November 14, 2018

Consolidated Financial Results for the Second Quarter of Fiscal Year 2018 (From April 1, 2018 to September 30, 2018) [Japan GAAP]

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Scheduled date of filing of quarterly securities report: November 14, 2018
Scheduled date of commencement of dividend payments: December 7, 2018
Supplementary materials for the quarterly financial results: Yes
Quarterly financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

1. Consolidated Financial Results for the Second Quarter of FY2018 (From April 1, 2018 to September 30, 2018)

(1) Consolidated operating results

(Percentage figures represent changes from the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
2Q FY2018	2,113,973	24.5	133,696	55.2	153,761	71.8	103,464	80.5
2Q FY2017	1,697,382	19.0	86,117	164.7	89,525	179.1	57,329	152.0

Note: Comprehensive income 2Q FY2018 ¥90,878 million 56.1% 2Q FY2017 ¥58,202 million －%

	Net income per share	Diluted net income per share
	¥	¥
2Q FY2018	499.69	－
2Q FY2017	325.34	－

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
2Q FY2018	2,968,225	956,624	31.0
FY2017	2,920,265	905,929	29.7

Reference: Total equity 2Q FY2018 ¥918,907 million FY2017 ¥868,700 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2017	－	40.00	－	40.00	80.00
FY2018	－	50.00			
FY2018 (Forecasts)			－	50.00	100.00

Note: Revisions of the forecasts of cash dividends since the latest announcement: None

3. Forecasts of Consolidated Financial Results for FY2018 (From April 1, 2018 to March 31, 2019)

(Percentage figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
FY2018	4,280,000	14.7	220,000	9.3	250,000	10.5	140,000	(13.7)	690.34

Note: Revisions of the forecasts of consolidated financial results since the latest announcement: None
Setting December 28, 2018 as the due date of acquisition, the Company planned to acquire treasury shares with an upper limit of 12 million shares. Up to November 9, 2018, the Company had acquired 10,439,700 treasury shares and completed the acquisition on the day. The fiscal 2018 forecast for consolidated net income per share is calculated by reflecting the number of the acquired treasury shares in the average number of shares during the fiscal year.

* Notes

(1) Changes of number of material consolidated subsidiaries during the six months ended September 30, 2018: **None**

(2) Application of the accounting method peculiar to the preparation of the quarterly financial statements: **Yes**

(3) Changes in accounting policies, accounting estimates and restatement

a) Changes in accounting policies arising from revision of accounting standards: **None**

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

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

d) Restatement: **None**

(4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of September 30, 2018: 208,000,000 As of March 31, 2018: 208,000,000

b) Number of shares of treasury stock

As of September 30, 2018: 5,329,937 As of March 31, 2018: 47,617

c) Weighted average number of shares outstanding during the period

Six months ended September 30, 2018: 207,055,549

Six months ended September 30, 2017: 176,214,998

*1 This document is out of the scope of quarterly review by certified public accountants or audit firms.

*2 The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 6 “Explanation of Forecasts of Consolidated Financial Results for FY2018” of the Appendix.

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1. Qualitative Information on the Consolidated Operating Results for the Second Quarter of FY2018

(1) Explanation of Operating Results

The overall domestic demand for petroleum products during the six months ended September 30, 2018 fell slightly below the previous year's level, reflecting the declining trend of the demand.

Dubai crude oil prices continued to rise mainly on the back of supply concerns over the United States' economic sanctions against Iran, which are planned for November, despite signs of an easing of OPEC's cooperative production cutbacks, including Saudi Arabia's production increase. Consequently, the average crude oil price from April to September 2018 was $73.2/bbl, an increase of $23.1/bbl against the same period of the previous year.

Petrochemical products maintained high levels of operation on the back of brisk demand in Asia. The price for naphtha, a petrochemical raw material, grew by $180/ton against the same period last year to $645/ton.

