

(Translation)

Securities Code: No. 5019
June 6, 2018

To the Shareholders:

NOTICE OF THE 103RD ORDINARY GENERAL MEETING
OF SHAREHOLDERS

Dear Shareholders:

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

Please take notice that the 103rd Ordinary General Meeting of Shareholders of the Company will be held as described below and you are cordially requested to attend the meeting.

If you do not expect to be present at the meeting, you may exercise your voting rights either by returning to us by mail the enclosed voting form indicating your approval or disapproval of the propositions or by accessing the website for the exercise of voting rights stated in the enclosed voting form and exercising your voting rights by an electronic method (such as the Internet). Hence, please review the accompanying Reference Document for the General Meeting of Shareholders and exercise your voting rights in accordance with the information on page 4 and page 5 no later than 5:00 p.m., Wednesday, June 27, 2018.

Yours very truly,

Shunichi Kito
Representative Director & Chief
Executive Officer

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

Description

1. Date and hour of the meeting:

Thursday, June 28, 2018, at 10:00 a.m.

2. Place of the meeting:

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

3. Matters forming the objects of the meeting:

Matters to be reported:

1. Report on the business report, the consolidated financial statements and the results of audit of the consolidated financial statements by the account auditors and the Board of Statutory Auditors for the 103rd fiscal year (from April 1, 2017 to March 31, 2018)
2. Report on the non-consolidated financial statements for the 103rd fiscal year (from April 1, 2017 to March 31, 2018)

Matters to be resolved:

- | | |
|--------------------|--|
| Proposition No. 1: | Election of eleven (11) Directors |
| Proposition No. 2: | Election of two (2) Statutory Auditors |
| Proposition No. 3: | Election of one (1) Substitute Statutory Auditor |
| Proposition No. 4: | Determination of the Amount and Details
Concerning Performance-linked Stock
Compensation, etc. for Directors, etc. |

4. Matters regarding exercise of voting rights:

1. If you expect to be present by proxy, please make a document evidencing his/her power of attorney presented to a receptionist at the place of the meeting, together with the voting form. (Such proxy must be another shareholder (being one (1) person) of the Company entitled to vote.)
2. If any institutional investor or any other shareholder who holds shares on behalf of third parties desires to diversely exercise voting rights, please give notice to that effect and of the reason therefor to the Company in writing no later than three (3) days prior to the date of this Ordinary General Meeting of Shareholders.
3. All fees payable to Internet service providers and telecommunication carriers (such as phone line charges) in accessing the website for the exercise of voting rights must be borne by the shareholders.

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

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

- In the event of the revision of any matter in the business report, the consolidated financial statements, the non-consolidated financial statements and the Reference Document for the General Meeting of Shareholders prior to the date of this Ordinary General Meeting of Shareholders, it will be posted on our Internet website set forth above.
- ** Please note that from this fiscal year on, no souvenirs will be given to our shareholders who personally attend the meeting. Your kind understanding is highly appreciated.

Instructions for Exercising Voting Rights

The right to vote at the General Meeting of Shareholders is an important right of all shareholders.

Please review the accompanying Reference Document for the General Meeting of Shareholders before exercising your voting rights.

There are three methods for voting at the General Meeting of Shareholders.

1. Voting by Attendance at the General Meeting of Shareholders

Please present the enclosed voting form to the reception desk if you are present at the meeting.

Date and hour of the meeting: Thursday, June 28, 2018, at 10:00 a.m.

2. Postal Voting

Please indicate “Approve” or “Disapprove” with respect to each proposition on the enclosed voting form and submit the form.

Votes must be received by: Wednesday, June 27, 2018, 5:00 p.m.

3. Electronic Voting via the Internet

Please input “Approve” or “Disapprove” in conformance with the guidance on the next page.

Votes must be completed by: Wednesday, June 27, 2018, 5:00 p.m.

<Instructions for filling out the voting form>

Please indicate approval or disapproval with respect to each proposition.

Propositions No. 1 and No. 2

Approval of all candidates:

Mark ☐ in the box labelled “贊”

Disapproval of all candidates:

Mark ☐ in the box labelled “否”

Disapproval of certain candidates:

Mark ☐ in the box labelled “贊” and indicate the number of each candidate you wish to disapprove.

Propositions No. 3 and No. 4

Approval: Mark ☐ in the box labelled “贊”

Disapproval: Mark ☐ in the box labelled “否”

If you vote both by post and via the Internet, only the vote exercised via the Internet will be treated as valid.

If you vote more than once via the Internet, only the most recent vote will be treated as valid.

<Instructions for electronic voting via the Internet, etc.>

Scan Method for the QR Code (“Smart Exercise”)

You can log into the voting website without inputting the voting code and password.

1. Please scan the QR Code located at the lower right of the voting form.
* “QR Code” is a registered trademark of Denso Wave Incorporated.
2. Please input “Approve” or “Disapprove” in conformance with the instructions on the display.
You may only vote by “Smart Exercise” once.
If you would like to change your vote after submitting your vote, please access the PC version of the voting website, log into the website by inputting your “voting code” and “password” included in the voting form, and submit your vote again.
* If you rescan the QR Code, you will be able to access the PC version of the voting website.

Input method for the “voting code” and “password”

Voting website: <https://www.web54.net>

1. Please access the voting website.
(Click on “次へすすむ” (NEXT))
2. Please input the “voting code” included in the voting form.
(Enter “議決権行使コード” (the voting code)) (Click on “ログイン” (Log in))
3. Please input the “password” included in the voting form.
(Enter “パスワード” (the password)) (Click on “次へ” (NEXT))
4. Please follow the instructions on the display, and input “Approve” or “Disapprove”.

If you have any inquiries regarding the operation of a PC, smartphone or mobile phone for electronic voting via the Internet, please contact:

Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Web Support
Phone No. 0120-652-031 (toll-free)
(9:00 a.m. to 9:00 p.m.) (JST)

Institutional investors may use the electronic voting platform for institutional investors operated by ICJ, Inc.

(Attached document)

BUSINESS REPORT

(April 1, 2017 to March 31, 2018)

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

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

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

During the fiscal year ended March 31, 2018, the Japanese economy remained strong amid improving business confidence regarding capital spending and an expansion in employment along with robust demand both at home and abroad helped by consistent economic growth in Europe and the US. Given this situation, corporate earnings remained at high levels during the period.

As for petroleum products for the domestic market, while demand for gasoline decreased slightly due to structural reasons including improved vehicle fuel efficiency, demand for middle distillates such as diesel oil expanded due to the recovery of domestic economy and an increase in demand for deliveries in small quantities with kerosene also increasing in demand due to a wave of cold weather in winter. The demand for petrochemical raw materials was also higher compared with the previous fiscal year as the result of the continued high operation rate of ethylene manufacturing facilities amid the strong Asian economy. In the meanwhile, heavy fuel oil for the power industry suffered a significant decrease in demand, reflecting the progress in diversification of power sources such as renewable energy. As a result, the overall demand for petroleum products remained almost unchanged from the previous fiscal year.

Dubai crude oil prices remained at a level higher than \$60/bbl after November given expectations that the OPEC oil production cut would be extended and increasing geopolitical risks in the Middle East. Consequently, the average price increased by \$8.9/bbl from the previous fiscal year to \$55.9/bbl.

Demand for petrochemical products remained strong primarily in Asia, and domestic production increased from the previous fiscal year. The average price of naphtha, a petrochemical raw material, increased by \$82/ton from the previous fiscal year to \$520/ton.

The Japanese yen to US dollar exchange rate generally remained within a stable range of between ¥110/\$ and ¥115/\$ during the period from April through December. However, the yen strengthened against the US dollar after January, given the US administration's tough trade demands and the tense situation in Syria. The average exchange rate decreased by ¥2.5/\$ from the previous fiscal year to ¥111.9/\$.

(ii) Operating results:

Under these circumstances, the Group's net sales for fiscal year 2017 were ¥3,730.7 billion, up 16.9% from the previous fiscal year, mainly due to sales growth in the petroleum products segment helped by increased import prices for crude oil.

Cost of sales was ¥3,236.8 billion, up 16.8% year on year, primarily due to the higher yen-denominated import prices of crude oil and naphtha. Selling, general and administrative expenses totaled ¥292.6 billion, up 2.9% year on year.

Operating income was ¥201.3 billion, up 48.9% from the previous fiscal year, reflecting an increase in profit for the resources segment helped by the rising prices of natural resources along with improved margins of petroleum products on the domestic market resulting in an increase in profit for the petroleum products segment.

Net non-operating income was ¥25.0 billion (up 428.0% year on year), primarily helped by an increase in profit on equity in earnings of nonconsolidated subsidiaries and affiliates which mainly consisted of Showa Shell Sekiyu K.K.'s increasing profit, which is included in the "Others" segment. Consequently, ordinary income was ¥226.3 billion, an increase of 61.7% from the previous fiscal year.

Net extraordinary loss was ¥14.2 billion, which was ¥2.8 billion less than that for the previous fiscal year. This reflected loss on transition to defined contribution pension plan, partially offset by the gain on the sales of shares of subsidiaries and affiliates in the resources segment.

Income taxes including both current and deferred tax expenses were ¥45.4 billion (up ¥12.9 billion year on year), reflecting an increase in income before income taxes. Consequently, the effective tax rate was 21.4% mainly due to the deduction of losses recognized in past years on the shares of subsidiaries and affiliates which were qualified by the sale in fiscal year 2017.

Current net income attributable to noncontrolling interests was ¥4.5 billion (up 90.8% year on year), mainly reflecting an increase in profit for the resources segment.

As a result, current net income attributable to owners of the parent company was ¥162.3 billion (up 84.1% year on year).

(iii) Progress and results of business:

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

Net sales by segment

	FY2016	FY2017	(Unit: ¥Billion)	
			Change	
			Amount	%
Petroleum products	2,438.2	2,870.8	+432.6	+17.7%
Petrochemical products	461.2	500.7	+39.5	+8.6%
Resources	227.3	289.4	+62.1	+27.3%
Others	63.6	69.8	+6.2	+9.8%
Total	3,190.3	3,730.7	+540.3	+16.9%

Operating income by segment

(Unit: ¥Billion)

	FY2016	FY2017	Change (Decrease)	
			Amount	%
Petroleum products	77.0	88.6	+11.6	+15.1%
: <i>excluding effect of inventory valuation</i>	46.0	57.5	+11.5	+25.0%
Petrochemical products	40.0	42.2	+2.3	+5.7%
Resources	16.6	66.8	+50.2	+302.3%
Others	5.1	7.3	+2.2	+43.4%
Reconciliation	(3.4)	(3.6)	(0.2)	—
Total	135.2	201.3	+66.1	+48.9%
: <i>excluding effect of inventory valuation</i>	102.1	170.2	+68.0	+66.6%

[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.

In addition, the Company integrated the Chiba Refinery and Petrochemical Plant as one business unit in October 2017, working toward the construction of a more competitive production structure. At the Aichi Refinery, the Company built reformed gasoline and xylene recovery unit, seeking to achieve improvements in added value for gasoline distillate.

In the marketing and sales of petroleum products, the Company continuously reinforced its network of service stations, seeking to increase customer convenience with more than 3.5 million Idemitsu Card members as well as 200 ApolloHat service stations jointly operated with Yellow Hat Ltd.

As part of the Brighter Energy Alliance with Showa Shell Sekiyu K.K., the two companies started sharing shipping facilities in October 2017 and integrated card memberships for corporate customers in April 2018, achieving consistent growth in business synergy.

As for business efforts in overseas markets, Idemitsu Q8 Petroleum LLC launched the service station business in Vietnam, which had not been previously attempted in the country by a foreign capital company. Nghi Son Refinery and Petrochemical Complex started shipping products in May 2018. In Australia, the Company acquired the independent petroleum products distributor Trinity Petroleum Services Pty Ltd., seeking to enhance the petroleum products business in growing overseas markets. The Company took steps to enhance the structure of its overseas business hubs centering on IDEMITSU

INTERNATIONAL (ASIA) PTE. LTD., a local subsidiary in Singapore, aiming to establish a platform for supplying and marketing fuel oil in the Pacific Rim region and other growing markets around the world.

(Lubricants business)

The total amount of lubricants sold in Japan and abroad surpassed 1.2 million kiloliters, a new historical record high, given the sales growth in Asia and North America. Moreover, working toward the establishment of a robust sales and supply structure for the global market, the Company took active steps to update and reestablish its marketing structure and reinforce its production capabilities abroad.

Consequently, net sales in the petroleum products segment increased 17.7% year on year to ¥2,870.8 billion, owing primarily to increases in import prices of crude oil. Operating income came to ¥88.6 billion, up 15.1% year on year due to the improved product margins associated with optimization of the demand-supply balance based upon the Sophisticated Methods of Energy Supply Structures, among other reasons. The operating income included inventory valuation gains of ¥31.1 billion.

[Petrochemical products segment]

In the petrochemical products segment, the Company set as its basic strategy the further reinforcement of cost competitiveness in the basic chemicals business and the enhancement of profitability in the advanced materials and performance materials business, and took the following actions:

(Basic chemicals business)

In the basic chemicals business, the Company took steps toward diversification of selected raw materials by improving ethylene manufacturing facilities at Chiba Chemical Manufacturing LLP, which is 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.

(Advanced materials and performance materials business)

In the engineering plastics business, the Company achieved sales growth in both the domestic and overseas markets on the strength of polycarbonate resin (Product name: TARFLON®), the production structure of which had been consolidated into Formosa Chemicals & Fibre Corporation ("FCFC") of Taiwan over the last year as well as syndiotactic polystyrene resin (Product name: XAREC®), for which the Company has expanded the production capacity of the Chiba Petrochemical Plant.

In the adhesive materials business, construction of a new plant is underway, in cooperation with Formosa Petrochemical Corporation ("FPCC") of Taiwan, to manufacture hydrogenated petroleum resin (Product name: I-MARV®), the demand for which is expected to grow as an excellent tackifier for hot-melt adhesives. 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 and is more flexible than existing crystalline polypropylene, while conducting research to find new 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 were ¥500.7 billion, up 8.6% year on year, mainly due to increases in naphtha prices. Operating income, up 5.7% year on year, was ¥42.2 billion mainly due to the expanded margins of products like styrene monomer and an increase in sales volume.

