July 3, 2017

Press Release

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Notice on Issuance of New Shares by Way of Global Offering

Idemitsu Kosan Co., Ltd. (the "**Company**") hereby announces that the Company has determined at the Board of Directors' meeting held on July 3, 2017 the following provisions with regards to the issuance of new shares by way of global offering.

[Background and purpose of the Financing]

There has been a decrease in demand for petroleum products since 2000, and under these conditions, domestic businesses in the Japanese oil industry have been exerting efforts to reduce refining capacity in order to improve production efficiency. Further, industry reorganization is in progress through mergers and the formation of alliances between companies.

In 2015, the Company commenced discussions with Showa Shell Sekiyu K.K. ("**Showa Shell Sekiyu**") towards a business combination. In December 2016, the Company acquired 117,761,200 shares of Showa Shell Sekiyu (31.3% of the voting rights) from the subsidiary companies of Royal Dutch Shell plc. ("**Royal Dutch Shell**"), and Showa Shell Sekiyu became an equity-method affiliate of the Company. Further, in May 2017, the Company executed an agreement regarding the formation of an alliance with Showa Shell Sekiyu to enhance and promote the business collaboration. The Company is accelerating its efforts to improve business collaboration and realize synergies, while at the same time continuing to proceed with discussions for a business combination.

Together with the enhancement of profitability through structural reforms of the domestic business foundation, which focuses on the business collaboration with Showa Shell Sekiyu, the fostering of growth businesses, such as overseas fuel oil and functional materials, are pillars of the Company's strategy to make substantial breakthroughs to the next stage, in which the Company intends to devote much of its management resources. This financing (the "**Financing**") will replace part of the bridge loan that the Company borrowed on December 19, 2016, at the time the Company conducted a partial acquisition of Showa Shell Sekiyu shares from the subsidiaries of Royal Dutch Shell, and will be allocated to working capital, such as funds used for purchasing crude oil which is required as inventory before commencing production of the Nghi Son Refinery in Vietnam that is scheduled to commence operations within fiscal year 2017, as well as to strategic investments in businesses such as overseas lubricants and OLED materials that are expected to grow significantly in the future. Further, through the implementation of the Financing, the Company will strengthen its financial foundation, which will support its growth strategies, and secure sufficient capacity for future investments.

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Through the Financing, the Company will promote the restructuring of its business and establish a stable profit foundation while further enhancing its corporate values.

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Issuance of New Shares by Way of Global Offering

(1)	Class and Number of Shares to be Offered	Total of (i), (ii) and (iii) below, 48,000,000 shares of common stock of the Company. (i) As stated in (4)(i) below, 33,600,000 shares of common stock of the Company to be underwritten and purchased by the Japanese Underwriters (as defined below) in the Japanese Public Offering (as defined below). (ii) As stated in (4)(ii) below, 8,139,200 shares of common stock of the Company to be underwritten and purchased by the International Managers (as defined below) in the International Offering (as defined below). (iii) As stated in (4)(ii) below, up to 6,260,800 shares of common stock of the Company to be additionally issued and purchased by the International Managers in the International Offering upon exercise of the over-allotment option.
(2)	Method of Determination of Amount to be Paid in	The amount to be paid in will be determined on any day in the period from July 12, 2017 (Wed.) to July 19, 2017 (Wed.) (such date, the "**Pricing Date**") in accordance with the method stated in Article 25 of the Regulations concerning Underwriting of Securities, etc., promulgated by the Japan Securities Dealers Association ("**JSDA**").
(3)	Amount of Stated Capital and Additional Paid-in Capital to be Increased	The amount of stated capital to be increased shall be half of the maximum increased amount of stated capital, as calculated pursuant to Article 14, Paragraph 1 of the Rules of Corporate Accounting, with any fraction less than one yen resulting from the calculation rounded up. The amount of the additional paid-in capital to be increased shall be the amount obtainable by subtracting the said amount of stated capital to be increased from the said maximum amount of stated capital increase.
(4)	Method of Offering	The Japanese offering and the international offering will be made simultaneously. (i) Japanese Public Offering: In the offering to be made in Japan (the "**Japanese Public Offering**"), certain Japanese underwriters (the "**Japanese Underwriters**") shall underwrite and purchase all of the new shares with respect to the Japanese Public Offering. One of the Japanese Underwriters monitors market demand and other conditions among individuals, business corporations and certain other investors which may acquire shares of common stock of the Company, and makes allocations among them. In addition, the Japanese Underwriters collectively monitor market demand and other conditions of institutional investors and make

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allocations to them.

(ii) International Offering:

In the offering to be made outside of Japan (with the offering in the United States restricted to sales to Qualified Institutional Buyers under Rule 144A of the Securities Act) (the "**International Offering**"), the aggregate number of shares shall be purchased, severally and not jointly, by the international managers (the "**International Managers**" and together with the Japanese Underwriters, collectively the "**Underwriters**"). The International Managers have also been granted an option to purchase additional issued shares of common stock, as stated in (1)(iii) above.

With regard to the number of shares to be offered in (i) and (ii) above, the number of shares to be issued is planned to be 33,600,000 shares for the Japanese Public Offering and 14,400,000 shares for the International Offering (the International Managers will purchase 8,139,200 shares as described in (1)(ii) above initially and 6,260,800 additional issued shares of common stock of the Company upon exercise of the over-allotment option granted to the International Managers described in (1)(iii) above). However, the final breakdown shall be determined on the Pricing Date by taking into account market demand and other conditions.