(Crude oil price, naphtha price and exchange rate)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Change	
Dubai Crude Oil ($/bbl)	50.1	73.2	+23.1	+46.1%
Naphtha ($/ton)	465	645	+180	+38.7%
Exchange Rate (¥/$)	112.1	111.3	(0.8)	(0.7)%

The Idemitsu Group's net sales for the six months ended September 30, 2018 were ¥2,114.0 billion, an increase of 24.5% compared with the same period of the preceding year, due mainly to increased import prices for crude oil.

Operating income increased by 55.2% against the same period of the previous year to ¥133.7 billion, due to higher margins on petroleum products, the positive effect of inventory valuation, and higher prices for natural resources.

Net non-operating income increased by ¥16.7 billion compared with the same period of the previous year to ¥20.1 billion owing primarily to increased equity in earnings of nonconsolidated subsidiaries and affiliates, which was the result of increased profits from Showa Shell Sekiyu K.K. included in the other segments. As a result, ordinary income was ¥153.8 billion, up 71.8% compared with the same period last year.

Net extraordinary income was ¥2.2 billion, an improvement of ¥2.9 billion from the same period of the previous year, owing primarily to gain on the dissolution of the oil field premium contract recorded in the resources segment.

Income taxes, which consist of corporate income tax, inhabitant tax and business tax, as well as income taxes-deferred, amounted to ¥49.5 billion, an increase of ¥20.5 billion from the same period of the previous year, mainly due to increased income before income taxes.

Net income attributable to owners of the parent increased by 80.5% compared with the same period of fiscal 2017 to ¥103.5 billion.

The performance of each business segment for the six months ended September 30, 2018 is as follows:

As to quarterly reporting periods, domestic subsidiaries use September 30 as their balance sheet date whereas overseas subsidiaries use June 30 as their balance sheet date, except for certain subsidiaries. As such, the following performance of the business segments includes the operating results of overseas subsidiaries for the six months ended June 30, 2018, and those of domestic subsidiaries for the six months ended September 30, 2018.

Net sales by segment

(Unit: ¥Billion)

Segment	2nd Quarter of FY2017	2nd Quarter of FY2018	Change	
			Amount	%
Petroleum products	1,294.0	1,656.6	+362.6	+28.0%
Petrochemical products	228.3	285.2	+56.9	+24.9%
Resources	143.5	140.9	(2.6)	(1.8%)
Others	31.5	31.3	(0.3)	(0.8%)
Total	1,697.4	2,114.0	+416.6	+24.5%

Operating income by segment

(Unit: ¥Billion)

Segment	2nd Quarter of FY2017	2nd Quarter of FY2018	Change	
			Amount	%
Petroleum products	31.2	76.8	+45.7	+146.6%
: excluding effect of inventory valuation	*37.1*	*40.5*	*+3.4*	*+9.1%*
Petrochemical products	20.6	19.7	(0.9)	(4.5%)
Resources	32.8	36.1	+3.3	+10.1%
Others	3.1	2.2	(0.9)	(29.8%)
Reconciliation	(1.6)	(1.2)	+0.4	―
Total	86.1	133.7	+47.6	+55.2%
: excluding effect of inventory valuation	*92.1*	*97.4*	*+5.3*	*+5.7%*

[Petroleum products segment]

Net sales of the petroleum products segment for the six months ended September 30, 2018 were ¥1,656.6 billion, an increase of 28.0% compared with the same period of the previous year, due partly to increases in import prices for crude oil. Operating income increased by 146.6% against the same period of the preceding year to ¥76.8 billion, mainly due to higher product margins and the positive effect of inventory valuation.

[Petrochemical products segment]

Net sales of the petrochemical products segment for the six months ended September 30, 2018 were ¥285.2 billion, an increase of 24.9% from the same period of fiscal 2017, due mainly to increases in naphtha prices. Operating income of the segment was ¥19.7 billion, down 4.5% from the same period of the previous year, due mainly to the downward factor of higher fuel costs, including increases in naphtha prices that exceeded upward factors such as higher margins for styrene monomer and other products.

