570,202
Inter-segment	7,484	5,681	0	13,166	684	13,850	(13,850)	—
Total	2,758,454	526,472	228,838	3,513,765	70,288	3,584,053	(13,850)	3,570,202
Operating income (loss)	(67,350)	42,276	(626)	(25,699)	8,760	(16,939)	(2,703)	(19,643)
Segment assets	1,496,316	367,622	404,248	2,268,186	139,742	2,407,928	(5,810)	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 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.

FY2016 (From April 1, 2016 to March 31, 2017)

(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	2,438,225	461,212	227,303	3,126,741	63,605	3,190,347	—	3,190,347
Inter-segment	5,587	3,656	112	9,356	538	9,895	(9,895)	—
Total	2,443,813	464,869	227,415	3,136,098	64,144	3,200,243	(9,895)	3,190,347
Operating income	76,999	39,956	16,608	133,564	5,058	138,623	(3,388)	135,234
Segment assets	1,559,783	422,268	399,144	2,381,197	296,481	2,677,678	(36,045)	2,641,633
Other items:								
Depreciation and amortization	26,746	8,561	33,266	68,574	1,031	69,606	594	70,200
Amortization of goodwill	661	34	—	695	419	1,115	—	1,115
Equity in earnings (losses) of affiliates	(2,468)	8,947	637	7,115	904	8,019	(43)	7,976
Impairment loss on fixed assets	2,778	843	6,499	10,120	776	10,897	—	10,897
Investment in equity method affiliates	98,785	47,400	5,328	151,513	220,698	372,212	—	372,212
Unamortized balance of goodwill	6,174	217	—	6,391	1,231	7,623	—	7,623
Increase of property, plant, equipment and intangible fixed assets	22,184	9,152	12,945	44,283	1,296	45,579	523	46,102

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including Showa Shell Sekiyu K.K., 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 of the reportable segments is reconciled to the amount of operating income 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

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.

FY2016 (From April 1, 2016 to March 31, 2017)

(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
2,403,764	499,497	168,910	92,891	25,283	3,190,347

(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
819,321	114,854	60,075	27,835	1,022,086

(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 and retirement benefits to employees 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 29, 2017.

(Per Share Information)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net assets per share	¥3,129.93	¥3,649.83
Net income (loss) per share	¥(225.03)	¥551.19

(*)1. Diluted net income per share for the fiscal year ended March 31, 2017 is not calculated because dilutive shares do not exist. Also, diluted net income per share for the fiscal year ended March 31, 2016 is not calculated because of the net loss for the fiscal year although dilutive shares exist.

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

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net income (loss) per share:		
Net income (loss) attributable to owners of the parent (¥million)	(35,993)	88,164
Amount not attributable to common stock (¥million)	—	—
Net income (loss) attributable to common stock (¥million)	(35,993)	88,164
Weighted-average common shares outstanding during the period (thousands of shares)	159,953	159,952
Summary of information for potential dilutive securities not included in the basis for calculating diluted net income per share	—	—

(Significant Subsequent Events)

None

5. Nonconsolidated Financial Statements

(1) Nonconsolidated Balance Sheets

(Unit: ¥Million)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Assets		
Current assets:		
Cash and deposits	28,430	13,764
Notes receivable, trade	234	110
Accounts receivable, trade	199,663	247,398
Merchandise and finished goods	170,301	197,007
Raw material and supplies	128,154	173,242
Prepaid expenses	2,799	2,858
Short-term loans receivable	36,557	30,663
Deferred tax assets	22,570	13,698
Other	83,102	61,250
Less: Allowance for doubtful accounts	(2,456)	(2,699)
Total current assets	669,358	737,295
Fixed assets:		
Property, plant and equipment:		
Buildings, net	50,184	48,688
Structures, net	62,880	62,181
Oil tanks, net	24,862	24,440
Machinery and equipment, net	85,457	80,745
Vehicles, net	617	666
Tools, furniture and fixtures, net	6,514	5,674
Land	585,187	582,862
Construction in progress	3,384	3,459
Total property, plant and equipment	819,087	808,718
Intangible fixed assets:		
Leasehold rights	8,257	8,280
Software	1,609	2,600
Other	329	285
Total intangible fixed assets	10,196	11,166
Investments and other assets:		
Investment securities	33,486	35,254
Investments in subsidiaries and affiliates	303,674	465,669
Long-term loans receivable	7,830	7,475
Deferred tax assets	53,742	46,653
Other	42,981	47,093
Less: Allowance for doubtful accounts	(457)	(447)
Total investments and other assets	441,257	601,698
Total fixed assets	1,270,542	1,421,583
Total assets	1,939,900	2,158,878

(Unit: ¥Million)