[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 & production business and geothermal energy business)

The Company divested assets in the UK North Sea as part of its portfolio rearrangement. Additionally, the Company has taken specific steps toward development of the gas field discovered off the coast of Vietnam.

In the existing oil fields, the Company carried out operation improvement activities in addition to stable operation and production. Consequently, it produced 37,000 crude oil-equivalent barrels per day of crude oil and natural gas in the Norwegian North Sea and the UK North Sea.

The geothermal energy business, including the binary power plant which began commercial operations in March 2017, continued to achieve consistent operation performance in the Takigami region of Oita Prefecture. Meanwhile, the Company conducted short-term flow tests for geothermal energy development to gauge the capacity of an exploratory well in the Oyasu region of Akita Prefecture. Furthermore, drilling survey projects are currently underway in the Amemasudake area in Hokkaido and in Fukushima Prefecture.

Net sales of the oil exploration & production and geothermal energy business totaled ¥80.8 billion (up 9.8% year on year), reflecting higher crude oil prices. Operating income was ¥27.2 billion, up 220.6% from the previous fiscal year.

(Coal business and other business)

In the coal business, the Company carried out competitive mine operations through its sole operatorship as a Japanese company. Consequently, the Company produced a record high of 13.4 million tons of coals in total from its own mines in Australia and Indonesia. Furthermore, in order to provide low carbon solutions, three companies, namely the Company, NYK Trading Corporation, and NYK Line, have jointly developed and started marketing “ULTY-V plus”, an optimization system to control coal boilers.

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

Net sales of the coal business and other businesses were ¥208.6 billion (up 35.7% year on year), reflecting a significant increase in coal prices for the coal business. Operating income was ¥39.6 billion, up 387.9% from the previous fiscal year.

As a result, the total net sales of the resources segment, up 27.3% year on year, was

¥289.4 billion with operating income of ¥66.8 billion, up 302.3% from the previous 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 established a local subsidiary in Shanghai in response to customer requirements in China with its great market potential. Furthermore, with aims of facilitating the development of high-performance OLED materials, the Company concluded a basic agreement for a strategic alliance with BOE Technology Group Co., Ltd. of China. Meanwhile, the Company concluded a cooperation agreement with South Korea's LG Chem, Ltd. for patent sharing in the OLED materials related field. The Company also reached an agreement with Toray Industries, Inc. for technical cooperation regarding OLED materials.

(Agricultural biotechnology business)

In the field of agriculture and greening materials, the Company is working on activities to expand the sales of its biopesticide to advanced producers' groups through its sales subsidiary, Idemitsu Agri Co., Ltd.

In the field of feed supplement for livestock, the Company moved ahead with efforts to increase the adoption of "RUMINUP[®]", "Crosstop[®]" and "Molucca", which have the effect of maintaining the intestinal health of cows, chickens and pigs, mainly at 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 a 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, continued to endeavor 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)

In the field of renewable energy business, the Company operates solar power generation facilities (mega-solar power plants with their total power generation capacity of 15,210 kW) 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 class, 10% of whose shares are held by the Company, are in operation. In the field of wind power generation, the Company currently operates Futamata Wind Development Co., Ltd. with an output capacity of 51,000

kW, 40% of whose shares are held by the Company.

As a result, total net sales for other segments, up 9.8% year on year, are ¥69.8 billion, with operating income of ¥7.3 billion up 43.4% from the previous fiscal year.

(iv) Overview concerning financial position:

Summary of consolidated balance sheet

			(Unit: ¥Billion)
	FY2016	FY2017	Change (Decrease)
Current assets	959.8	1,223.0	+263.2
Fixed assets	1,681.9	1,697.3	+15.4
Total assets	2,641.6	2,920.3	+278.6
Current liabilities	1,145.0	1,162.7	+17.7
Non-current liabilities	876.7	851.6	(25.1)
Total liabilities	2,021.7	2,014.3	(7.4)
Total net assets	619.9	905.9	+286.0
Total liabilities and net assets	2,641.6	2,920.3	+278.6

a) Total assets

Total assets as of March 31, 2018 increased by ¥278.6 billion compared with the end of the previous fiscal year to ¥2,920.3 billion, mainly due to increases in accounts receivable-trade and inventory associated with the higher import prices of crude oil and the consequence that the last day of the month fell on a weekend.

b) Total liabilities

Interest-bearing debt has been reduced significantly to ¥893.6 billion (down ¥158.7 billion compared with the end of the previous fiscal year) with repayments using increased free cash flow. However, the reduction in total liabilities was limited to ¥7.4 billion compared with the end of the previous fiscal year (year-end balance of ¥2,014.3 billion) mainly due to increases in accounts payable-trade associated with the higher prices of crude oil as well as the increase in gasoline tax payable associated with the consequence that the last day of the month fell on a weekend.

c) Total net assets

The Company achieved significant improvement in its financial position with net assets as of March 31, 2018 totaling ¥905.9 billion, an increase of ¥286.0 billion compared with the end of the previous fiscal year, reflecting a ¥162.3 billion current net income attributable to owners of the parent company as well as capital and capital surplus increasing by ¥59.7 billion, respectively, as a result of the public share offering.

Consequently, the equity ratio as of March 31, 2018 was 29.7%, improving 7.6 points from 22.1% at the end of the previous fiscal year.

(v) Investment in plant and equipment:

The amount of investment in plant and equipment of the Group for fiscal year 2017 totaled ¥59.4 billion, which was principally used as follows:

Segment	Principal investment in plant and equipment
Petroleum products	Restructuring, maintenance and renewal of facilities of the refineries; enhancement, maintenance and renewal of sales facilities of service stations
Petrochemical products	Restructuring, maintenance and renewal of production facilities
Resources	Development and maintenance of oil fields; maintenance and renewal of coal production facilities, etc.
Others	Development related to electronic materials and enhancement of manufacturing facilities, etc.

(vi) Financing:

The Group's working capital requirements derive mainly from the purchases of raw materials for the manufacture of products, and fluctuate in response to crude oil prices and foreign exchange rates. During fiscal year 2017, its working capital increased due to a rise in oil prices; however, the balance of short-term borrowings decreased by ¥214.7 billion compared with the end of the previous fiscal year. This decrease was due to the Group's repayment of part of the short-term borrowings obtained for the acquisition of Showa Shell Sekiyu K.K. shares by appropriating the funds procured through the issuance of new shares (119.5 billion yen, issued in July 2017), and conversion of the remaining part of such short-term borrowings to long-term borrowings and bonds (the 5th Series Unsecured Straight Bonds; amount of issue: 10 billion yen; term: 5 years; issued in December 2017).

The Group made a capital investment in the amount of 59.4 billion yen in fiscal year 2017, and with regard to the required funds for such capital investment, appropriated part of the funds procured by the above-mentioned issuance of new shares and its own funds.

As a result, the balance of interest-bearing debt at the end of fiscal year 2017 for the Group was ¥893.6 billion, a decrease of ¥158.7 billion compared with the end of the previous fiscal year.

(2) Assets and income/loss:

Item	100th year April 1, 2014 - Mar. 31, 2015	101st year April 1, 2015 - Mar. 31, 2016	102nd year April 1, 2016 - Mar. 31, 2017	103rd year (current year) April 1, 2017 - Mar. 31, 2018
Net sales (million yen)	4,629,732	3,570,202	3,190,347	3,730,690

Ordinary income (loss) (million yen)	(107,618)	(21,903)	139,968	226,316
Net income (loss) attributable to owners of the parent (million yen)	(137,958)	(35,993)	88,164	162,307
Net income (loss) per share (yen)	(862.50)	(225.03)	551.19	845.17
Total assets (million yen)	2,731,001	2,402,118	2,641,633	2,920,265
Net assets (million yen)	630,384	537,660	619,932	905,929
Net assets per share (yen)	3,671.39	3,129.93	3,649.83	4,177.40

(3) Major parent company and subsidiaries:

(i) Relationship with the parent company:

Not applicable.

(ii) Major subsidiaries:

Name	Capital	Ratio of voting rights of the Company (%)	Main business
Idemitsu Tanker Co., Ltd.	¥1,000 million	100.0	Transportation of crude oil and petroleum products
Idemitsu Retail Marketing Co., Ltd.	¥80 million	100.0	Sale of petroleum products
Idemitsu Supervising Co., Ltd.	¥10 million	100.0	Sale of petroleum products
S.I. Energy Co., Ltd.	¥500 million	100.0	Sale of petroleum products
IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	US\$245,156 thousand	100.0	Import, export and trading of crude oil, petroleum products, etc.
IDEMITSU APOLLO CORPORATION	US\$165 thousand	100.0	Import, export and sale of petroleum products, etc.
Idemitsu Unitech Co., Ltd.	¥2,600 million	100.0	Manufacture and sale of plastic products
Idemitsu Petroleum Norge AS	NOK727,900 thousand	100.0	Investigation, exploration, development and sale of oil resources
IDEMITSU AUSTRALIA RESOURCES PTY LTD	A\$106,698 thousand	100.0	Investigation, exploration, development and sale of coals

Name	Capital	Ratio of voting rights of the Company (%)	Main business
Idemitsu Canada Resources Ltd.	C\$131,167 thousand	100.0	Investigation, exploration, development and sale of uranium resources in Canada
Idemitsu Canada Corporation	C\$334,000 thousand	100.0	Investigation and promotion of gas and related businesses in Canada
SDS Biotech K.K.	¥810 million	69.7	Production, import and sales of agricultural chemicals

(Notes) 1. The "Ratio of voting rights of the Company" is shown by including those held indirectly through its subsidiaries.

2. The "Ratio of voting rights of the Company" is shown by calculating down to the third decimal place and thereafter rounding upward or downward to the nearest second decimal place, as the case may be.

(4) Issues to be addressed:

The Group has developed its Fifth Consolidated Medium-term Management Plan, covering the three year period from fiscal year 2018 through fiscal year 2020, as described below, as well as formulated its management vision and management goal for 2030, which is based on long-term environmental forecasts.

(i) Understanding of current conditions

- a) The Company's business structure depends heavily for earnings on the three businesses of petroleum, oil exploration and production, and coal. The importance of these businesses, which are connected directly to our social mission of ensuring a stable supply of energy, will remain unchanged in the future as well.
- b) Meanwhile, there is an issue with continuing overdependence on these three businesses for sustainable growth because of uncertainty in earnings due to fluctuations in resource prices and market conditions, and also in light of the promotion of global warming countermeasures with consideration for the Paris Agreement (on climate change).
- c) In addition, the sources of energy that are in demand today are changing with the times. As such, there is a need for our business structure, which is suited to these changes.

(ii) Management vision and targets for 2030

a) Management vision

The Group has identified as its vision for 2030, "We are an international energy company who creates new value while seeking harmony with the Earth" in each country, with a focus on Japan and Asia. To realize this vision, we will aim to transform ourselves into a resilient corporate entity, by taking on the following challenges:

- Supporting the social infrastructure as a supplier of energy and materials
- Contributing to enrich society and people's lives through functional materials
- Contributing to economic development in individual countries and regions using the technologies and expertise we have built up in Japan
- Creating new businesses through development of next-generation materials and services

b) Management targets (2030)

We aim to enhance our earnings potential while transforming ourselves with a resilient portfolio—through structurally reforming the petroleum, resource, and other businesses, growing our businesses in growth markets and growth fields, and creating new businesses.

- (a) Operating income (including income from equity method affiliates) of JPY250 billion
- (b) Achieving a structure in which the three businesses account for no more than 50% of operating income (JPY120 billion)
- (c) Achieving a structure in which businesses in growth markets and growth fields and new businesses account for at least 40% of operating income

(iii) Fifth Consolidated Medium-term Management Plan (FY2018-2020)

a) Priority topics

- (a) Realizing a resilient business portfolio
 - Structural reforms to the three businesses of petroleum, oil exploration and production, and coal
 - Business expansion in growth markets and growth fields
 - Creation of new businesses towards 2050
- (b) Enhancing initiatives from the perspectives of the environment, society, and governance

b) Management targets (FY2020)

- (a) Operating income (including income from equity method affiliates) of JPY203 billion
- (b) Net income of JPY130 billion
- (c) Return on equity (ROE) of more than 10% (Net income/Shareholders equity)
- (d) Net D/E ratio* of 0.7 or less
 - * (“Interest-bearing debt” - “Cash and deposits and Short-term investment securities”)/ (“Net assets” - “Noncontrolling interests”)

c) Cash-flow allocation

We aim to carefully select investments for our future growth and secure free cash flows in the amount of JPY180 billion (3-year total), and proceed to increase returns to shareholders and improve financial structure.

d) Investment strategies

Total investment: JPY390 billion (3-year total: strategic investments of JPY260 billion and maintenance investments of JPY130 billion)

Of the strategic investments, JPY160 billion will be allocated to investing in growth and creating new businesses, and JPY100 billion will be allocated to strengthening the business foundation.

(a) Investing in growth; creating new businesses

Petroleum (overseas): Business expansion; Resource: Gas field development (new fields); Lubricants: Enhancing overseas facilities; Electronic materials: Enhancing OLED production capacity; New businesses: Developing new materials, etc.

(b) Strengthening the business foundation

Petroleum (domestic): Maintaining the retail network, improving refining facilities; Resource: maintaining the foundation

(e) Returns to shareholders

We intend to enhance returns to shareholders in stages, reflecting the conditions of earnings and free cash flow and based on a policy of stable dividends.

[Matters to be addressed by the Company]

(i) Environment recognition:

The Japanese economy has continued to follow a moderate recovery path in terms of consumer spending and employment conditions. Further, we forecast that the economy overseas will also remain steady in the U.S. and Asia, as well as in Europe, the economy of which is recovering. However, in addition to the increased geopolitical risks identified in regions such as the Middle East and Asia, the protectionist policy trends in certain developed nations may dampen the worldwide economies; accordingly, the economic conditions do not allow us to be optimistic about the future.