[Resources segment]

(Oil exploration and production and the geothermal energy business)

Net sales of the oil exploration and production business and the geothermal energy business for the six months ended September 30, 2018 were ¥33.6 billion, down 20.9% from the corresponding period of the previous year, due mainly to the negative effect of reduced sales volumes owing to the transfer of its assets in the UK North Sea, despite the higher crude oil prices, while operating income was ¥14.6 billion, up 4.0% from the same period of the preceding year.

(Coal business and others)

Net sales of the coal business and others for the six months ended September 30, 2018 were ¥107.2 billion, up 6.2% compared with the same period of last year, due mainly to the effect of higher coal prices, and operating income was ¥21.6 billion, up 14.6% compared with the same period of the preceding year.

As a result, total net sales of the resources segment were ¥140.9 billion, down 1.8% from the corresponding period of the previous year, and operating income was ¥36.1 billion, up 10.1% from the same period of the preceding year.

[Other segments]

Net sales of the other segments for the six months ended September 30, 2018 were ¥31.3 billion, down 0.8% from the same period last year, and operating income was ¥2.2 billion, down 29.8% compared with the same period of the preceding year.

(2) Explanation of Financial Position

1) Financial position

Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2017	2nd Quarter of FY2018	Change
Current assets	1,208.2	1,275.0	+66.7
Fixed assets	1,712.0	1,693.3	(18.8)
Total assets	2,920.3	2,968.2	+48.0
Current liabilities	1,161.6	1,204.9	+43.3
Non-current liabilities	852.7	806.7	(46.0)
Total liabilities	2,014.3	2,011.6	(2.7)
Total net assets	905.9	956.6	+50.7
Total liabilities and net assets	2,920.3	2,968.2	+48.0

(a) Total assets

Total assets as of September 30, 2018 increased by ¥48.0 billion from the end of the previous fiscal year to ¥2,968.2 billion, owing primarily to the increase in inventories from the rise in crude oil prices, despite decreases in notes and accounts receivable-trade due mainly to seasonal factors, as well as the liquidation of oil field premium assets as a result of the dissolution of the oil field premium contract that had been signed at the time of the acquisition of the Snorre field.

(b) Total liabilities

Total liabilities as of September 30, 2018 decreased by ¥2.7 billion from the end of the previous fiscal year to ¥2,011.6 billion, owing primarily to declines in notes and accounts payable-trade mainly due to seasonable factors, as well as the liquidation of oil field premium liabilities as a result of the dissolution of the oil field premium contract that had been signed at the time of the acquisition of the Snorre field, despite increases in interest-bearing debts (¥974.8 billion as of September 30, 2018) from temporary demand for operating capital caused mainly by the rise in crude oil prices.

(c) Total net assets

Total net assets as of September 30, 2018 were ¥956.6, an increase of ¥50.7 billion from the end of the preceding fiscal year, primarily owing to ¥103.5 billion of net income attributable to owners of the parent, which was partially offset by such factors as the acquisition of treasury shares, reductions in foreign currency translation adjustments due to the appreciation of the yen and the payment of dividends. Consequently, the equity ratio as of September 30, 2018 was 31.0%, improved by 1.2 percent points from 29.7% at the end of fiscal 2017.

