(Translation)

Dear Shareholders:

Information to be Disclosed on the Internet upon Giving Notice of the 102nd Ordinary General Meeting of Shareholders

Idemitsu Kosan Co.,Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(1) Matters concerning the scope of consolidation

(i) Consolidated subsidiaries:

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

Idemitsu Tanker Co., Ltd.
Idemitsu Retail Marketing Co., Ltd.
Idemitsu Supervising Co., Ltd.
S.I. Energy Co., Ltd.
Idemitsu International (Asia) Pte. Ltd.
Idemitsu Apollo Corporation
Idemitsu Unitech Co., Ltd.
Idemitsu Petroleum Norge AS
Idemitsu Australia Resources Pty Ltd
Idemitsu Canada Resources Ltd.
Idemitsu Canada Corporation
SDS Biotech K.K.

(ii) Non-consolidated subsidiaries:

- Name of major non-consolidated subsidiary:

Tomatoh Oil Storage Co., Ltd.

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

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

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

- Name of the company: Astomos Energy Corporation

- Reason for not treating it as a subsidiary:

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

(2) Matters concerning the application of the equity method

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

- Number of non-consolidated subsidiaries or affiliates to which the equity method is applied: 29 companies
- Names of the major companies: Astomos Energy Corporation
  Idemitsu Credit Co., Ltd.
  PS Japan Corporation
  Prime Polymer Co., Ltd.
  Nghi Son Refinery and Petrochemical LLC
  Showa Shell Sekiyu K.K.

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

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

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

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

With regard to the equity method companies whose balance sheet dates do not correspond to the consolidated balance sheet date, Showa Shell Sekiyu K.K. uses the financial statements that are based on the temporary financial results obtained on the consolidated balance sheet date, and other companies use the financial statements for the company’s respective fiscal years.
Astomos Energy Corporation has applied the equity method to its subsidiaries. Hence, the net incomes or losses (based on the company's equity interest) of the subsidiaries are included in its income or loss.

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

(i) Change in the scope of consolidation:

Not applicable

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

- Number of new equity method companies: 1 company
- Name of the equity method company:
  Showa Shell Sekiyu K.K.

  Showa Shell Sekiyu K.K. is included in the scope of application of the equity method as a result of the Company's acquisition of its shares.
- Number of companies excluded from the scope of application of the equity method: None

(4) Matters concerning the fiscal years of consolidated subsidiaries

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

(5) Notes on accounting policies

(i) Basis and method of valuation of major assets:

(a) Basis and method of valuation of securities:

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

Subsidiaries' stock and affiliates' stock:
At cost, determined by the moving average method

Other securities:

- Those with market value: At market value, which is determined by the average of the closing market prices for one month prior to the close of the fiscal year. Revaluation differences are all transferred directly to net assets.

  Acquisition costs, which shall be compared with market value, are determined by the moving average method, in principle.
- Those without market value: At cost, determined by the moving average method

(b) Basis and method of evaluation of inventories:

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

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

(c) Basis and method of evaluation of derivatives:

At market value

(ii) Method of depreciation of important depreciable assets:

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

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

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

under review of an estimated amount of bonuses to be paid in the future.

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

(iv) Method of important hedge accounting:

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

(b) Hedging instruments and hedged items:

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

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

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

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

(v) Amortization of goodwill:

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

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

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

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

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

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

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

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

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

(c) Accounting treatment of deferred assets:

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

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

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

(e) Oil field premium assets and liabilities:

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

(6) Change in accounting policies

Not applicable

(7) Change in presentation methods

The "gain on sales of investment securities" that was included in "others" of the extraordinary gain until and including the previous consolidated fiscal year has been presented in a separate category from the consolidated fiscal year under review as this category has become more significant as a result of the amount of the "gain on sales of investment securities".

The amount of the "gain on sales of investment securities" for the previous consolidated fiscal year was ¥39 million.