Although the decrease in medium- to long-term demand for petroleum products in the domestic market is inevitable due to dissemination of electric automobiles and plug-in hybrid vehicles (PHVs), as well as due to the development in energy conservation technologies, steady growth in demand for energy is expected overseas in the foreseeable future, particularly in emerging Asian countries.

(ii) Specific issues for each segment

The specific issues for each segment under the above-mentioned Fifth Consolidated Medium-term Management Plan are as explained in the following.

a) Petroleum products segment

In the domestic fuel oil business, the Company will aim to rapidly achieve synergies and promote an alliance with Showa Sekiyu K.K. (target annual synergies of a total of ¥30 billion/year or more from 2019 for both companies). Further, the Company will commit itself to introducing new business menus to strengthen retailer and retail outlet operating capabilities, and enhancing the cost competitiveness and reliability of facility operations in light of changes in the environment and under law.

Overseas, the Company will strive to strengthen its value chain, with a focus on the Pan-Pacific region (Southeast Asia, Oceania, West Coast of the Americas), where the demand for petroleum products is expected to grow, with a target annual volume of 21 million kl in fiscal year 2020. Further, the Company aims to timely achieve stable full-scale operations of the Nghi Son Refinery and Petrochemical Complex in Vietnam.

In the lubricants business, the Company will build or enhance the capacity of the overseas factories, with a focus in Southeast Asia, China, and the United States, and reinforce sales of Idemitsu brand automotive lubricant oil and industrial lubricant oil/grease.

b) Petrochemical products segment

In the basic chemicals business, the Company will, in the field of olefin, achieve high capacity utilization and stable earnings by providing raw materials to industrial complexes, and will aim to enhance cost competitiveness by diversifying raw materials and enhancing equipment efficiency. In the field of aroma, the Company will increase sales of paraxylene and benzene due to the commencement of operations of the Nghi Son Refinery and Petrochemical Complex in Vietnam.

In the performance materials business, the Company will expand its operations in growing markets by leveraging proprietary technologies in the field of engineering plastics such as syndiotactic polystyrene (SPS) resin and polycarbonate resin, as well as in the field of adhesive materials such as hydrogenated petroleum resin and functional soft polypropylene. Further, with regard to hydrogenated petroleum resin, the Company is constructing manufacturing equipment in Taiwan which will produce 25,000 tons/year through Idemitsu Formosa Specialty Chemicals Corporation, a joint venture that the Company established with Formosa Petrochemical Corporation (“FPCC”) (commencement of operation expected in 2019), and in addition, the Company is considering constructing a new manufacturing device overseas for SPS resin.

c) Resources segment

In the oil exploration and production business, while securing reserves through oil field development in Norway, the Company will develop new gas fields in Vietnam and enter into the gas business in Southeast Asia.

In the coal business, the Company will strive to further strengthen the competitiveness of its entire value chain composed of operation of mines owned by the Company, procurement, logistics and marketing. Further, in order to implement low carbon solutions, the Company will work to enhance the leveraging of its coal & environment research laboratory's combustion technology, as well as examine/promote environment-friendly operations by developing/producing new biomass fuel which allows for mixed combustion with coal, etc.

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

In the geothermal business, in addition to the maintenance of stable operation of Idemitsu Oita Geothermal, the Company will examine/implement new projects (in the Oyasu region of Akita Prefecture, Amemasudake region of Hokkaido, etc.).

d) Other segments

In the electronic materials business, the Company aims to strengthen its relationships with key Korean/Chinese display manufacturers, reinforce its proprietary development capabilities and expand strategic alliances with materials manufacturers, and capture increasing OLED demand by enhancing production capacity.

In the agricultural biotechnology business, the Company will deploy businesses which cater to the demands that contribute to food safety and address the increasing demand for food through disseminating and reinforcing sales overseas, including existing biological pesticides, chemical pesticides, the RUMINUP® series products that provide feed mixes for cows and beef cattle, and Crosstop®, which provides feed mixes for chickens.

In the gas business, the Company will conduct studies on commercialization of the business through Himeji Natural Gas Power Generation Co., Ltd. and will make efforts to further expand export and sales to Asian countries of LPG from North America.

In the renewable energy business, the Company will conduct studies on the development of electric power sources, such as wind power, biomass, solar light, and hydraulic power, and expand the electricity retailing business, which will actively utilize renewable energy sources.

(iii) Financial issues:

The Company significantly improved its financial position, with the net D/E ratio decreasing to a level below 1.0 as a result of recording the net income attributable to owners of the parent company due to the attainment of high earnings, and as a result of the capital increase due to the public share offering in July 2017. In the future, the Company will actively promote business development in the growth markets in order to advance the Fifth Consolidated Medium-term Management Plan. As a result, the Company considers it necessary to further reinforce its financial base in order to enhance its financing capabilities to strengthen its risk countermeasures and overseas development, and will aim to achieve a net D/E ratio of 0.7 or below by the end of the 2020 fiscal year.

(iv) Consideration of business integration with Showa Shell Sekiyu K.K.:

The Company entered into a Share Purchase Agreement on July 30, 2015 to acquire Showa Shell Sekiyu K.K. shares from the subsidiary companies of Royal Dutch Shell plc (“RDS”), and has since been proceeding with discussions for business integration with Showa Shell Sekiyu K.K.

The Company has received a notice from the Japan Fair Trade Commission on December 19, 2016, to the effect that the Japan Fair Trade Commission will not issue a cease and desist order, provided that remedial measures proposed by the Company and Showa Shell Sekiyu K.K. are taken and the Company has completed the acquisition of 117,761,200 shares of Showa Shell (31.3% of the voting rights) from RDS.

In addition, the Company signed an agreement on May 9, 2017 regarding the formation of an alliance with Showa Sekiyu K.K. to enhance and promote the business collaboration.

The substance of the agreement is as follows.

a. Objectives

We will form the alliance as equal partners, and extensively deepen our business collaboration while restarting or accelerating the processes for the business integration, and make the most use of our time prior to achievement of the business integration and realize synergies during that period in order to further enhance the corporate value of the companies.

b. Name of the alliance: Brighter Energy Alliance

c. Details of the alliance

- (a) Realization of synergies from the integration in the domestic petroleum business
 - Optimization of crude oil purchase and transport, as well as optimization of production planning
 - Interchange of finished products and intermediate products, including at

- the scheduled shut down maintenance period of a refinery, to optimize production
- Improvement of efficiency of logistics network (land and marine)
- Reduction of refinery costs
- Implementation of best practices to save energy and improve refinery margin
- Reduction of procurement costs by enhancing joint procurement
- (b) Synergy target
We will strive to realize a total of 30 billion yen or more of annual synergies for both companies from 2019.
- (c) Alignment of business strategies in overlapping business areas between the companies
- (d) Consideration of strategies for the alliance group and the integrated new company
- (e) Promotion of harmonization between personnel of the companies
- (f) Development of new services from the perspective of customers
- (g) Further promotion of social contribution activities
- (h) Promotion of initiatives to realize a low-carbon society

As set out above, in order to make substantial breakthroughs as a leading company in the industry with an outstanding competitiveness and a new energy company of Japanese origin, the Company intends to accelerate its efforts for the business collaboration with Showa Sekiyu K.K., and will continue with discussions for business integration.

Further, the Company and Showa Seikyu K.K. commenced personal interactions between their personnel divisions to promote mutual understanding in November 2017, and extended these personal interactions to the officer level in April 2018. In terms of organization, the offices of certain divisions of each company merged in March 2018. Through such processes, we are securely promoting harmonization of organizations and personnel.

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

(5) Major businesses (as of March 31, 2018):

Segment	Major businesses
Petroleum products	Import, refinement, production and sale of crude oil, petroleum products and lubricants, and transportation and storage relating thereto; sale of service station products
Petrochemical products	Production and sale of petrochemical products
Resources	Investigation, exploration, development and sale of oil resources, geothermal resources, coal and uranium
Others	Import, purchase and sale of gas; production and sale of electronic materials; design, construction, maintenance and

Segment	Major businesses
	management of petroleum-related facilities; insurance sales business; credit card services; production, import and sale of agricultural chemicals; renewable energy business; oil and energy solutions business

(6) Major business offices and plants (as of March 31, 2018):

(i) The Company:

Category	Offices
Head office	1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Refineries	Hokkaido (Tomakomai), Aichi (Chita)
Complexes	Chiba (Ichihara), Tokuyama (Shunan)
Branch Office	Hokkaido First, Second, Third (Sapporo), Tohoku First (Sendai), Tohoku Second (Morioka), Kanto First, Second, Third (Chuo-ku, Tokyo), Kita-Kanto First, Second (Saitama), Niigata (Niigata), Matsumoto (Matsumoto), Tokai First, Second (Nagoya), Hokuriku (Kanazawa), Kansai First (Kyoto), Kansai Second (Osaka), Kansai Third (Kobe), Chugoku First (Hiroshima), Chugoku Second (Okayama), Shikoku (Takamatsu), Kyushu First, Second (Fukuoka), Kyushu Third (Kagoshima)
Industrial Fuel Sales Office	Hokkaido (Sapporo), Higashi Nihon (Chuo-ku, Tokyo), Naka Nihon (Nagoya), Chugoku/Shikoku (Hiroshima), Kyushu (Fukuoka)
Overseas offices	Middle East (Abu Dhabi), Hanoi (Vietnam)
Laboratories	Advance Technology Research Laboratories (Sodegaura), Lubricants Research Laboratory (Ichihara), Performance Materials Laboratories (Ichihara)

(Note) The Company made the following structural changes:

- (a) The Chiba Complex was newly established by integrating the Chiba Refinery and the Chiba Petrochemical Plant on October 1, 2017.
- (b) The branch offices and industrial fuel sales offices were closed on April 1, 2018 and the following eight branches were newly established: Hokkaido Branch (Sapporo), Tohoku Branch (Sendai), Kanto First Branch (Chuo-ku, Tokyo), Kanto Second Branch (Saitama), Chubu Branch (Nagoya), Kansai Branch (Osaka), Chugoku/Shikoku Branch (Hiroshima) and Kyushu Branch (Fukuoka).

(ii) Subsidiaries:

Name	Address
Idemitsu Tanker Co., Ltd.	Chiyoda-ku, Tokyo
Idemitsu Retail Marketing Co., Ltd.	Chuo-ku, Tokyo
Idemitsu Supervising Co., Ltd.	Chiyoda-ku, Tokyo
S.I. Energy Co., Ltd.	Shinjuku-ku, Tokyo
IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	Singapore

IDEMITSU APOLLO CORPORATION	Sacramento, U.S.A.
Idemitsu Unitech Co., Ltd.	Minato-ku, Tokyo
Idemitsu Petroleum Norge AS	Lysaker, Norway
Idemitsu Australia Resources Pty Ltd	Brisbane, Australia
Idemitsu Canada Resources Ltd.	Calgary, Canada
Idemitsu Canada Corporation	Calgary, Canada
SDS Biotech K.K.	Chuo-ku, Tokyo

(7) Employees (as of March 31, 2018):

(i) Employees of the Group:

Segment	Number of employees	Change from the end of the previous fiscal year
Petroleum products	6,178 (3,247)	+ 290
Petrochemical products	1,364 (157)	- 158
Resources	677 (39)	+ 6
Others	736 (259)	- 322
Total	8,955 (3,702)	- 184

(Notes) 1. The number of employees represents the number of those actually at work: the number of temporary workers is shown in the parentheses separately.

2. The number of employees decreased by 322 from the end of the previous fiscal year, due to, among other factors, the sale of overseas consolidated subsidiaries in the segment "Others".

(ii) Employees of the Company:

Number of employees	Change from the end of the previous fiscal year	Average years of age	Average length of service
3,926 (664)	- 75	42 y/s and 4 m/s	20 y/s and 1 m

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

(8) Major lenders (as of March 31, 2018):

Lender	Debt payable
Sumitomo Mitsui Banking Corporation	¥91,624 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥64,948 million
Sumitomo Mitsui Trust Bank, Limited	¥61,797 million

Development Bank of Japan Inc.	¥57,900 million
Japan Oil, Gas and Metals National Corporation	¥54,999 million
Mizuho Bank, Ltd.	¥33,212 million
Japan Bank for International Cooperation	¥26,285 million
Mitsubishi UFJ Trust and Banking Corporation	¥25,956 million

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. as of April 1, 2018.

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

Not applicable.

2. Current state of the Company

- (1) Shares (as of March 31, 2018):

- (i) Total number of authorized shares: 436,000,000 shares
- (ii) Total number of issued shares: 208,000,000 shares
- (iii) Number of shareholders: 17,832 persons
- (iv) Major shareholders (top 10):

Name	Number of shares (thousand shares)	Shareholding ratio (%)
Nissho Kosan K.K.	27,119	13.04
Idemitsu Culture and Welfare Foundation	12,392	5.96
Idemitsu Museum of Arts Foundation	8,000	3.85
Japan Trustee Services Bank, Ltd. (Trust account)	6,920	3.33
The Master Trust Bank of Japan, Ltd. (Trust account)	6,796	3.27
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,142	2.47
Sumitomo Mitsui Banking Corporation	5,142	2.47
Sumitomo Mitsui Trust Bank, Limited	5,142	2.47
Munakata Godo Gaisha	4,974	2.39
Idemitsu Employee Stockholders Committee	4,938	2.37

(Notes) 1. The shareholding ratios are calculated by excluding the shares of treasury stock of the Company (47,617 shares).

2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its trade name to MUFG Bank, Ltd. as of April 1, 2018.

- (2) Stock acquisition rights, etc.:

Not applicable.