2) Explanation of cash flows

Summarized Consolidated Statements of Cash Flows

(Unit: ¥Billion)

	2nd Quarter of FY2017	2nd Quarter of FY2018
Cash flows from operating activities	136.3	9.1
Cash flows from investing activities	(41.4)	(67.8)
Cash flows from financing activities	(37.1)	44.6
Effect of exchange rate change on cash and cash equivalents	(0.6)	(2.2)
Net increase (decrease) in cash and cash equivalents	57.2	(16.3)
Cash and cash equivalents at the beginning of period	90.1	86.8
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	1.0	―
Cash and cash equivalents at the end of period	148.3	70.6

Cash and cash equivalents ("funds") as of September 30, 2018 were ¥70.6 billion, a decrease of ¥16.3 billion compared with the end of the preceding fiscal year. Major factors for this decrease are as follows:

(a) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥9.1 billion, due mainly to increased income generated by the petroleum product segment and the resources segment, which was partially offset by an increase in required operating capital caused by higher import prices of crude oil.

(b) Cash flows from investing activities

Net cash used in investing activities amounted to ¥67.8 billion, reflecting the acquisition of tangible fixed assets of ¥45.3 billion as part of capital investment and an increase in long-term loans receivable of ¥10.3 billion.

(c) Cash flows from financing activities

Net cash provided by financing activities amounted to ¥44.6 billion, due mainly to an increase in interest-bearing debts of ¥81.2 billion from temporary demand for operating capital caused mainly by the rise in crude oil prices, which was partially offset by ¥28.0 billion of the acquisition of treasury shares.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2018

There was no change in the forecasts of the consolidated financial results for the year ending March 31, 2019 released on August 14, 2018.

2. Consolidated Financial Statements for the Second Quarter of FY2018 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2017 (As of March 31, 2018)	2nd Quarter of FY2018 (As of September 30, 2018)
Assets		
Current assets:		
Cash and deposits	88,424	71,812
Notes and accounts receivable, trade	486,185	466,429
Inventories	535,636	633,037
Other	98,422	103,954
Less: Allowance for doubtful accounts	(432)	(280)
Total current assets	1,208,236	1,274,953
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	185,959	184,601
Land	579,743	577,858
Other, net	241,080	236,650
Total property, plant and equipment	1,006,782	999,110
Intangible fixed assets	20,768	22,927
Investments and other assets:		
Investment securities	422,436	432,639
Oil field premium assets	33,081	―
Other	229,024	238,659
Less: Allowance for doubtful accounts	(64)	(64)
Total investments and other assets	684,477	671,234
Total fixed assets	1,712,029	1,693,272
Total assets	2,920,265	2,968,225
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	429,550	413,721
Short-term loans payable	142,873	212,591
Commercial paper	138,001	171,999
Current portion of bonds payable	25,000	10,000
Accounts payable, other	295,421	265,138
Income taxes payable	27,542	42,160
Provision for bonuses	8,111	7,785
Other	95,106	81,484
Total current liabilities	1,161,607	1,204,882
Non-current liabilities:		
Bonds payable	40,000	50,000
Long-term loans payable	546,171	528,689
Liability for employees' retirement benefits	13,972	11,935
Reserve for repair work	27,112	34,155
Asset retirement obligations	49,178	47,586
Oil field premium liabilities	39,274	―
Other	137,019	134,351
Total non-current liabilities	852,727	806,718
Total liabilities	2,014,335	2,011,601

(Unit: ¥Million)

	FY2017 (As of March 31, 2018)	2nd Quarter of FY2018 (As of September 30, 2018)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	130,875	130,875
Retained earnings	403,745	498,301
Treasury stock	(133)	(28,102)
Total shareholders' equity	702,839	769,426
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	10,105	9,860
Deferred gains (losses) on hedging activities, net	(4,083)	(4,878)
Surplus from land revaluation	158,171	157,374
Foreign currency translation adjustments	919	(13,923)
Defined retirement benefit plans	748	1,047
Total accumulated other comprehensive income	165,861	149,480
Noncontrolling interests	37,228	37,717
Total net assets	905,929	956,624
Total liabilities and net assets	2,920,265	2,968,225