(8) Change in accounting estimates

Not applicable

(9) Matters concerning error correction

Not applicable

2. Notes to the consolidated balance sheet

(1) Assets pledged and corresponding liabilities

Assets pledged

(i) Factory foundation mortgage:

Lands	¥337,963 million

(ii) Other pledges:

Investment securities	¥7,355 million
Total	¥345,319 million

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

Liabilities with assets pledged

Factory foundation mortgage:

Accounts payable-other	¥27,632 million
Total	¥27,632 million

The accounts payable-other were related to payment of gasoline tax.

In addition to the above, although the factory foundation was subjected to a revolving mortgage related to bank transactions, there were no substantial liabilities with assets pledged.

(2) Accumulated depreciation of tangible fixed assets ¥2,204,925 million

(3) Contingent liabilities

Guarantee of obligations	¥8,715 million
Management directive memorandums	¥72 million
Construction completion guarantee	¥148,961 million
Total	¥157,749 million

(4) Land revaluation

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

(i) Method of revaluation:

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

(ii) Revaluation date: March 31, 2002

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

(¥147,016 million)

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

(1) Matters concerning the total number of issued shares

Class of shares	Number of shares as of April 1, 2016	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2017
Shares of common stock	160,000 thousand shares	-	-	160,000 thousand shares

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

Class of shares	Number of shares as of April 1, 2016	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2017
Shares of common stock	46 thousand shares	0 thousand shares	-	47 thousand shares

(Note) The number of shares of treasury stock increased by 0 thousand shares as a result of the shareholders' requests for purchases by the Company of less-than-one-unit shares.

(3) Matters concerning the distribution of retained earnings

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

Matters concerning the dividends determined by resolution at the meeting of the Board of Directors held on May 10, 2016:

- Aggregate amount of dividends ¥3,998 million
- Amount of dividend per share ¥25
- Record date March 31, 2016
- Effective date June 7, 2016

Matters concerning the dividends determined by resolution at the meeting of the Board of Directors held on November 1, 2016:

- Aggregate amount of dividends ¥3,998 million
- Amount of dividend per share ¥25
- Record date September 30, 2016
- Effective date December 7, 2016

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

The following matters were determined by resolution at the meeting of the Board of Directors held on May 15, 2017:

- Aggregate amount of dividends ¥3,998 million
- Amount of dividend per share ¥25
- Record date March 31, 2017
- Effective date June 8, 2017

4. Notes on financial instruments

(1) Matters relating to the status of financial instruments

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

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

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

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

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

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

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

The following chart shows the consolidated balance sheet amounts of financial instruments as of March 31, 2017, along with their current values and the variances:

(million yen)

	Consolidated balance sheet amount	Current value	Variance
(1) Cash and deposit	91,423	91,423	—
(2) Notes and accounts receivable-trade	327,402	327,402	—
(3) Investment securities	197,659	171,917	(25,742)
(4) Long-term loans receivable	36,666	36,708	42
Total assets	653,152	627,452	(25,699)
(1) Notes and accounts payable-trade	331,602	331,602	—
(2) Short-term borrowings	357,566	357,566	—
(3) Commercial papers	104,005	104,005	—
(4) Current portion of bonds	10,000	10,000	—
(5) Bonds	55,000	55,645	645
(6) Long-term debt	524,115	527,801	3,685
Total liabilities	1,382,289	1,386,620	4,330
Derivatives (*)	(14,014)	(14,014)	—

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

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

Assets:

(1) Cash and deposit

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

(2) Notes and accounts receivable-trade

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

(3) Investment securities

With regard to investment securities with market value, the current value of stocks is determined by the price thereof traded on an exchange. For bonds, the value is determined by the price announced by the Company's financial institutions. Unlisted shares (¥216,796 million) that have no market price are not included in the above table as determining the market value is recognized as being extremely difficult.

(4) Long-term loans receivable

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

Liabilities:

(1) Notes and accounts payable-trade, (2) Short-term borrowings, (3) Commercial papers, and (4) Current portion of bonds

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

(5) Bonds

The current value is based on the market price.