(3) Corporate officers:

(i) Directors and Statutory Auditors (as of March 31, 2018):

Position	Name	Duties and major concurrent office
Representative Director & Chief Executive Officer	Takashi Tsukioka	
Executive Vice President and Director	Takashi Matsushita	In charge of technology division (lubricants, functional materials, intellectual property/research), chemicals business and Vietnam project, and concurrently serves as Division Manager, Safety and Environmental Protection Division, and Division Manager, Quality Assurance Division
Executive Vice President and Director	Shunichi Kito	In charge of fuel business division (sales, new energies/logistics, overseas/supply and demand, and manufacturing and technology)
Managing Director	Susumu Nibuya	In charge of corporate planning, and public relations and CSR (Corporate Planning Department, and Public Relations and CSR Office) and responsible for the resources division
Director	Kazuo Maruyama	In charge of supervising chemicals business (Petrochemical Business Department, Advanced Materials & Performance Chemicals Department, Idemitsu Unitech, and Prime Polymer)
Director	Toshiaki Sagishima	In charge of accounting, general affairs, information systems (Treasury Department, General Affairs Department, Information System Department, and Idemitsu Insurance Service), and concurrently serves as Chairman of Compliance & Risk Management Committee
Director	Kiyoshi Honma	In charge of supervising overseas/supply and trading(Integrated Supply & Trading Department, Overseas Petroleum & Gas Department, Idemitsu Tanker, Idemitsu International (Asia), Tomatoh Oil Storage, and Hokkaido Joint Oil Stockpiling) and concurrently serves as General Manager of Overseas Petroleum & Gas Department
Director	Eri Yokota	Professor, Faculty of Business and Commerce, Keio University Director, TOLI Corporation
Director	Ryosuke Ito	Attorney at law (TMI Associates) Director, Japan Baseball Marketing K.K.

Position	Name	Duties and major concurrent office
Director	Takeo Kikkawa	Director, Mitsubishi Chemical Holdings Corporation Professor, Graduate School of Innovation Studies, Tokyo University of Science
Director	Mackenzie Clugston	Director, Kameda Seika Co., Ltd. Professor, Kwansei Gakuin University Director, Sapporo Holdings Limited
Full-time Statutory Auditor	Takanori Kuniyasu	
Full-time Statutory Auditor	Sakae Hirano	
Statutory Auditor	Taigi Ito	Certified Public Accountant (Ito Taigi Office) Statutory Auditor, TIS Inc. Director, Mitsubishi Chemical Holdings Corporation
Statutory Auditor	Shoichiro Niwayama	Attorney at law (Asahi Law Office)

(Notes) 1. Directors Ms. Eri Yokota, Mr. Ryosuke Ito, Mr. Takeo Kikkawa, and Mr. Mackenzie Clugston are Outside Directors.

2. Statutory Auditors Messrs. Taigi Ito, and Shoichiro Niwayama are Outside Statutory Auditors.

3. Statutory Auditor Mr. Sakae Hirano, who has had experience in accounting practices as a Manager of Accounting Section and Deputy General Manager of Accounting Department of the Company, has considerable knowledge of financing and accounting.

4. Statutory Auditor Mr. Taigi Ito, who has had experience as a certified public accountant and a university professor, has considerable knowledge of financing and accounting.

5. Director Mr. Takeo Kikkawa, who was a university professor at the Graduate School of Innovation Studies, Tokyo University of Science, became a university professor at the Graduate School of Management, Tokyo University of Science as of April 1, 2018 due to the reorganization of the Graduate School.

6. Directors Ms. Eri Yokota, Mr. Ryosuke Ito, Mr. Takeo Kikkawa, and Mr. Mackenzie Clugston and Statutory Auditors Messrs. Taigi Ito and Shoichiro Niwayama are independent officers who have been registered in accordance with the rules of the Tokyo Stock Exchange.

7. Directors who resigned during the fiscal year under review are as below:

Name	Date of resignation	Ground of resignation	Position, duties, and important concurrent office at the time of resignation
Daisuke Seki	March 28, 2018	Resigned	Executive Vice President and Representative Director (Assistant to Representative Director and Chief Executive Officer)

8. Changes in the positions of the Directors following the end of the fiscal year under review are as below:

Name	Position before the change	Position after the change	Date of the change
Takashi Tsukioka	Representative Director and Chief Executive Officer	Chairman and Representative Director	April 1, 2018
Shunichi Kito	Executive Vice President and Director	Representative Director and Chief Executive Officer	April 1, 2018
Takashi Matsushita	Executive Vice President and Director	Executive Vice President and Representative Director	April 1, 2018

<Reference> Corporate Governance Efforts

After adding two more Outside Directors in 2017, the Board of Directors of the Company is composed of eleven Directors under the President, four of which are independent Outside Directors and include women and non-Japanese directors, which secures independence and diversity.

Moreover, in 2017, the Nomination and Remuneration Advisory Committee was established as an advisory body for the Board of Directors. The committee is composed of two independent Outside Directors and one independent Outside Statutory Auditor. The independent Outside Director serves as the chairman of the committee, who, in the selection of candidates for a new President and the selection of candidates for Directors and Statutory Auditors proposed to the Ordinary General Meeting of Shareholders, conducts multilateral evaluations and reports to the Board of Directors. Further, with respect to the determination of the remuneration of the Directors, the committee makes efforts to ensure the process is transparent by reporting to the consultations of the Board of Directors based on objective data.

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

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

Category	Number	Total amount of remuneration, etc.
Director (Outside Director)	15 (4)	¥679 million (¥35 million)
Statutory Auditor (Outside Statutory Auditor)	5 (3)	¥77 million (¥22 million)
Total (Outside Director and Outside Statutory Auditor)	20 (7)	¥757 million (¥57 million)

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

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

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

(iii) Matters concerning outside officers:

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

Not applicable.

- (b) Outside officers' major concurrent offices of outside offices of other corporations and the Company's relationships with such other corporations:

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

Director Mr. Ryosuke Ito is serving as an Outside Director for Japan Baseball Marketing K.K. The Company has no special relationship with the corporation.

Director Mr. Takeo Kikkawa is serving as an Outside Director for Mitsubishi Chemical Holdings Corporation. The Company has no special relationship with the corporation.

Director Mr. Mackenzie Clugston is serving as an Outside Director for Kameda Seika Co., Ltd. and Sapporo Holdings Limited. The Company has no special relationship with these corporations.

Statutory Auditor Mr. Taigi Ito is serving as an Outside Statutory Auditor for TIS Inc. and as an Outside Director for Mitsubishi Chemical Holdings Corporation. The Company has no special relationship with these corporations.

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

Not applicable.

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

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

		Board of Directors		Board of Statutory Auditors	
		Meetings attended	Rate of attendance	Meetings attended	Rate of attendance
Director	Eri Yokota	16/16	100%	-	-
Director	Ryosuke Ito	16/16	100%	-	-
Director	Takeo Kikkawa	12/12	100%	-	-
Director	Mackenzie Clugston	11/12	92%	-	-
Statutory Auditor	Taigi Ito	16/16	100%	18/18	100%
Statutory Auditor	Shoichiro Niwayama	16/16	100%	18/18	100%

Director Ms. Eri Yokota, principally from the standpoint of accounting as a university professor, Director Mr. Ryosuke Ito, principally from a legal standpoint as an attorney at law, Director Mr. Takeo Kikkawa, principally from the standpoint of a specialist in the theory of energy industry as a university professor, and Director Mr. Mackenzie Clugston, principally from the global standpoint regarding the overall businesses with broad experience as a diplomat and a university professor, have respectively expressed their opinions at the meetings of the Board of Directors and provided advice and recommendations for securing the properness of decision-making by the Board of Directors.

Statutory Auditor Mr. Taigi Ito, principally from the standpoint of accounting with broad experience as a certified public accountant and a university

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

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

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

(4) Account auditors:

(i) Names of the account auditors:

Deloitte Touche Tohmatsu LLC

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

	Amount of remuneration, etc.
Amount of remuneration, etc. payable to the account auditors for the fiscal year under review:	¥167 million
Total amount of money and other proprietary benefits payable to the account auditors by the Company and its subsidiaries:	¥264 million

- (Notes) 1. The amount of remuneration, etc. payable to the account auditors for audits under the Companies Act of Japan and the amount of remuneration, etc. payable for audits under the Financial Instruments and Exchange Act of Japan are not separated in the audit agreement between the Company and the account auditors. Hence, the above amount of remuneration, etc. payable to the account auditors for the fiscal year under review includes both amounts.
2. The total amount of money and other proprietary benefits payable to the account auditors by the Company and its subsidiaries includes remuneration for services (non-auditing services), which are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan, entrusted to Deloitte Touche Tohmatsu LLC.
3. Among the important subsidiaries of the Company, the overseas subsidiaries were audited by a certified public accountant or audit firm (including those who have an equivalent certification in a foreign country) other than the Company's account auditors.

- (iii) Reasons for the Board of Statutory Auditors to consent to the remuneration, etc. of the account auditors:

The Board of Statutory Auditors obtained necessary materials and received reports from the relevant divisions of the Company and the account auditors, and confirmed and verified the content of the audit plan of the account auditors, the status of the execution of their account auditing duties, the basis for calculation of the remuneration estimate, etc. As a result, the Board of Statutory Auditors determined that the remuneration, etc. of the account auditors was appropriate and consented thereto pursuant to Article 399, paragraph 1 of the Companies Act of Japan.

- (iv) Content of non-auditing services:

The Company has paid the account auditors remuneration for services (non-auditing services), including the preparation of comfort letters, not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan.

- (v) Policy on the determination of dismissal or non-reappointment of the account auditors:

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

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

The Board of Directors of the Company considers the return of profits to its shareholders as one of the most important management issues. The Company will continue to pay dividends on a constant basis after taking into due consideration strategic investments to enhance existing businesses and develop future business operations, the improvement of corporate financial structure and balance with business performances. With respect to the payment of the year-end dividends for the fiscal year ended March 31, 2018, the Company has decided to pay ¥40 per share. As a result, annual dividends for the fiscal year will be ¥80 per share.

For the fiscal year ending March 31, 2019, the Company plans to pay annual dividends of ¥100 per share by increasing the annual dividend amount by ¥20 per share.

The Company will commence activities under the Fifth Consolidated Medium-term Management Plan for the three-year period starting in the 2018 fiscal year. Under the Plan, we intend to enhance returns to shareholders in stages, reflecting the conditions of earnings and free cash flow and based on a policy of stable dividends.

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

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

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

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

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

- (a) The Board of Directors of the Company shall, pursuant to the Regulations of the Board of Directors, determine important matters and supervise the execution of business.
- (b) Pursuant to the Compliance Regulations, the Company shall establish an Operational Risk Management and Compliance Committee to promote compliance activities for the Company and its subsidiaries.
- (c) The Company shall make use of the Compliance Handbook that sets action guidelines on compliance with law to raise awareness of compliance.
- (d) The Company shall establish, and allow the employees of the Company and its subsidiaries in and outside Japan to make use of, compliance contact offices within and outside of the Company to help solve questions and problems with regard to compliance and to promptly identify, rectify and prevent any problems.
- (e) The Internal Audit Office shall conduct audits to verify the appropriateness of business activities and the state of execution of business pursuant to the internal rules at each business division of the Company and its subsidiaries.

- (ii) Systems concerning storage and management of information on the execution by the Directors of the Company of their duties:

Information on the execution by the Directors of their duties shall be stored and managed pursuant to the Regulations of the Board of Directors, the Document Handling Regulations, the Circular Decision Document Handling Regulations and other internal rules.

- (iii) Regulations concerning management of exposure to the risk of loss of the Company and its subsidiaries and other systems:

- (a) The Company shall establish an Enterprise Risk Management Committee with the President acting as the Committee Chair where issues including potential management risks are discussed to respond to risks by projecting changes in the environment and their impact.
 - (b) Pursuant to the Risk Management Regulations, the Company shall establish an Operational Risk Management and Compliance Committee to promote risk management activities.
 - (c) Pursuant to the Manual for Measures upon Outbreak of Crises and other internal rules, the Company shall take measures promptly and properly upon the outbreak of any serious crisis to the Company or any of its subsidiaries.
 - (d) The Company shall institute a Business Continuity Plan (BCP) for measures against an epicentral earthquake in the Tokyo metropolitan area, measures against a new type of influenza, etc., and exert group-wide efforts to implement, maintain and manage the BCP.
 - (e) Each business division shall, pursuant to the Self-Management Regulations, inspect risks to business by using the voluntary inspection list, etc.
 - (f) The Internal Audit Office shall, pursuant to the Internal Control Regulations, conduct audits to verify the state of risk management by each business division.
- (iv) Internal control over financial reporting:
- (a) Pursuant to the Regulations of Internal Control over Financial Reporting, the Company shall establish a system to ensure reliability of financial reporting of the whole Group for the purpose of adequate improvement and administration of internal control on financial reporting.
 - (b) Pursuant to the regulations set forth in (a) above, the Company shall establish a Committee for Evaluation of Internal Control over Financial Reporting, which shall deliberate on and investigate matters concerning annual improvement and administration policies and evaluation plans, matters concerning the determination of the evaluation scope, etc.
 - (c) The Internal Audit Office shall conduct periodic evaluation of the effectiveness of internal control, as well as necessary improvements thereof.
- (v) Severance of all relations with antisocial forces:
- (a) The Company shall deal with any person or group, including any crime syndicate and corporate racketeer, who engages in antisocial activities, violence and illegitimate demand in a resolute attitude and sever all relations therewith.
 - (b) In the event that any antisocial force sets on, the Company shall resolutely refuse without giving in and act properly pursuant to the Manual for Measures against Antisocial Forces.