	FY2015 (As of March 31, 2016)	FY2016 (As of March 31, 2017)
Liabilities		
Current liabilities:		
Accounts payable, trade	244,868	271,479
Short-term loans payable	250,838	335,870
Commercial paper	—	104,005
Current portion of bonds payable	—	10,000
Accounts payable, other	249,425	227,439
Accrued expenses	2,206	2,505
Income taxes payable	—	9,869
Advances received	23,771	21,521
Deposits received	63,198	56,756
Provision for bonuses	4,148	6,278
Other	16,391	13,615
Total current liabilities	854,848	1,059,341
Non-current liabilities:		
Bonds payable	65,000	55,000
Long-term loans payable	489,030	461,349
Deferred tax liability related to land revaluation	95,795	93,951
Provision for retirement benefits	12,316	11,119
Reserve for repair work	27,416	27,106
Other	37,391	27,631
Total non-current liabilities	726,950	676,159
Total liabilities	1,581,799	1,735,500
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	1,566	1,254
Reserve for overseas investment loss	448	424
Reserve for advanced depreciation of fixed assets	35,099	33,449
Retained earnings brought forward	(7,748)	51,932
Total retained earnings	30,447	88,140
Treasury stock	(130)	(131)
Total shareholders' equity	206,523	264,215
Valuation and translation adjustments:		
Unrealized gains (losses) on available-for-sale securities	3,376	6,445
Deferred gains (losses) on hedging activities, net	(6,062)	(2,824)
Surplus from land revaluation	154,263	155,541
Total valuation and translation adjustments	151,578	159,162
Total net assets	358,101	423,377
Total liabilities and net assets	1,939,900	2,158,878

(2) Nonconsolidated Income Statements

(Unit: ¥Million)

	FY2015 (From April 1, 2015 to March 31, 2016)	FY2016 (From April 1, 2016 to March 31, 2017)
Net sales	2,733,070	2,455,694
Cost of sales	2,583,479	2,162,302
Gross profit	149,590	293,391
Selling, general and administrative expenses	198,452	205,689
Operating income (loss)	(48,862)	87,701
Non-operating income:		
Interest income	508	661
Dividend income	51,783	18,150
Subsidy income	2,350	870
Other	2,714	1,072
Total non-operating income	57,357	20,754
Non-operating expenses:		
Interest expense	8,902	6,517
Loss on foreign exchange, net	1,062	1,092
Other	5,455	3,899
Total non-operating expenses	15,420	11,509
Ordinary income (loss)	(6,924)	96,946
Extraordinary income:		
Gain on sales of fixed assets	1,072	1,402
Gain on sales of investment securities	38	1,320
Gain on sale of affiliate stock	1,731	39
Gain on extinguishment of subsidiary shares resulting from a merger	5,579	—
Gain on transfer of business	474	—
Other	0	—
Total extraordinary income	8,895	2,763
Extraordinary loss:		
Loss on impairment of fixed assets	1,011	3,616
Loss on sales of fixed assets	315	122
Loss on disposals of fixed assets	2,411	6,013
Impairment loss on investments in subsidiaries and affiliates	12,118	—
Other	3,616	2,123
Total extraordinary loss	19,473	11,875
Income (loss) before income taxes	(17,501)	87,834
Income taxes-current	(719)	9,519
Income taxes-deferred	(11,686)	13,016
Total income taxes	(12,405)	22,535
Net income (loss)	(5,096)	65,298

(3) Nonconsolidated Statements of Changes in Net Assets
FY2015 (From April 1, 2015 to March 31, 2016)

(Unit: ¥Million)

(Unit: ¥100,000)

	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
Changes of items during the period										
Dividends from surplus									(7,997)	(7,997)
Net income (loss)									(5,096)	(5,096)
Acquisitions 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
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)
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

FY2016 (From April 1, 2016 to March 31, 2017)

(Unit: ¥Million)

(Cont. Financials)

	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	1,566	448	35,099	(7,748)	30,447
Changes of items during the period										
Dividends from surplus									(7,997)	(7,997)
Net income (loss)									65,298	65,298
Acquisitions of treasury stock										
Provision of other retained earnings								992	(992)	—
Reversal of other retained earnings						(312)	(24)	(2,642)	2,980	—
Adjustment due to sales and revaluation of land									392	392
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	(312)	(24)	(1,650)	59,680	57,693
Balance at the end of period	108,606	57,245	10,354	67,599	1,081	1,254	424	33,449	51,932	88,140

	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)	206,523	3,376	(6,062)	154,263	151,578	358,101
Changes of items during the period							
Dividends from surplus		(7,997)					(7,997)
Net income (loss)		65,298					65,298
Acquisitions of treasury stock	(0)	(0)					(0)
Provision of other retained earnings		—					—
Reversal of other retained earnings		—					—
Adjustment due to sales and revaluation of land		392			(392)	(392)	—
Net changes of items other than shareholders' equity			3,068	3,237	1,670	7,976	7,976
Total changes of items during the period	(0)	57,692	3,068	3,237	1,277	7,583	65,276
Balance at the end of period	(131)	264,215	6,445	(2,824)	155,541	159,162	423,377