(6) Long-term debt

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

Derivatives:

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

5. Notes on real estate for lease, etc.

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

The Company and some of its subsidiaries possess office buildings for lease, oil storage tanks, commercial establishments, etc. (including lands) in Tokyo, Osaka and other areas in Japan and overseas. For the consolidated fiscal year under review , with regard to real estate for lease, etc., income on lease was ¥659 million (lease income and lease expenses are accounted for in net sales and selling, general and administrative expenses, respectively, in principle), loss on disposal and sales of fixed assets was ¥107 million (accounted for in extraordinary gain/expenses) and impairment loss on fixed assets was ¥899 million (accounted for in extraordinary expenses).

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

(million yen)

Consolidated balance sheet amount	Current value
107,246	89,343

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

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

6. Notes on the information per share

(1) Net assets per share (yen): 3,649.83

(2) Net income per share (yen): 551.19

(Note) Diluted net income per share is not calculated for the consolidated fiscal year under review because no dilutive shares exist.

7. Notes on asset retirement obligations

Asset retirement obligations recorded on the consolidated balance sheet:

(1) Summary of the asset retirement obligations:

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

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

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

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

	(million yen)
Balance at beginning of year	80,278
Increased amount in connection with the acquisition of tangible fixed assets	378
Adjustments by lapse of time	2,528
Decreased amount as a result of asset retirement obligations	(492)
Increased (decreased) amount as a result of changes in estimates (see Note 1)	3,876
Other increased (decreased) amount (see Note 2)	(7,576)
Balance at end of year	78,992

(Note 1) During the consolidated fiscal year under review, the Company changed estimates principally because it became clear that the expenses to be incurred upon termination of production or mining rights by some overseas consolidated subsidiaries would increase or decrease. The increased (decreased) amount comprises an increase of ¥5,983 million and a decrease of ¥2,107 million due to the abovementioned reason.

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

8. Other notes

(Additional Information)

(Conclusion of a Share Transfer Agreement for the Shares of Showa Shell Sekiyu K.K. and Discussions for Business Integration)

The Company, at the meeting of the Board of Directors held on July 30, 2015, adopted a resolution to acquire the shares of Showa Shell Sekiyu K.K. ("Showa Shell") and entered into a share transfer agreement with regard to the shares of Showa Shell (33.3% of the voting rights) with the subsidiary companies of Royal Dutch Shell plc, the shareholders of Showa Shell, on the same day. In addition, the Company, at the meeting of the Board of Directors held on December 19, 2016, adopted a resolution to enter into an amendment agreement to the share transfer agreement mentioned above, and entered into the amendment agreement with the subsidiary companies of Royal Dutch Shell plc and completed the acquisition of the shares of Showa Shell (31.3% of the voting rights) on the same day.

The Company and Showa Shell held discussions for business integration based on the memorandum of understanding for the business integration dated November 12, 2015. In order to create an industry-leading player with an unparalleled competitive position, the Company and Showa Shell held further discussions for the business integration while respecting the spirit of the memorandum of understanding. During those discussions, on May 9, 2017, the Company and Showa Shell entered into an agreement on the enhancement and promotion of business collaboration prior to the business integration.

(i) Names of the sellers of the shares:

The Shell Petroleum Company Limited

The Anglo-Saxon Petroleum Company Limited

(ii) Trade name, main business and scale of the company in which the Company will acquire the shares:

a. Trade name: Showa Shell Sekiyu K.K.
b. Main business: oil business and energy solutions business
c. Scale:
Capital: ¥ 34,197 million
Consolidated net sales: ¥1,726,075 million (for the fiscal year ended December 31, 2016)

(iii) Date of the acquisition of the shares:

December 19, 2016

(iv) Number of shares to be acquired, purchase price, and shareholding ratio after the purchase:

	Before amendment	After amendment
Number of shares to be acquired	125,261,200 shares	117,761,200 shares
Purchase price	¥169,103 million (¥1,350 per share)	¥158,978 million (¥1,350 per share)
Shareholding ratio after the purchase	33.3% of the voting rights	31.3% of the voting rights

(v) Method of funding the share purchase:

The share purchase was funded through borrowings (bridge loans).