- (vi) Systems to secure efficient execution by the Directors of the Company of their duties:
 - (a) To secure efficient execution of business, the Company shall have Executive Officers.
 - (b) Pursuant to the Regulations of Duties and Powers and the Regulations of Execution of Business, the Company shall clearly define the roles and authorities of the Board of Directors, Representative Directors and other Directors.
 - (c) As an organ to discuss and deliberate on management strategies and managerial issues of the whole Group and each business division, the Company shall establish a Management Committee comprised of the President acting as chairman and other members appointed by the chairman, which shall meet twice a month, in principle.
- (vii) Systems to secure the properness of business activities of the corporate group comprised of the Company, its parent company and its subsidiaries:
 - (a) In the Affiliated Companies Management Regulations, the Company shall specify subsidiaries under direct control of the President and subsidiaries for which the supervising office shall be responsible, to clearly define responsibilities for business administration. Each subsidiary shall periodically file reports on its performance and other matters.
 - (b) In the Affiliated Companies Management Regulations, the Company shall provide a fundamental policy to the effect that "transactions with affiliated companies shall be based on market prices, in principle", to prevent conflicts of interest.
 - (c) In the Affiliated Companies Management Regulations, the Company shall provide for the rules for assumption of office of directors and statutory auditors of its subsidiaries, pursuant to which the Directors of the Company shall not assume office of directors of the subsidiaries, in principle.
 - (d) The Company shall improve operational efficiencies by utilizing the Group-standard IT infrastructures and integrating the tasks of overhead divisions.
- (viii) Matters concerning the employees to assist the Statutory Auditors of the Company to execute their duties when the Statutory Auditors request the assignment thereof:

The Company shall, upon request from the Statutory Auditors, assign its employees as staff of the Statutory Auditors' Secretariat to assist the Statutory Auditors to execute their duties.
- (ix) Matters to secure the independence of the employees set forth in (viii) above from the Directors and the effectiveness of directions given to the employees:
 - (a) Staff at the Statutory Auditors' Secretariat shall serve on a full-time basis.

The final decision on personnel changes, evaluations, etc. of the Statutory Auditors' staff shall be subject to consent of the Statutory Auditors, which shall be provided for in the internal rules of the Personnel Department.

- (b) In the Regulations of Segregation of Duties, the Company shall provide for the duties of the Statutory Auditors' Secretariat.
- (x) System for reporting by the Directors and employees of the Company and its subsidiaries and the statutory auditors of the subsidiaries to the Statutory Auditors (the Board of Statutory Auditors) of the Company and other systems for reporting to the Statutory Auditors of the Company:
 - (a) The Directors, the Executive Officers, the Senior Executive Officers, the head of each business division and the General Manager of Safety and Environmental Protection and Quality Assurance Department shall, pursuant to the Regulations of Execution of Business, report the specified matters to the Statutory Auditors.
 - (b) The Internal Audit Office shall, pursuant to the Internal Audit Regulations, report the results of audits to the Statutory Auditors.
 - (c) The Operational Risk Management and Compliance Committee shall periodically report the state of consultations and measures at the Compliance Contact Offices to the Statutory Auditors.
- (xi) System to ensure the prevention of unfair treatment of the person who has given a report under (x) above because of such report:
 - (a) It shall be prohibited to treat unfairly the person who has given a report under (x) above because of such report.
 - (b) The Operational Risk Management and Compliance Committee shall decree that any person shall not be treated unfairly because of consulting with the Compliance Contact Offices and stipulate in the Compliance Handbook to that effect and make it thoroughly educated through training and other sessions.
- (xii) Matters concerning the policy to pay expenses incurred by the Statutory Auditors in executing their duties:

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

[Summary of the status of the operation of the systems to secure the properness of business activities (so-called "internal control systems")]

The Company, in accordance with the "systems to secure the properness of business activities (so-called "internal control systems")" resolved by its Board of Directors, has established and operated the internal control systems of the Company and its subsidiaries.

The Company plans to revise the "systems to secure the properness of business activities (so-called "internal control systems")" every year after the institution thereof. During the fiscal year under review, the Company operated the systems pursuant to the resolution made at the meeting of the Board of Directors held in May 2017.

As a result of the discussions by the Board of Directors, it was evaluated that the effectiveness of the Board of Directors was ensured during the fiscal year under review. In addition to the above, major activities for internal control that were considered important during the fiscal year under review are as described below:

- (i) Activities for compliance:
 - (a) During the fiscal year under review, the Compliance Committee held four meetings, and the compliance status was confirmed and the compliance efforts were deliberated.
 - (b) The Company has exerted its efforts to raise awareness of compliance by disseminating the Compliance Handbook and compliance-related cases in and outside of the Company through training sessions held by the Compliance Committee for its business offices and subsidiaries nationwide, training sessions held by its human resources division for new employees and training sessions for new managers, as well as by utilizing its intranet. During the fiscal year under review, the Company started distributing a monthly compliance e-mail newsletter to the employees.
 - (c) The details of consultations handled and measures taken by the Compliance Contact Offices have been reported to the Compliance Committee to respond to each case and implement measures to promote compliance in the future. During the fiscal year under review, the Company considered establishing Compliance Contact Offices easily accessible by overseas employees, and decided to establish them in the 2018 fiscal year.
 - (d) The Company established a Procurement Committee and started deliberations to increase transparency, fairness and propriety of decision-making for procurement transactions.
- (ii) Activities for risk management:
 - (a) During the fiscal year under review, the Risk Management Committee held four meetings. The Committee annually identifies material risks that

require group-wide continued monitoring, and formulates a plan for preparedness and confirms the implementation of the plan. For the 2017 fiscal year, the Committee identified environmental pollution, information system failure, terrorism, etc. as material risks and made efforts to control these risks. Based on the progress of such efforts, the Committee has set the material risks for the 2018 fiscal year.

- (b) For the purpose of risk management, the Company has focused its efforts on requiring an immediate report as soon as any accident, disaster or other emergency is recognized and taking a group-wide countermeasure in an early stage to prevent it from enlarging.
 - (c) With regard to the Business Continuity Plan (BCP) instituted for measures against an epicentral earthquake in the Tokyo metropolitan area, an immense earthquake in the Nankai Trough area and a new type of influenza, the Company has organized comprehensive disaster management drills on a regular basis to ensure it efficient. Simultaneously, by taking into consideration any amendment to the government's disaster projections, the development of earthquake resistant construction of its facilities, including tanks and jetties and points for consideration of the comprehensive disaster management drills, the Company has regularly reviewed the plan to make it updated at all times. In addition, each of the refineries, plants, departments and stores has conducted disaster management drills in preparation for any emergency. During the fiscal year under review, the Company started deliberations and response drills taking into account the growing risks in overseas markets. It also implemented improvements in information security audit systems and other relevant measures to enhance its information security.
 - (d) During the fiscal year under review, the Company established a Credit Committee and started deliberations to respond to the increased credit and receivables risks associated with overseas development or other relevant factors.
- (iii) Measures to ensure effective audits by the Statutory Auditors:
- (a) Through regular meetings held by the Representative Directors with the Statutory Auditors, and sessions of the Management Committee, the Compliance Committee, the Risk Management Committee, etc., the Company has shared with the Statutory Auditors various issues, including those of compliance and risk management.

In addition, the Company has exerted its efforts to make better information exchanges between the Statutory Auditors and the account auditors of the Company and between the statutory auditors of its subsidiaries and the Internal Audit Office and enhance cooperation between the Outside Directors and the Outside Statutory Auditors by holding regular meetings.

- (b) By providing more opportunities to visit its business offices and subsidiaries in and outside of Japan, the Company has enhanced the efficiencies of the

audits by the full-time Statutory Auditors, as well as the Outside Statutory Auditors.

(iv) Measures for internal audits:

- (a) In accordance with its annual internal audit plan, the Company has specified the "status of achievement of management targets", "schemes to prevent and mitigate risks", "status of compliance" and "effectiveness and efficiency of business operations" as key items of internal audits and conducted internal audits of its business offices and subsidiaries in and outside of Japan. During the fiscal year under review, internal audits of 19 departments in total, comprising of 12 domestic departments and 7 overseas departments (including 15 affiliates), were conducted.
- (b) With regard to internal control over financial reporting, the Company has evaluated the status of establishment and operation of the systems and schemes (group-wide internal control) and the status of documentation and operation of business processes (business process control) and has obtained confirmation from the Committee for Evaluation of Internal Control over Financial Reporting.

(v) Measures for management of subsidiaries:

- (a) The Company has formulated Regulations of Duties and Powers universally applicable to the Company and its subsidiaries, and with regard to any issue concerning any of the subsidiaries that is important to the Group, the Company, following careful considerations at its Board of Directors, Management Committee, Investment Committee, etc. in accordance with such regulations, has made a decision.
- (b) The Company has been conducting a study on standardizing and unifying the business processes and systems of the entire Group and centralizing clerical work concerning employee's welfare programs or otherwise to make the business operations of the Group more efficient.
- (c) Audits of the subsidiaries by the Statutory Auditors are as described in item (iii) (b) above and internal audits of the subsidiaries are as described in item (iv) (a) above. During the fiscal year under review, to increase the effectiveness of audits by the statutory auditors of its subsidiaries, the Company decided to implement, and started making transitions to, a system where its employees, who were elected pursuant to the Affiliated Companies Management Regulations and serve as Non-executive Statutory Auditors of subsidiaries, belong to the "Audit & Supervisory Section for Group Company" established in the Internal Audit Office.

(7) Fundamental policy on corporate control:

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

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

CONSOLIDATED BALANCE SHEET
(As of March 31, 2018)

(million yen)

ASSETS

Current assets:	1,222,966
Cash and deposit	88,424
Notes and accounts receivable-trade	486,185
Inventories	535,636
Deferred tax assets	14,730
Other current assets	98,422
Allowance for doubtful accounts	(432)
Fixed assets:	1,697,298
Tangible fixed assets	1,006,782
Buildings and structures	183,269
Machinery, equipment and vehicles	185,959
Land	579,743
Construction in progress	13,057
Other tangible fixed assets	44,753
Intangible fixed assets	20,768
Goodwill	6,723
Other intangible fixed assets	14,045
Investment and other assets	669,746
Investment securities	422,436
Investments in capital of affiliates	25,479
Long-term loans receivable	56,348
Assets for employees' retirement benefits	344
Deferred tax assets	50,066
Oil field premium assets	33,081
Other investments	82,054
Allowance for doubtful accounts	(64)
TOTAL ASSETS	2,920,265

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

(million yen)

LIABILITIES

Current liabilities:	1,162,717
Notes and accounts payable-trade	429,550
Short-term borrowings	142,873
Commercial paper	138,001
Current portion of bonds	25,000
Accounts payable, other	295,421
Accrued income taxes	27,542
Deferred tax liabilities	1,110
Allowance for bonuses	8,111
Other current liabilities	95,106
Long-term liabilities:	851,617
Bonds	40,000
Long-term debt	546,171
Deferred tax liabilities	10,933
Deferred tax liabilities upon revaluation	87,972
Liability for employees' retirement benefits	13,972
Reserve for repair works	27,112
Asset retirement obligations	49,178
Oil field premium liabilities	39,274
Other long-term liabilities	37,002
Total liabilities	2,014,335

NET ASSETS

Shareholders' equity	702,839
Common stock	168,351
Additional paid-in capital	130,875
Retained earnings	403,745
Treasury stocks	(133)
Accumulated other comprehensive income	165,861
Unrealized holding gains on other securities	10,105
Deferred gains (loss) on hedges	(4,083)
Revaluation difference of land	158,171
Translation adjustments	919
Retirement benefit liability adjustment	748
Noncontrolling interests	37,228
Total net assets	905,929
TOTAL LIABILITIES AND NET ASSETS	2,920,265

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

CONSOLIDATED STATEMENT OF INCOME

(April 1, 2017 to March 31, 2018)

(million yen)

Account Title	Amount	
Net sales		3,730,690
Cost of sales		3,236,808
Gross profit		493,882
Selling, general and administrative expenses		292,559
Operating income		201,323
Non-operating income		
Interest income	4,624	
Dividend income	2,796	
Subsidy income	2,764	
Equity in earnings of affiliates	27,229	
Others	2,922	40,338
Non-operating expenses		
Interest expenses	9,655	
Others	5,689	15,345
Ordinary income		226,316
Extraordinary income		
Gain on sales of fixed assets	1,711	
Gain on sales of investment securities	414	
Gain on sale of affiliate stock	12,136	
Others	34	14,297
Extraordinary expenses		
Impairment loss on fixed assets	8,727	
Loss on sales of fixed assets	276	
Loss on disposal of fixed assets	3,104	
Loss on transition to defined contribution pension plan	13,810	
Others	2,529	28,448
Income before income taxes		212,165
Income taxes - current	42,712	
Income taxes - deferred	2,644	45,357
Net income		166,807
Net income attributable to noncontrolling interests		4,500
Net income attributable to owners of the parent		162,307

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(April 1, 2017 to March 31, 2018)

(million yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at April 1, 2017	108,606	71,131	249,549	(131)	429,156
Changes during the year					
Issuance of new stock	59,744	59,744			119,489
Distribution of retained earnings			(12,316)		(12,316)
Net income attributable to owners of the parent			162,307		162,307
Change in scope of consolidation			1,881		1,881
Acquisition of treasury stock				(1)	(1)
Reversal of revaluation difference of land			2,324		2,324
Change in items other than shareholders' equity during the year (net)					
Total changes during the year	59,744	59,744	154,195	(1)	273,683
Balance at March 31, 2018	168,351	130,875	403,745	(133)	702,839

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Unrealized holding gains on other securities	Deferred gains (loss) on hedges	Revaluation difference of land	Translation adjustments	Retirement benefit liability adjustment	Total accumulated other comprehensive income		
Balance at April 1, 2017	7,617	(7,713)	155,541	318	(1,119)	154,644	36,132	619,932
Changes during the year								
Issuance of new stock								119,489
Distribution of retained earnings								(12,316)
Net income attributable to owners of the parent								162,307
Change in scope of consolidation								1,881
Acquisition of treasury stock								(1)
Reversal of revaluation difference of land			(2,324)			(2,324)		-
Change in items other than shareholders' equity during the year (net)	2,488	3,630	4,953	600	1,867	13,540	1,096	14,637
Total changes during the year	2,488	3,630	2,629	600	1,867	11,216	1,096	285,997
Balance at March 31, 2018	10,105	(4,083)	158,171	919	748	165,861	37,228	905,929

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

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2018)