The issue price (offer price) with regard to each of the Japanese Public Offering and the International Offering shall be determined in accordance with the method stated in Article 25 of the Regulations concerning Underwriting of Securities, etc., promulgated by the JSDA, on the Pricing Date based on the preliminary pricing terms calculated by multiplying the closing price in regular trading of the shares of common stock of the Company on the Tokyo Stock Exchange, Inc. on the Pricing Date (or, if no closing price is quoted, the closing price of the immediately preceding date) by 0.90-1.00 (with any fraction less than 1 yen being rounded down), taking into account market demand and other conditions.
The joint global coordinators for the Japanese Public Offering and the International Offering will be the Japanese Underwriters.

(5) Consideration for the Underwriters

The Company shall not pay any underwriting commissions to the Underwriters in the Japanese Public Offering and the International Offering, but rather the aggregate amount of the difference between the issue price (offer price) in each offering and the amount to be paid to the Company by the Underwriters shall be allocated to the Underwriters as underwriting fees.

(6) Subscription Period (in the Japanese

The subscription period shall be from the business day immediately following the Pricing Date to the second business

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	Public Offering)	day immediately following the Pricing Date.
(7)	Payment Date	The payment date shall be any day in the period from July 20, 2017 (Thu.) to July 26, 2017 (Wed.); provided, however, that such day shall be the fifth business day immediately following the Pricing Date.
(8)	Subscription Unit	100 shares.

(9) The amount to be paid in, the issue price (the offer price), the amount of stated capital and additional paid-in capital to be increased, and any other matters necessary for the Japanese Public Offering and the International Offering will be determined at the discretion of the Representative Director & Chief Executive Officer of the Company.

(10) The Japanese Public Offering shall be subject to the effectiveness of registration under the Financial Instruments and Exchange Act of Japan.

<Reference>

1. Change in the Total Number of Issued Shares as a Result of the Issuance of New Shares by way of Global Offering

(1)	Total number of issued shares at present:	160,000,000 shares	(As of July 3, 2017)
(2)	Increase in number of shares as a result of the issuance of new shares by way of global offering:	48,000,000 shares	(Note)
(3)	Total number of issued shares after the issuance of new shares by way of global offering:	208,000,000 shares	(Note)

(Note) These figures are based on the assumption that the International Managers will exercise their option to purchase all of the additional issued shares set forth in item (4) (ii) of "Issuance of New Shares by Way of Global Offering" above.

2. Use of Proceeds

The Company plans to apply all of the net proceeds from the Japanese Public Offering and the International Offering (collectively, the "**Global Offering**") in the aggregate amount of approximately up to 138,533,000,000 yen, to (i) fund investments and loans for Nghi Son Refinery and Petrochemical LLC, an affiliate of the Company; P.T. Idemitsu Lube Techno Indonesia and Idemitsu Lube India Pvt Ltd., the Company's overseas subsidiaries; Idemitsu Q8 Petroleum LLC, a joint venture of the Company and Kuwait Petroleum International Ltd.; and Idemitsu Formosa Specialty Chemicals Corporation, a joint venture of the Company and Formosa Petrochemical Corp., by the end of March 2020 in a total amount of 25,500 million yen, (ii) fund investments in plant and equipment (the "**Company's Capital Investment**"), such as a C8 splitter (distillation columns) ((Note) 1) at the Aichi Refinery, OLED materials manufacturing equipment ((Notes) 2 and 3) and survey equipment for new geothermal energy business sites ((Note) 4) by the end of March 2020 in a total amount of 11,220 million yen, (iii) funds for the Company's research and

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development in advanced technology areas, such as development and expansion of the use of OLED materials, as well as facilities to verify the industrialization of solid electrolytes in a total amount of 15,500 million yen by the end of March 2020; and (iv) the repayment of short-term loan(s), which was in the amount of 159,000 million yen, that the Company borrowed from a financial institution upon the acquisition of Showa Shell Sekiyu shares ((Note) 5) with respect to the remaining amounts by the end of March 2018.

(Note) 1. "C8 splitter (distillation columns)" refers to a facility that separates components included in gasoline by distillation to produce mixed xylene. Hereinafter the same shall apply.

2. OLED materials manufacturing equipment refers to equipment such as sublimation apparatus (an apparatus that removes impurities from OLED materials for increased purity) for the manufacture of OLED materials. Hereinafter the same shall apply.

3. The Company plans to conduct a capital investment in OLED materials manufacturing equipment, jointly with Idemitsu Electronic Materials Korea Co., Ltd. ("**Idemitsu Electronic Materials Korea**"), the Company's overseas subsidiary. In relation to the capital investment, the Company plans to allocate part of the funds raised in relation to the Global Offering to funds for the Company's Capital Investment. In addition, although the Company plans to conduct the capital investment by making an investment in and loan to Idemitsu Electronic Materials Korea, the scheduled amount of the investment and loan is yet to be decided. Consequently, the Company's Capital Investment also includes a capital investment related to Idemitsu Electronic Materials Korea.

4. Survey equipment for new geothermal energy business sites refers to facilities and other equipment necessary for testing steam jets and assessing hydrothermal water, which are heat sources in the geothermal energy business. Hereinafter the same shall apply.

5. For an overview of the Showa Shell Sekiyu share acquisition, please refer to the "Background and purpose of the Financing" section above.

3. Lockup

In relation to the Global Offering, the Company has agreed with the joint global coordinators that, during the period commencing on the Pricing Date and ending on the 180th day calculated from the delivery dates of the Global Offering (the "**Lockup Period**"), it will not issue the Company shares, securities which may be converted to or exchanged to the Company shares, or securities which represent rights to acquire or receive the Company shares, or engage in other similar transactions (except the issuance of new shares by the Japanese Public Offering, International Offering, or share split) without the prior written consent of the joint global coordinators.

In the case of the above, the joint global coordinators have the power to cancel the substance of the agreement, in whole or in part even during the Lockup Period.

End

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