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	2nd Quarter of FY2017 (From April 1, 2017 to September 30, 2017)	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)
Net sales	1,697,382	2,113,973
Cost of sales	1,475,053	1,836,689
Gross profit	222,329	277,284
Selling, general and administrative expenses	136,211	143,587
Operating income	86,117	133,696
Non-operating income:		
Interest income	1,972	2,961
Dividend income	1,872	2,705
Gain on foreign exchange, net	212	―
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	7,024	18,830
Other	840	1,210
Total non-operating income	11,922	25,707
Non-operating expenses:		
Interest expense	4,862	4,272
Loss on foreign exchange, net	―	413
Other	3,651	957
Total non-operating expenses	8,514	5,643
Ordinary income	89,525	153,761
Extraordinary income:		
Gain on sales of fixed assets	914	1,381
Gain on sale of affiliate stock	―	187
Gain on dissolution of oil field premium contract	―	6,202
Other	14	34
Total extraordinary income	928	7,805
Extraordinary losses:		
Impairment loss on fixed assets	781	3,197
Loss on sales of fixed assets	79	127
Loss on disposals of fixed assets	698	550
Other	42	1,723
Total extraordinary losses	1,600	5,598
Income before income taxes	88,853	155,967
Income taxes	28,952	49,458
Net income	59,900	106,509
Net income attributable to noncontrolling interests	2,571	3,045
Net income attributable to owners of the parent	57,329	103,464

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	2nd Quarter of FY2017 (From April 1, 2017 to September 30, 2017)	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)
Net income	59,900	106,509
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	1,131	(731)
Deferred gains on hedging activities, net	1,253	(1,448)
Foreign currency translation adjustments	(1,247)	(12,747)
Defined retirement benefit plans	593	277
Share of other comprehensive income in equity method affiliates	(3,429)	(980)
Total other comprehensive income	(1,698)	(15,630)
Comprehensive income	58,202	90,878
Comprehensive income attributable to:		
Owners of the parent	56,026	87,898
Noncontrolling interests	2,175	2,980

(3) Consolidated Quarterly Statements of Cash Flows

(Unit: ¥Million)

	2nd Quarter of FY2017 (From April 1, 2017 to September 30, 2017)	2nd quarter of FY2018 (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities:		
Income before income taxes	88,853	155,967
Depreciation and amortization	34,281	31,242
Impairment loss on fixed assets	781	3,197
Amortization of goodwill	501	535
Increase (decrease) in liability for employees' retirement benefits	629	(1,661)
Increase (decrease) in reserve for repair work	6,557	7,043
Interest and dividend income	(3,845)	(5,667)
Interest expense	4,862	4,272
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net	(7,024)	(18,830)
(Gain) loss on sales of fixed assets, net	(834)	(1,253)
(Increase) decrease in notes and accounts receivable, trade	16,209	15,636
(Increase) decrease in inventories	7,838	(99,532)
Increase (decrease) in notes and accounts payable, trade	(39,478)	(11,885)
Increase (decrease) in accounts payable, other	39,956	(21,698)
(Increase) decrease in accounts receivable, other	5,340	(1,854)
Other, net	(10,995)	(29,021)
Subtotal	143,634	26,490
Interest and dividends received	8,821	9,925
Interest paid	(4,819)	(4,224)
Income taxes paid	(11,310)	(23,055)
Net cash provided by (used in) operating activities	136,325	9,134
Cash flows from investing activities:		
Purchases of tangible fixed assets	(27,210)	(45,255)
Proceeds from sales of tangible fixed assets	2,006	1,503
Purchases of intangible fixed assets	(595)	(1,574)
Acquisitions of investment securities	(1,202)	(4)
Payment for acquisition of shares of subsidiaries resulting in change in scope of consolidation	―	(3,127)
Disbursements for long-term loans	(10,922)	(10,306)
Proceeds from collection of long-term loans receivable	318	200
(Increase) decrease in short-term loans receivable, net	(468)	(805)
Other, net	(3,300)	(8,431)
Net cash provided by (used in) investing activities	(41,376)	(67,800)