(million yen)

ASSETS

Current assets:	963,483
Cash and deposit	18,785
Notes receivable-trade	207
Accounts receivable-trade	373,369
Merchandise and finished goods	258,505
Raw material and supplies	200,190
Prepaid expenses	3,007
Short-term loans receivable	27,944
Deferred tax assets	12,602
Other current assets	69,667
Allowance for doubtful accounts	(797)
Fixed assets:	1,405,147
Tangible fixed assets	804,615
Buildings	47,917
Structures	62,137
Oil tanks	23,151
Machinery and equipment	79,390
Vehicles and transportation equipment	1,618
Tools, furniture and fixtures	5,379
Land	576,965
Construction in progress	8,055
Intangible fixed assets	11,327
Leasehold rights	8,285
Software	2,647
Other intangible fixed assets	394
Investments and other assets:	589,205
Investment securities	36,780
Investments in shares of affiliates	451,062
Long-term loans receivable	14,196
Deferred tax assets	41,051
Other investments	46,168
Allowance for doubtful accounts	(54)
TOTAL ASSETS	2,368,631

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

(million yen)

LIABILITIES

Current liabilities:	1,064,368
Accounts payable, trade	341,189
Short-term borrowings	123,578
Commercial paper	138,001
Current portion of bonds	25,000
Accounts payable, other	290,982
Accrued expenses	2,543
Advances received	22,422
Deposit received	92,168
Allowance for bonuses	6,150
Other current liabilities	22,331
Long-term liabilities:	674,357
Bonds	40,000
Long-term debt	479,122
Deferred tax liabilities upon revaluation	87,972
Retirement allowances for employees	12,316
Reserve for repair works	25,227
Other long-term liabilities	29,719
Total liabilities	1,738,726

NET ASSETS

Shareholders' equity	464,980
Common stock	168,351
Additional paid-in capital	127,344
Capital reserve	116,990
Other additional paid-in capital	10,354
Retained earnings	169,417
Retained earnings reserve	1,081
Other retained earnings	168,336
Reserve for special depreciation	941
Reserve for loss on overseas investment, etc.	736
Reserve for deferred income tax on fixed assets	32,448
Retained earnings carried forward	134,210
Treasury stocks	(133)
Valuation and translation adjustments	164,924
Unrealized holding gains on other securities	7,901
Deferred gains (loss) on hedges	(1,148)
Revaluation difference of land	158,171
Total net assets	629,904
TOTAL LIABILITIES AND NET ASSETS	2,368,631

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

NON-CONSOLIDATED STATEMENT OF INCOME

(April 1, 2017 to March 31, 2018)

(million yen)

Account Title	Amount	
Net sales		2,746,981
Cost of sales		2,432,652
Gross profit		314,329
Selling, general and administrative expenses		210,534
Operating income		103,794
Non-operating income		
Interest income	773	
Dividend income	27,658	
Subsidy income	2,764	
Others	728	
		31,924
Non-operating expenses		
Interest expenses	6,046	
Loss on foreign exchange, net	53	
Others	5,113	
Ordinary income		11,213
Extraordinary income		124,505
Gain on sales of fixed assets	1,683	
Gain on sales of investment securities	414	
Gain on sale of affiliate stock	3,385	
		5,483
Extraordinary expenses		
Impairment loss on fixed assets	1,713	
Loss on sale of fixed assets	268	
Loss on disposal of fixed assets	3,043	
Loss on revaluation of affiliate stock	12,388	
Loss on transition to defined contribution pension plan	13,810	
Others	1,155	
		32,379
Income before income taxes		97,608
Income taxes - current	1,994	
Income taxes - deferred	4,344	
		6,338
Net income		91,270

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

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

(April 1, 2017 to March 31, 2018)

(million yen)

	Shareholders' equity									
	Common stock	Additional paid-in capital			Retained earnings					
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Retained earnings reserve	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for loss on overseas investment, etc.	Reserve for deferred income tax on fixed assets	Retained earnings carried forward	
Balance at April 1, 2017	108,606	57,245	10,354	67,599	1,081	1,254	424	33,449	51,932	88,140
Changes during the year										
Issuance of new stock	59,744	59,744		59,744						
Distribution of retained earnings									(12,316)	(12,316)
Net income									91,270	91,270
Acquisition of treasury stock										
Additions to other retained earnings							349	1,126	(1,476)	-
Reversal of other retained earnings						(312)	(36)	(2,127)	2,476	-
Reversal of revaluation difference of land									2,324	2,324
Changes in items other than shareholders' equity during the year (net)										
Total changes during the year	59,744	59,744	-	59,744	-	(312)	312	(1,000)	82,277	81,277
Balance at March 31, 2018	168,351	116,990	10,354	127,344	1,081	941	736	32,448	134,210	169,417

(million yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stocks	Total shareholders' equity	Unrealized holding gains on other securities	Deferred gains (loss) on hedges	Revaluation difference of land	Total valuation and translation adjustments	
Balance at April 1, 2017	(131)	264,215	6,445	(2,824)	155,541	159,162	423,377
Changes during the year							
Issuance of new stock		119,489					119,489
Distribution of retained earnings		(12,316)					(12,316)
Net income		91,270					91,270
Acquisition of treasury stock	(1)	(1)					(1)
Additions to other retained earnings		-					-
Reversal of other retained earnings		-					-
Reversal of revaluation difference of land		2,324			(2,324)	(2,324)	-
Changes in items other than shareholders' equity during the year (net)			1,455	1,676	4,953	8,086	8,086
Total changes during the year	(1)	200,764	1,455	1,676	2,629	5,762	206,527
Balance at March 31, 2018	(133)	464,980	7,901	(1,148)	158,171	164,924	629,904

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

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

May 11, 2018

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

Deloitte Touche Tohmatsu LLC

Kappei Isomata (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

Dai Yamamoto (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

Motoyuki Suzuki (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

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

We have audited the consolidated financial statements, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements of Idemitsu Kosan Co., Ltd. (the "Company"), applicable to its consolidated fiscal year from April 1, 2017 to March 31, 2018 pursuant to Article 444, paragraph 4 of the Companies Act of Japan.

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Interest

Our firm and the engagement partners do not have any interest in the Company which should be disclosed under the provisions of the Certified Public Accountant Act of Japan.

- END -

AUDITORS' REPORT ON THE NON-CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

May 11, 2018

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

Deloitte Touche Tohmatsu LLC

Kappei Isomata (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

Dai Yamamoto (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

Motoyuki Suzuki (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

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

We have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the accompanying supplemental schedules of Idemitsu Kosan Co., Ltd. (the "Company"), applicable to its 103rd fiscal year from April 1, 2017 to March 31, 2018 pursuant to Article 436, paragraph 2, item 1 of the Companies Act of Japan.

Management's Responsibility for Financial Statements, etc.

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

Auditors' Responsibility

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

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

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

Opinion

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

Interest

Our firm and the engagement partners do not have any interest in the Company which should be disclosed under the provisions of the Certified Public Accountant Act of Japan.

- END -

THE BOARD OF STATUTORY AUDITORS' AUDIT REPORT

AUDIT REPORT

We, the Board of Statutory Auditors of the Company, based on the audit report prepared by each Statutory Auditor on the performance by the Directors of their duties during the 103rd fiscal year from April 1, 2017 to March 31, 2018, have prepared this audit report upon deliberation and hereby report as follows:

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

- (1) The Board of Statutory Auditors determined the audit policy, assignment of duties among them, etc., received from each Statutory Auditor reports on the state of his performance of audits and the results thereof, and also received from the Directors, etc. and the account auditors Deloitte Touche Tohmatsu LLC (the "Account Auditors") reports on the state of performance of their duties and demanded their explanations whenever necessary.
- (2) Each Statutory Auditor, pursuant to the rules of audits by the Statutory Auditors determined by the Board of Statutory Auditors and in accordance with the audit policy, assignment of duties among them, etc., maintained constant communication with the Directors, the Internal Audit Office and other employees, etc. in an effort to collect information and improve the environment for auditing and conducted our audits in the following methods:
 - (a) We attended meetings of the Board of Directors and other important meetings, received from the Directors and employees, etc. reports on the state of performance of their duties, demanded their explanations whenever necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company. With regard to its subsidiaries, we maintained constant communication and exchanged information with the directors, statutory auditors, etc. thereof and required the subsidiaries to render reports on their business operations whenever necessary.
 - (b) With regard to the details of the resolutions of the Board of Directors for establishing systems to secure that the performance by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation as described in the business report and such other systems provided for in Article 100, paragraphs 1 and 3 of the Regulations to Enforce the Companies Act of Japan as necessary to secure the adequacy of business of a corporate group comprising a joint-stock corporation and its subsidiaries, as well as the systems (internal control systems) established pursuant to such resolutions, we received from the Directors, employees, etc. reports on a regular basis, demanded their explanations whenever necessary, and expressed our opinions, on the status of the formulation and operation of the systems. With regard to internal control over financial reporting, we received from the Directors, etc. and the Account Auditors

reports on the state of evaluation and audits of the internal control and demanded explanations whenever necessary.

- (c) With regard to the fundamental policy under Article 118, paragraph 3, item (a) of the Ordinance for Enforcement of the Companies Act as described in the business report, we, taking into consideration the deliberations thereof, etc. by the Board of Directors or otherwise, investigated the content thereof.
- (d) We also monitored and verified whether the Account Auditors had maintained an independent position and conducted adequate audits, and received from the Account Auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the Account Auditors a notice that "systems to secure adequate performance of duties" (as listed in the items of Article 131 of the Rules of Corporate Accounting) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary.

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

2. Results of audit:

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

We are of the opinion:

- (a) That the business report and its supplemental schedules present fairly the state of the Company in accordance with laws or ordinances and the Articles of Incorporation;
- (b) That in connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws or ordinances or the Articles of Incorporation exists;
- (c) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the descriptions in the business report and the performance by the Directors of their duties concerning such internal control systems contain nothing to be pointed out. With regard to internal control over financial reporting, we have received from the Directors, etc. and the Account Auditors reports that there exists no material inadequacy to be disclosed at the time of preparing this audit report; and
- (d) That the fundamental policy on the ideal of the persons who shall control the determination of financial and business policies of the Company as described in the

business report contains nothing to be pointed out.

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

We are of the opinion that the method and results of the audit made by the Account Auditors are proper.

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

We are of the opinion that the method and results of the audit made by the Account Auditors are proper.

May 14, 2018

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

Takanori Kuniyasu (seal)
Full-time Statutory Auditor

Sakae Hirano (seal)
Full-time Statutory Auditor

Taigi Ito (seal)
(Outside) Statutory Auditor

Shoichiro Niwayama (seal)
(Outside) Statutory Auditor

- END -

Reference Document for the General Meeting of Shareholders

Proposition No. 1: Election of eleven (11) Directors

The term of office of all of the Directors will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that eleven (11) Directors be elected.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
1	[For reelection]	April 1975 Joined the Company	43,595 shares
		July 2002 General Manager of Kobe Branch	
		April 2005 General Manager of Chubu Branch	
		June 2007 Executive Officer and General Manager of Supply & Logistics Department	
		June 2008 Managing Executive Officer and General Manager of Supply & Logistics Department	
		June 2009 Director and General Manager of Supply & Logistics Department	
		June 2010 Managing Director and Managing Executive Officer and General Manager of Corporate Planning Department	
		April 2011 Managing Director	
		June 2012 Executive Vice President and Director	
		June 2013 Representative Director & Chief Executive Officer	
		April 2018 Chairman and Representative Director (to date)	
(Reason for nomination as candidate for Director)			
Mr. Takashi Tsukioka, who has been responsible for the management as the Representative Director & Chief Executive Officer of the Company since 2013, and as the Chairman and Representative Director of the Company since April 2018, has promoted the strengthening of its domestic main business and the expansion of its overseas business; has contributed to energy security of Japan and the realization of a society in harmony with the environment; and has delivered solid results. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.			

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
2	[For reelection]	<p>April 1980 Joined the Company</p> <p>April 2005 Deputy General Manager of Personnel Department</p> <p>July 2008 Deputy General Manager of Treasury Department</p> <p>June 2011 Executive Officer and General Manager of Treasury Department</p> <p>June 2013 Director, Managing Executive Officer and General Manager of Treasury Department</p> <p>June 2014 Managing Director</p> <p>June 2017 Executive Vice President and Director</p> <p>April 2018 Representative Director & Chief Executive Officer (to date)</p>	15,858 shares
	<p>(Reason for nomination as candidate for Director)</p> <p>Mr. Shunichi Kito has worked as the top manager in the accounting division, has been responsible for the overall management as the Executive Vice President, and has assumed the position of Chief Executive Officer as of April 2018. He has delivered solid results concerning issues that the Company faces, and is promoting the Fifth Medium-term Management Plan, which commenced in fiscal year 2018, i.e., the development of Next Idemitsu. Thus, management has judged that he will be able to execute business of the Group properly, fairly and effectively.</p>		

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
3	[For reelection]	April 1979 Joined the Company Oct. 2004 Deputy General Manager of Hokkaido Refinery April 2007 Deputy General Manager of Manufacturing Department April 2010 Executive Officer and General Manager of Tokuyama Refinery and General Manager of Tokuyama Plant April 2013 Executive Officer and General Manager of Manufacturing & Technology Department June 2013 Director, Managing Executive Officer and General Manager of Manufacturing & Technology Department June 2014 Managing Director June 2017 Executive Vice President and Director (to date) Current duties: Concurrently serves as Assistant to Representative Director & Chief Executive Officer (in charge of petrochemicals, functional materials, intellectual property/research, and the Vietnam project), Division Manager of Safety and Environmental Protection Division, and Division Manager of Quality Assurance Division	14,697 shares
	(Reason for nomination as candidate for Director) Mr. Takashi Matsushita has worked as the top manager in the manufacturing division and technology division. He has accumulated wide experience, knowledge, and expertise. He has been responsible for the overall management as the Executive Vice President; promoted restructuring in the fields of manufacturing and technology both inside and outside Japan and delivered solid results. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.		