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

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Accounting Standard Implementation Guidance No. 26, issued on March 28, 2016) has been applied as of the consolidated fiscal year under review.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Matters concerning significant accounting policies

(1) Basis and method of valuation of assets

(i) Basis and method of valuation of securities:

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

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

c. Other securities:

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

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

(ii) Basis and method of evaluation of inventories:

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

(iii) Basis and method of evaluation of derivatives:

At market value

(2) Method of depreciation of fixed assets

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

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

(iii)	Lease assets:	By the straight-line method on the assumption that the lease period is the useful life of the property and the residual value is zero. In addition, finance lease transactions which do not transfer ownership, for which the commencement date of the transactions was March 31, 2008 or theretofore, an accounting method similar to the method for ordinary lease transactions is applied.

(3) Basis for accounting for allowances and reserves

(i)	Allowance for doubtful accounts:	To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.
(ii)	Allowance for bonuses:	To meet the payment of bonuses to employees, the Company sets aside the portion for the fiscal year under review of an estimated amount of bonuses to be paid in the future.
(iii)	Retirement allowances for employees:	To meet the payment of retirement benefits to employees, the Company provides an amount estimated to accrue at the close of the fiscal year under review, based on the estimated retirement benefit obligations and pension plan assets as of the close of each such fiscal year. Actuarial differences are treated as expenses, based on the straight line method for a specific period of years (ten years) not exceeding the average remaining years of service of employees, from the fiscal year next following the fiscal year when such differences occur. Prior year service liabilities are treated as expenses in a lump sum during the fiscal year when such liabilities occur.
(iv)	Reserve for repair works:	To meet the payment for repair expenses in the future, the Company sets aside the

portion for the fiscal year under review of an amount of expenses of inspection and repair to be defrayed in respect of the oil tanks and machinery and equipment that require periodic repairs in the future.

(4) Method of hedge accounting

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

(ii) Hedge instruments and hedged items:

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

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

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

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

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

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

(i) Accounting treatment of deferred assets:

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

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

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

(6) Change in accounting policies

Not applicable

(7) Changes in presentation methods

Not applicable

2. Notes to the non-consolidated balance sheet

(1) Assets pledged and corresponding liabilities

Assets pledged

(i) Factory foundation mortgage:

Lands	¥337,963 million

(ii) Other pledges:

Investment securities	¥4,355 million
Investments in shares of affiliates	¥3,000 million
Total	¥345,319 million

In addition to the above, the Company pledged investment securities (investments in shares of affiliates) in Nghi Son Refinery and Petrochemical LLC ("NSRP"), amounting to ¥90,645 million, as collateral for NSRP's borrowings from financial institutions.

Liabilities with assets pledged

Factory foundation mortgage:

Accounts payable-other	¥27,632 million
Total	¥27,632 million

The accounts payable-other were related to payment of gasoline tax.

In addition to the above, although the factory foundation was subjected to a revolving mortgage related to bank transactions, there were no substantial liabilities with assets pledged.

(2) Accumulated depreciation of tangible fixed assets ¥1,702,007 million

(3) Contingent liabilities:

Guarantee of obligations ¥135,926 million

Management directive memorandums	¥72 million
Construction completion guarantee	¥148,961 million
Total	¥284,960 million

(4) Receivables from affiliates and payables to affiliates:

(i)	Short-term receivables from affiliates:	¥150,238 million
(ii)	Long-term receivables from affiliates:	¥7,345 million
(iii)	Short-term payables to affiliates:	¥79,103 million
(iv)	Long-term payables to affiliates:	¥667 million

(5) Land revaluation

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

(i) Method of revaluation:

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

(ii) Revaluation date: March 31, 2002

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

(¥147,016 million)