(Unit: ¥Million)

	2nd Quarter of FY2017 (From April 1, 2017 to September 30, 2017)	2nd Quarter of FY2018 (From April 1, 2018 to September 30, 2018)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	(103,664)	68,894
Increase (decrease) in commercial paper, net	(25,005)	33,998
Proceeds from long-term loans payable	9,403	―
Repayments of long-term loans payable	(19,512)	(13,754)
Proceeds from issuance of bonds	―	20,000
Redemption of bonds	(10,000)	(25,000)
Proceeds from issuance of common shares	118,624	―
Purchases of treasury stock	(0)	(27,969)
Proceeds from sales of treasury stock	―	0
Cash dividends paid	(3,998)	(8,318)
Cash dividends paid to noncontrolling interests	(3,038)	(2,492)
Other, net	59	(783)
Net cash provided by (used in) financing activities	(37,132)	44,574
Effect of exchange rate change on cash and cash equivalents	(626)	(2,172)
Net increase (decrease) in cash and cash equivalents	57,189	(16,263)
Cash and cash equivalents at the beginning of period	90,093	86,836
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	996	―
Cash and cash equivalents at the end of period	148,279	70,572

(4) Notes to the Consolidated Quarterly Financial Statements

1) Notes on the Assumption of a Going Concern

None

2) Notes on Significant Changes in Shareholders' Equity

The Company resolved on its board of directors' meeting on July 10, 2018, to acquire its treasury shares with the upper limit of 12 million shares and ¥55 billion in aggregate. In accordance with this resolution, the Company had acquired 5,111,800 treasury shares amounting to the acquisition cost of ¥27,079 million up to September 30, 2018. Primarily due to these acquisitions, the Company's treasury stock increased by ¥27,969 million during the six months ended September 30, 2018 to ¥28,102 million at September 30, 2018.

3) Application of the Accounting Method Peculiar to the Preparation of the Quarterly Financial Statements

Income taxes are calculated by multiplying the income before income taxes for the six months ended September 30, 2018 by the estimated effective tax rate that is reasonably estimated for income before income taxes for the fiscal year that includes the current quarter.

However, if the calculation using the relevant estimated effective tax rate leads to significantly irrational results, income taxes are calculated by multiplying the quarterly income before income taxes by the effective statutory tax rate, after adjusting important differences that do not constitute temporary differences.

4) Additional Information

(Application of Partial Amendments of Accounting Standard for Tax Effect Accounting, etc.)

The Company adopted ASBJ Statement No.28, Partial Amendments of Accounting Standard for Tax Effect Accounting (February 16, 2018), etc. from the beginning of the current fiscal year. In accordance with this accounting standard, deferred tax assets are presented as investments and other assets and deferred tax liabilities are presented as non-current liabilities.

(Acquisition of Treasury Shares)

The Company resolved on its board of directors meeting on July 10, 2018, to acquire its treasury shares as follows, pursuant to the Articles of Incorporation, under the provision of Article 459, paragraph 1 of the Companies Act of Japan. In addition, the Company will distribute all or part of the treasury shares to be acquired to shareholders (excluding the Company) of Showa Shell Sekiyu K.K. ("Showa Shell") on the occasion of a share exchange with Showa Shell.

(a) Purpose for the Acquisition of Treasury Shares

Through the acquisition of treasury shares, the Company intends to improve the capital efficiency and earnings per share through the decrease in number of shares, as well as to increase profit return to the shareholders.