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
4	[For reelection]	April 1982 Joined the Company June 2008 Managing Director, Idemitsu Engineering Co., Ltd. April 2011 General Manager of Internal Audit Office April 2013 Executive Officer and General Manager of Corporate Planning Department June 2015 Director and General Manager of Corporate Planning Department June 2017 Managing Director (to date) Current duties: In charge of corporate planning, public relations, and corporate sustainability (Corporate Planning Department, Public Relations Office, Corporate Sustainability Department), and responsible for the resources division	11,295 shares
	Susumu Nibuya (November 22, 1959)		
(Reason for nomination as candidate for Director) Mr. Susumu Nibuya has served in sale, corporate planning, and manufacturing divisions, as well as management of associated companies, and worked as the top manager in the internal audit division and corporate planning division. He has accumulated wide experience, knowledge and expertise. He has promoted the formulation and implementation of the business policy of the Group and delivered solid results. He is familiar with the business of the Company and issues to be addressed by the Company. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.			

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
5	[For reelection]	April 1981 Joined the Company July 2009 Deputy General Manager of Basic Chemicals Department July 2010 Deputy General Manager of Basic Chemicals Department June 2011 Executive Officer and General Manager of Basic Chemicals Department July 2014 Managing Executive Officer and General Manager of Petrochemical Business Department July 2015 Senior Executive Officer and General Manager of Petrochemical Business Department June 2017 Director (to date) Current duties: In charge of supervising chemicals business (Basic Chemicals Department, Advanced Materials & Performance Chemicals Department, Idemitsu Unitech, and Prime Polymer)	7,734 shares
	(Reason for nomination as candidate for Director) Mr. Kazuo Maruyama has long engaged in services of petrochemicals division, and accumulated wide experience, knowledge and expertise in fields such as sales, accounting, information systems, and overseas business, etc. He has promoted the restructuring of the petrochemicals division, and delivered solid results. He is familiar with the business of the Company and issues to be addressed by the Company. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.		

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
6	[For reelection]	April 1982	Joined the Company	4,466 shares
		July 2008	Vice President, Idemitsu Apollo Corporation	
		July 2010	President, Idemitsu Apollo Corporation	
		July 2012	Deputy General Manager (U.S. Business) of International Petroleum Business Department and President, Idemitsu Apollo Corporation	
		June 2013	General Manager of U.S. Alpha Olefin Development Office, Basic Chemicals Department	
	Toshiaki Sagishima (January 31, 1960)	June 2014	Executive Officer and General Manager of Treasury Department	
		June 2017	Director (to date)	
		Current duties:	In charge of accounting, general affairs, information systems (Treasury Department, General Affairs Department, Information System Department, and Idemitsu Insurance Service), and concurrently serves as Chairman of Compliance & Risk Management Committee	
(Reason for nomination as candidate for Director)				
Mr. Toshiaki Sagishima has engaged in services of overseas business and corporate planning, etc. and also worked as the top manager in the accounting & finance division, and accumulated wide experience, knowledge and expertise. He has promoted the expansion of overseas business and reinforced the management base of the Group, including compliance and risk management affairs, and delivered solid results. He is familiar with the business of the Company and issues to be addressed by the Company. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.				

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
7	[For reelection]	<p>April 1984 Joined the Company</p> <p>July 2010 Deputy General Manager of S Supply & Logistics Department</p> <p>July 2013 Executive Officer and General Manager of Supply & Logistics Department</p> <p>April 2014 Executive Officer and General Manager of Integrated Supply & Trading Department</p> <p>June 2017 Director and General Manager of Overseas Petroleum & Gas Department (to date)</p> <p>Current duties: In charge of supervising overseas/supply and demand (Integrated Supply & Trading Department, Overseas Petroleum & Gas Department, Idemitsu Tanker, Idemitsu International (Asia), Tomatoh Oil Storage, and Hokkaido Joint Oil Stockpiling)</p>	11,958 shares
	<p>Kiyoshi Honma (February 17, 1961)</p>	<p>(Reason for nomination as candidate for Director)</p> <p>Mr. Kiyoshi Honma has engaged in the fuel oil business in general, covering procurement, transportation, and sale of crude oil, worked as the top manager in the overseas business division, and accumulated wide experience, knowledge and expertise. He has promoted restructuring of fuel oil business and expansion of overseas business, and delivered solid results. He is familiar with the business of the Company and issues to be addressed by the Company. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.</p>	

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
8	[For reelection]	April 1995	Full-time Lecturer, Faculty of Economics of Musashi University	870 shares
	Eri Yokota (August 25, 1960)	April 2001	Professor of Musashi University after serving as Assistant Professor	
		April 2005	Professor, Faculty of Business and Commerce of Keio University (to date)	
		June 2014	Director (to date) Director, TOLI Corporation (to date)	
	<p>(Reason for nomination as candidate for Director)</p> <p>It is hereby proposed that Ms. Eri Yokota be elected as Outside Director to reflect her long experience and wide knowledge as a university professor. She has not engaged in corporate management in any manner other than serving as an outside officer. However, management has judged that she will be able to perform her duties as an Outside Director properly as she satisfies the "Requirements for Independence of Outside Officers" of the Company, is familiar with corporate accounting as a university professor and has full knowledge about corporate management.</p> <p>(Business relationship between the candidate and the Company)</p> <p>There is no business relationship between the candidate and the Company.</p>			

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
9	[For reelection]	<p>April 1983 Registered as attorney at law Joined Nishimura and Sanada</p> <p>June 1988 Graduated from New York University School of Law (M.C.J.) Joined De Bandt, van Hecke & Lagae in Brussels, Belgium</p> <p>Sept. 1988 Joined Graham & James in San Francisco</p> <p>June 1989 Admitted to the bar in New York</p> <p>Nov. 1990 Admitted to the bar in California</p> <p>Dec. 1991 Joined TMI Associates as partner (to date)</p> <p>June 2001 Part-time Lecturer, Doshisha University, Graduate School (to date)</p> <p>Oct. 2005 Part-time Lecturer, Hitotsubashi University, Law School (to date)</p> <p>June 2014 Director (to date)</p> <p>April 2016 Director, Japan Baseball Marketing K.K. (to date)</p>	-
	Ryosuke Ito (January 26, 1955)		
<p>(Reason for nomination as candidate for Director)</p> <p>It is hereby proposed that Mr. Ryosuke Ito be elected as Outside Director to reflect his long experience and wide knowledge as an attorney at law. He has not engaged in corporate management in any manner other than serving as an outside officer. However, management has judged that he will be able to perform his duties as an Outside Director properly as he satisfies the "Requirements for Independence of Outside Officers" of the Company, is familiar with corporate legal affairs as an attorney at law and has full knowledge about corporate management.</p> <p>(Business relationship between the candidate and the Company)</p> <p>The Company receives legal services from the law firm to which the candidate belongs, as necessary; however, the amount of the fees is insignificant and was 2.9 million yen for fiscal year 2017.</p>			

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
10	[For reelection]	<p>April 1987 Assistant Professor, Aoyama Gakuin University School of Business</p> <p>Oct. 1993 Assistant Professor, Institute of Social Science, University of Tokyo</p> <p>April 1996 Professor, Institute of Social Science, University of Tokyo</p> <p>April 2007 Professor, Hitotsubashi University Graduate School of Commerce and Management</p> <p>Jan. 2013 President, Business History Society of Japan</p> <p>June 2013 Director, Mitsubishi Chemical Holdings Corporation (to date)</p> <p>April 2015 Professor, Graduate School of Innovation Studies, Tokyo University of Science (currently, Graduate School of Management, Tokyo University of Science) (to date)</p> <p>June 2017 Director (to date)</p>	-
	Takeo Kikkawa (August 24, 1951)		
<p>(Reason for nomination as candidate for Director)</p> <p>It is hereby proposed that Mr. Takeo Kikkawa be elected as Outside Director to reflect his long experience and wide knowledge as a university professor. He has not engaged in corporate management in any manner other than serving as an outside officer. However, management has judged that he will be able to perform his duties as an Outside Director properly as he satisfies the "Requirements for Independence of Outside Officers" of the Company, and has full knowledge about corporate management as a university professor in business administration studies and especially as an expert in energy industry theory.</p> <p>(Business relationship between the candidate and the Company)</p> <p>The Company hires the candidate as an instructor for its employee trainings; however, the remuneration is insignificant and was 280,000 yen for fiscal year 2017.</p>			

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
11	[For reelection] Mackenzie Clugston (June 19, 1950)	<p>June 1982 Joined Department of Foreign Affairs and International Trade of the Canadian Government</p> <p>August 2000 Canadian Consul General in Osaka</p> <p>August 2003 Minister, Canadian Embassy in Japan</p> <p>August 2009 Ambassador of Canada to Indonesia, Timor-Leste and the ASEAN</p> <p>Nov. 2012 Ambassador of Canada to Japan</p> <p>June 2016 Director, Kameda Seika Co., Ltd. (to date)</p> <p>Sept. 2016 Advisor, Sapporo Holdings Limited Professor, Kwansei Gakuin University (to date)</p> <p>June 2017 Director (to date)</p> <p>March 2018 Director, Sapporo Holdings Limited (to date)</p>	-
<p>(Reason for nomination as candidate for Director)</p> <p>It is hereby proposed that Mr. Mackenzie Clugston be elected as Outside Director to reflect his long and global experience and wide knowledge as a diplomat and a university professor. He has not engaged in corporate management in any manner other than serving as an outside officer. However, management has judged that he will be able to perform his duties as an Outside Director properly as he satisfies the "Requirements for Independence of Outside Officers" of the Company, is familiar with business, administration, and international affairs as a former diplomat and a university professor and has full knowledge about corporate management.</p> <p>(Business relationship between the candidate and the Company)</p> <p>There is no business relationship between the candidate and the Company.</p>			

- (Notes)
1. There is no special relationship between any candidate for Director and the Company.
 2. Ms. Eri Yokota, Mr. Ryosuke Ito, Mr. Takeo Kikkawa and Mr. Mackenzie Clugston are candidates for Outside Director.
 3. Ms. Eri Yokota, Mr. Ryosuke Ito, Mr. Takeo Kikkawa, and Mr. Mackenzie Clugston are currently Outside Directors of the Company. At the close of this Ordinary General Meeting of Shareholders, Ms. Eri Yokota and Mr. Ryosuke Ito will each have served as Outside Directors for four years, and Mr. Takeo Kikkawa and Mr. Mackenzie Clugston will each have served as Outside Directors for one year.
 4. Under Article 427, paragraph 1 of the Companies Act of Japan, the Company has entered into agreements with each of Ms. Eri Yokota, Mr. Ryosuke Ito, Mr. Takeo Kikkawa, and Mr. Mackenzie Clugston to limit the liability for damages provided for in Article 423, paragraph 1 of the Companies Act of Japan. Under the agreement, the liability is limited to the amount provided for under law. If the reelection of Ms. Eri Yokota, Mr. Ryosuke Ito, Mr. Takeo Kikkawa, and Mr. Mackenzie Clugston is approved, the Company plans to continue each agreement.
 5. The Company has registered Ms. Eri Yokota, Mr. Ryosuke Ito, Mr. Takeo Kikkawa, and Mr. Mackenzie Clugston as independent officers with the Tokyo Stock Exchange in

accordance with its rules.

6. The number of shares of the Company held by each candidate for Director includes the candidate's interests in the Idemitsu Officer Stockholders Committee.

Proposition No. 2: Election of two (2) Statutory Auditors

The term of office of the Statutory Auditors, Mr. Takanori Kuniyasu and Mr. Shoichiro Niwayama, will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that two (2) Statutory Auditors be elected.

The Board of Statutory Auditors has consented to this proposition.

The candidates for Statutory Auditor are as follows:

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held by Candidate
1	[For new election]	April 1984	Joined the Company	4,824 shares
	Toshiyuki Tanida (September 7, 1961)	July 2009	Deputy General Manager of Supply & Logistics Department	
		July 2010	General Manager of Logistics Division, Supply and Logistics Department	
		July 2013	Executive Officer and General Manager of Logistics Department (to date)	
	(Reason for nomination as candidate for Statutory Auditor) Mr. Toshiyuki Tanida has served in the sale, and supply and demand divisions, worked as the top manager in the logistics division, and also developed the current land and marine logistics systems. He is familiar with the business of the Company and issues to be addressed by the Company. Thus, management has judged that he will be able to conduct audits of, and supervise, the Company properly, fairly and effectively.			

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
2	[For reelection]	April 1971 Registered as attorney at law	1,740 shares
		April 1993 Founded Asahi Law Office and assumed a Partner thereof (to date)	
		April 1994 Executive Governor, Japan Federation of Bar Associations Vice President, Daini Tokyo Bar Association	
		April 1999 Director, Yamato Servicer, Co., Ltd.	
		Oct. 1999 Special committee member, Central Construction Dispute Committee, Ministry of Construction (currently, Ministry of Land, Infrastructure, Transport and Tourism)	
	Shoichiro Niwayama (January 11, 1946)	May 2004 Representative Director, Japan Civil Liberties Union, incorporated association (currently, public interest incorporated association)	
		April 2008 Vice President, Japan Federation of Bar Associations President, Daini Tokyo Bar Association	
		July 2008 Chairman, Legislative Measures Center, Japan Federation of Bar Associations	
		April 2009 Vice President, Japan Political Association of Attorneys (to date)	
		Oct. 2010 Executive Director, Japan Law Foundation	
		June 2014 Auditor (to date)	
<p>(Reason for nomination as candidate for Statutory Auditor)</p> <p>It is hereby proposed that Mr. Shoichiro Niwayama be elected as Outside Statutory Auditor to reflect his long experience and wide knowledge as an attorney at law. In addition to his experience in corporate management, he also satisfies the "Requirements for Independence of Outside Officers" of the Company, is familiar with corporate legal affairs as an attorney at law, and has full knowledge about corporate legal affairs; thus management has judged that he will be able to perform his duties as an Outside Statutory Auditor properly.</p> <p>(Business relationship between the candidate and the Company)</p> <p>There is no business relationship between the candidate and the Company.</p>			

- (Notes)
1. There is no special relationship between any candidate for Statutory Auditor and the Company.
 2. Mr. Shoichiro Niwayama is a candidate for Outside Statutory Auditor.
 3. Mr. Shoichiro Niwayama is currently an Outside Statutory Auditor of the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Shoichiro Niwayama will have served as an Outside Statutory Auditor for four years.
 4. Under Article 427, paragraph 1 of the Companies Act of Japan, the Company has entered into an agreement with Mr. Shoichiro Niwayama to limit the liability for damages provided for in Article 423, paragraph 1 of the Companies Act of Japan. Under the

agreement, the liability is limited to the amount provided for under law. If the reelection of Mr. Shoichiro Niwayama is approved, the Company plans to continue such agreement with him.