3. Notes to the non-consolidated statement of income

Transactions with affiliates:

(i)	Sales:	¥659,974 million
(ii)	Purchases:	¥262,472 million
(iii)	Transactions other than ordinary business:	¥14,462 million

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

Matters concerning the number of shares of treasury stock:

Class of shares	Number of shares as of April 1, 2016	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2017
Shares of common stock	46 thousand shares	0 thousand shares	-	47 thousand shares

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

5. Notes on tax effect accounting

Principal components of deferred tax assets and deferred tax liabilities:

(Deferred tax assets)	(million yen)
Tax loss carry forwards	42,054
Tax effect on investments	27,134
Reserve for repair works	8,314
Impairment loss on fixed assets	7,922
Retirement allowances for employees	6,068
Software	4,587
Estimated sales prices	3,422
Allowance for bonuses	1,937
Deferred loss on hedges	1,817
Business structure improvement expenses	491
Unrealized holding gains on other securities	90
Others	4,927
Subtotal of deferred tax assets	108,767
Valuation reserve	(29,406)
Total deferred tax assets	79,361
(Deferred tax liabilities)	
Reserve for deferred income tax on fixed assets	(14,766)
Unrealized holding gains (loss) on other securities	(2,930)
Deferred gains (loss) on hedges	(570)
Reserve for special depreciation	(555)
Reserve for loss on overseas investment	(187)
Total deferred tax liabilities	(19,008)
Net deferred tax assets	60,352

6. Notes on the fixed assets used by lease

The notes are omitted because they are insignificant.

7. Notes on transactions with related parties

Attribute	Trade name	Capital stock (million yen)	Principal business	Ratio of voting rights owned by the Company (owned in the Company)(%)	Relationship	Transaction	Transaction amount (million yen)	Account item	End-of-year balance (million yen)
Affiliate	Idemitsu Credit Co., Ltd.	1,950	Credit card and credit guarantee business	50.0	None	Collection of trade receivables (Note 1)	898,069 (Note 2)	Account receivable-other	41,985
Subsidiary	Idemitsu Australia Resources Pty Ltd.	A$106,698 thousand	Investigation, exploration, development and sale of coals	100.0	None	Guarantee of obligations (Note 3)	63,069	-	-
Subsidiary	Idemitsu International (Asia) Pte. Ltd.	US$245,156 thousand	Import, export and trading of crude oil, petroleum products, etc.	100.0	None	Guarantee of obligations (Note 4)	24,270	-	-
Affiliate	Nghi Son Refinery and Petrochemical LLC	US$2,362,723 thousand	Oil refinery and production and sale of petrochemical products	35.1	None	Construction completion guarantee (Note 5)	148,961 (Note 6)	-	-

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

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

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

(Note 4) The Company guarantees obligations principally for purchasing goods.

(Note 5) The Company has provided a construction completion guarantee for the project finance in connection with the project of constructing the Nghi Son Refinery and Petrochemical Complex. In addition, the Company pledged investment securities (investments in shares of affiliates) in Nghi Son Refinery and Petrochemical LLC ("NSRP"), amounting to ¥90,645 million, as collateral for NSRP's borrowings from financial institutions.

(Note 6) The transaction amount represents the portion of the guarantee amount provided by the Company.

8. Notes on the information per share

(1)	Net assets per share (yen):	2,646.89
(2)	Net income per share (yen):	408.24

9. Other notes

(Additional Information)

(Conclusion of a Share Transfer Agreement for the Shares of Showa Shell Sekiyu K.K. and Discussions for Business Integration)

This is stated in NOTES TO CONSOLIDATED FINANCIAL STATEMENTS: 8., Other notes, (Additional Information), (Conclusion of a Share Transfer Agreement for the Shares of Showa Shell Sekiyu K.K. and Discussions for Business Integration). Hence, the notes on the same matter are omitted herein.

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

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Accounting Standard Implementation Guidance No. 26, issued on March 28, 2016) has been applied as of the fiscal year under review.

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