5. The Company has registered Mr. Shoichiro Niwayama as an independent officer with the Tokyo Stock Exchange in accordance with its rules.
6. The number of shares of the Company held by each candidate for Statutory Auditor includes the candidate's interests in the Idemitsu Officer Stockholders Committee and/or the Idemitsu Employee Stockholders Committee.

Proposition No. 3: Election of one (1) Substitute Statutory Auditor

In order to prepare for situations where there is a deficiency in the number of Statutory Auditors, it is hereby proposed that one (1) Outside Statutory Auditor be elected as a Substitute for the Outside Statutory Auditors, Mr. Taigi Ito and Mr. Shoichiro Niwayama.

The Board of Statutory Auditors has consented to this proposition.

The candidate for Substitute Statutory Auditor is as follows:

Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held by Candidate
Junko Kai (September 29, 1967)	<p>April 1992 Registered as attorney at law (Daini Tokyo Bar Association)</p> <p>June 2006 Committee Member, Disciplinary Enforcement Committee, Daini Tokyo Bar Association</p> <p>March 2007 Lecturer of Criminal Defense, Legal Training and Research Institute</p> <p>April 2010 Tokyo Family Court Conciliation Committee Member (to date)</p> <p>July 2010 Reserve Committee Member, Disciplinary Committee, The Japanese Institute of Certified Public Accountants</p> <p>Oct. 2010 Bar Examiner (Code of Criminal Procedure)</p> <p>Examiner for the Preliminary Bar Examination (Code of Criminal Procedure)</p> <p>June 2014 Committee Member, Pension Special Account Public Procurement Committee, Ministry of Health, Labour and Welfare (to date)</p> <p>Oct. 2015 Special Committee Member, Central Committee for Adjustment of Construction Work Disputes, Ministry of Land, Infrastructure, Transport and Tourism (to date)</p> <p>Feb. 2016 Committee Member, Disciplinary Committee, Daini Tokyo Bar Association (to date)</p>	-
<p>(Reason for nomination as candidate for Substitute Statutory Auditor)</p> <p>It is hereby proposed that Ms. Junko Kai be elected as substitute Outside Statutory Auditor to reflect her long experience and wide knowledge as an attorney at law. She has not engaged in corporate management. However, management has judged that she will be able to perform her duties as an Outside Statutory Auditor properly as she satisfies the "Requirements for Independence of Outside Officers" of the Company, is familiar with corporate legal affairs as an attorney at law, and has full knowledge about corporate management.</p> <p>(Business relationship between the candidate and the Company)</p> <p>There is no business relationship between the candidate and the Company.</p>		

- (Notes)
1. There is no special relationship between the candidate for Substitute Statutory Auditor and the Company.
 2. Ms. Junko Kai is a candidate for substitute Outside Statutory Auditor.
 3. Under Article 427, paragraph 1 of the Companies Act of Japan, the Company is

scheduled to enter into an agreement with Ms. Junko Kai to limit the liability for damages provided for in Article 423, paragraph 1 of the Companies Act of Japan if she is appointed as the Outside Statutory Auditor of the Company. Under the agreement, the liability shall be limited to the amount provided for under law.

Proposition No. 4: Determination of the Amount and Details Concerning Performance-linked Stock Compensation, etc. for Directors, etc.

1. Reasons for the proposal and reasons why the proposed compensation, etc. is reasonable

The Company proposes to introduce a performance-linked stock compensation plan (the “Plan”) to deliver shares of the Company to its Directors (excluding Outside Directors and those who are non-residents of Japan; the same hereinafter) and Executive Officers (excluding those who are non-residents of Japan; the same hereinafter) (hereinafter collectively referred to as the “Directors, etc.”) in accordance with their official positions and the degree of achievement for performance targets, etc. This proposal is to provide Directors, etc. with stock compensation, apart from the limit of compensation for Directors (a maximum of 1.2 billion yen per annum) approved at the 91st Ordinary General Meeting of Shareholders held on June 27, 2006.

The Company believes that the introduction of the Plan is reasonable, as it is a highly transparent and objective officer compensation plan that is closely linked to the Company’s operating results for the purpose of enhancing their consciousness of contribution to both enhancing the Company’s mid- and long-term operating results and expanding the enterprise value.

The number of Directors eligible for the Plan will be seven if Proposition No. 1 “Election of eleven (11) Directors” is approved as proposed. In addition, as mentioned above, the Plan also applies to Executive Officers (the current number of Executive Officers eligible for the Plan who do not hold concurrent position as Director is 13 as of May 15, 2018), and the compensation based on the Plan includes the compensation for the Executive Officers. In this proposition, the amount and details of the entire compensation under the Plan is proposed as compensation, etc. for Directors, etc., given the possibility that these Executive Officers may newly assume office as Directors after the commencement of the Plan.

2. Amount and details of compensation, etc. under the Plan

(1) Outline of the Plan

The Plan is a stock compensation plan where a trust acquires shares of the Company by using the amount of the compensation for Directors, etc. contributed by the Company and offers the delivery and grant (“Delivery, etc.”) of the Company’s shares and money equivalent to the converted value of such shares (“Company’s Shares, etc.”) to Directors, etc. (For details, please see (2) and below.)

(i) Persons eligible for the Delivery, etc. of Company’s Shares, etc. subject to this proposition	<ul style="list-style-type: none">• Directors of the Company (excluding Outside Directors and those who are non-residents of Japan)• Executive Officers (excluding those who are non-residents of Japan)
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(ii) Impact of Company's shares subject to this proposition on the total number of issued shares	
Maximum amount of money contributed by the Company (as stated in (2) below)	<ul style="list-style-type: none"> ● 980,000,000 yen in total per trust period
Maximum number of the Company's shares delivered to Directors, etc. (including the number of shares subject to the conversion into cash) and the method to acquire the Company's shares (as stated in (2) and (3) below)	<ul style="list-style-type: none"> ● Maximum total number of points to be given to Directors, etc. per fiscal year is 127,000 points (127,000 shares) 381,000 points (381,000 shares) in total for three fiscal years ● The proportion of (i) the total number of points for three fiscal years converted to common shares of the Company (one point is equivalent to one common share of the Company) to (ii) the Company's total number of issued shares (as of March 31, 2018, after the deduction of the treasury shares), is approximately 0.2% ● Since the Company's shares are acquired from the stock market, no dilution will occur due to the Plan
(iii) Description of conditions for achievement of performance target (as stated in (3) below)	<ul style="list-style-type: none"> ● Varies, depending on the degree of achievement for each fiscal year's performance target of the Company's performance measurements (selected from consolidated operating income, net income attributable to owners of the parent company, or performance measurements set in the Company's Medium-term Management Plan) (Note that the degree of achievement for each measurement is evaluated by using such measurement on the basis of excluding the impact from inventory valuation gain/loss)
(iv) Timing of Delivery, etc. of Company's Shares, etc. to Directors, etc. (as stated in (4) below)	<ul style="list-style-type: none"> ● After retirement

(2) Maximum amount of money contributed by the Company

The Plan will be applicable for three consecutive fiscal years.

The Company will contribute 980,000,000 yen in total at a maximum per trust period as compensation for Directors, etc., and establish a trust (the "Trust") in which beneficiaries shall be Directors, etc. who fulfill the beneficiary requirements and which period shall be three years (the Trust includes a continuation of the Trust under the third paragraph of this (2); the same hereinafter). The Trust will acquire the Company's shares from the stock market by using the entrusted funds in accordance with instructions from the

trust administrator. The Company will give Directors, etc. grant points (as stipulated in (3) below) every year during the trust period. After retirement of Directors, etc. (if Directors, etc. pass away, after their death; the same hereinafter), Delivery, etc. of Company's Shares, etc. equivalent to cumulative value of grant points (hereinafter, "Cumulative Points") will be made from the Trust.

At the expiration of the trust period, instead of newly setting the Trust, the Trust may be continued by amending the trust agreement and making additional contributions to the Trust. In such a case, the trust period of the Trust will be extended for the same year as the initial trust period. The Company will contribute additional money within 980,000,000 yen in total for every extended trust period, and continue giving points to Directors, etc. during the extended trust period. The Trust will continue the Delivery, etc. of Company's Shares, etc. Note that, if such additional contributions are to be made, and if there are some remaining Company's shares (excluding those that correspond to the points given to Directors, etc. and have yet to make Delivery, etc. to them) and money (hereinafter collectively referred to as the "Remaining Shares, etc.") in the trust assets on the last day of the trust period before the extension, then the sum of the amount of the Remaining Shares, etc. and the amount of trust money to be additionally contributed shall be within 980,000,000 yen in total.

In the case the trust agreement is not amended or additional contributions are not made at the expiration of the trust period (or the extended period if the Trust is continued as described in the third paragraph of this (2) above), Directors, etc. will not receive any points from then on. Note that, if any of the Directors, etc. who may fulfill the beneficiary requirements are still incumbent at the expiration, the trust period of the Trust will be extended for a maximum of ten years until the Directors, etc. retire from office and the Delivery, etc. of the Company's shares is completed. In such a case as well, any new point will not be given to the Directors, etc.

- (3) Calculation method for the number of Company's shares subject to the delivery to Directors, etc. (including the number of shares subject to the conversion into cash) and the maximum amount

The number of the Company's shares subject to Delivery, etc. to Directors, etc. (including the number of shares subject to the conversion into cash) is determined based on the Cumulative Points stipulated below. Note that one point shall be equivalent to one share of the Company's shares (fractions less than one point shall be rounded down), and if the Company's shares which belong to the Trust increase or decrease due to a share split, allotment of shares without contribution, or share consolidation, etc., the number of Company's shares subject to Delivery, etc. per point (including the number of shares subject to the conversion into cash) will be adjusted in accordance with such increase or decrease ratio.

Directors, etc. will be given grant points, which are calculated by multiplying basic points (as described below) by the performance-linked coefficient (also as described below). Basic points are calculated using the following formula predetermined by official position at a certain time every year during the trust period, while the performance-linked coefficient varies, depending on the degree of achievement for performance target of each fiscal year (Measurements for the degree of achievement for performance target is selected from consolidated operating income, net income attributable to owners of the parent

company, etc. for each fiscal year, or performance measurements set in the Company's Medium-term Management Plan. The degree of achievement for each measurement is evaluated by using such measurement on the basis of excluding the impact from inventory valuation gain/loss).

(Formula for the basic points)

Basic amount by official position / Average closing price (rounded off to the closest whole number) of the Company's stock at the Tokyo Stock Exchange as of July 2018*

* If the trust period is extended, the month preceding the month in which the fiscal year to which the extension date belongs starts

(Formula for the grant points)

Basic points × Performance-linked coefficient

The Trust shall make Delivery, etc. of Company's Shares, etc. equivalent to the Cumulative Points calculated in accordance with the above-mentioned formula to Directors, etc. who fulfill the beneficiary requirements after their retirement from office.

The maximum total number of points to be given to Directors, etc. during the trust period of the Trust will be 127,000 points per fiscal year. With respect to the number of shares of the Company's stock to be acquired by the Trust for making Delivery, etc. to Directors, etc. during the trust period, the maximum shall be the number of shares equivalent to the maximum total number of points to be given to Directors, etc. per fiscal year (127,000 points) multiplied by three, i.e. the number of years in the trust period (381,000 shares). This upper limit of the number of shares is set up in light of the maximum total amount of trust money mentioned in (2) above and with reference to current stock prices, etc.

(4) Method and timing of Delivery, etc. to Directors, etc. of Company's Shares, etc.

After retirement of Directors, etc., Directors, etc. who fulfill the beneficiary requirements will receive Delivery, etc. of the Company's Shares, etc. equivalent to the Cumulative Points calculated in accordance with (3) above. In this case, the retired Directors, etc. will receive the number of the Company's shares equivalent to 70% of the Cumulative Points (odd-lot shares shall be rounded down). The number of the Company's shares equivalent to the remaining Cumulative Points will be converted into cash in the Trust, and the retired Directors, etc. shall receive money equivalent to the converted value of such shares.

If any Director, etc. who fulfills the beneficiary requirements during the trust period passes away, a certain number of the Company's shares equivalent to the Cumulative Points calculated at that point in time will be converted into cash in the Trust, and heirs of the deceased officer among Directors, etc. shall receive the money equivalent to the converted value. Further, if any Director, etc. who fulfills the beneficiary requirements during the trust period takes on an overseas assignment, a certain number of the Company's shares equivalent to the Cumulative Points calculated at that point in time will be converted into cash in the Trust, and such Directors, etc. shall receive the money equivalent to the converted value.

(5) Exercise of voting rights for the Company's shares in the Trust

Voting rights for the Company's shares in the Trust (namely the Company's shares before Delivery, etc. to Directors, etc. subject to (4) above) shall not be exercised during the trust period in order to ensure the neutrality of management.

(6) Other matters of the Plan

Other matters regarding the Plan will be determined at the board of directors each time the Trust is set up, the trust agreement is amended, and the additional contribution is made to the Trust.

(Reference)

Please refer to the timely disclosure titled "Announcement on the Introduction of a Performance-linked Stock Compensation Plan" dated on May 15, 2018 regarding the details of the Plan.

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