(b) Details of Acquisition

a) Type of shares to be acquired

Common shares of the Company

b) Aggregate number of shares to be acquired

12 million shares (upper limit)
(5.77% of the total number of the issued shares, excluding treasury shares)

c) Aggregate amount of purchase price
¥55 billion (upper limit)

d) Acquisition period
From July 17, 2018 to December 28, 2018

e) Acquisition method
Market purchase based on the discretionary dealing contract

(c) Aggregate number and price of the treasury shares acquired up to September 30, 2018 based on the above resolution

a) Aggregate number of shares acquired: 5,111,800 shares
b) Aggregate amount of purchase price: ¥27,079,581,500

On November 9, 2018, the Company completed its acquisition of treasury shares. The summary of this acquisition including the information provided above is as follows:

a) Type of shares acquired
Common shares of the Company

b) Aggregate number of shares acquired
10,439,700 shares
(5.02% of the total number of the issued shares, excluding treasury shares)

c) Aggregate amount of purchase price
¥54,999,551,500

d) Acquisition period
From July 17, 2018 to November 9, 2018 (execution basis)

e) Acquisition method
Market purchase based on the discretionary dealing contract

(Performance-linked Stock Compensation Plan)

In the second quarter of FY2018, the Company introduced a performance-linked stock compensation plan (the "Plan") covering directors (excluding outside directors and those who are non-Japanese residents) and executive officers (excluding those who are non-Japanese residents). The Plan is designed to be highly transparent and objective and to be 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 transactions associated with the Plan are accounted for in accordance with PITF No.30, Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts.

(a) Outline

The Company adopted a structure called the Board Incentive Plan Trust for Officers (the "Trust") as a trust for the Plan.

The Plan is a stock compensation plan under which the Trust acquires the Company's shares using the funds the Company entrusts. The funds represent compensation for the directors and the executive officers, which is eventually paid in the form of both shares and cash. The amount of compensation under the Plan is based on the

Company's annual performance over the consecutive three fiscal years and the payment is made after the retirement of the directors and the executive officers.

During the trust period, the directors and the executive officers are given both "basic points" calculated based on their position and "grant points" calculated based on the performance of the Company during each fiscal year. After their retirement, the compensation is calculated based on the accumulated points earned by the directors and the executive officers and is paid in the Company's shares and cash.

(b) The Company's shares held by the Trust

The Company shares held by the Trust are included in treasury stock as part of net assets on the balance sheet at the Trust's carrying amount (excluding transaction costs). The carrying amount of such treasury stock as of September 30, 2018 was ¥890 million (170,500 shares).

5) Consolidated Segment Information

Second Quarter of FY2017 (From April 1, 2017 to September 30, 2017)

(a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment				Others	Total	Reconciliation	Consolidated
	Petroleum products	Petro-chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	1,293,970	228,337	143,526	1,665,834	31,548	1,697,382	—	1,697,382
Inter-segment	5,044	2,118	482	7,644	1,783	9,428	(9,428)	—
Total	1,299,014	230,455	144,008	1,673,478	33,331	1,706,810	(9,428)	1,697,382
Operating income	31,160	20,642	32,830	84,633	3,133	87,766	(1,648)	86,117

Notes:

1. The segment "Others" refers to the total of other business segments that are not included in the reportable segments, including Showa Shell Sekiyu K.K., engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments is reconciled to the amount of operating income in the consolidated quarterly statement of income.
4. Although not included in the calculation of the operating income of the reportable segments, equity in earnings of non-consolidated subsidiaries and affiliates is provided to and used by the board of directors on a regular basis. The equity in earnings of non-consolidated subsidiaries and affiliates of Showa Shell Sekiyu K.K. is included in the segment "Others".
   (Petroleum products) ¥ (1,213) million (Petrochemical products) ¥4,816 million
   (Resources) ¥1,033 million (Others) ¥2,510 million (Reconciliation) ¥ (123) million

(b) Impairment loss on fixed assets and goodwill by reportable segment

There is no significant item during the period.

Second Quarter of FY2018 (From April 1, 2018 to September 30, 2018)

(a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment				Others	Total	Reconciliation	Consolidated
	Petroleum products	Petro-chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	1,656,558	285,247	140,886	2,082,692	31,281	2,113,973	–	2,113,973
Inter-segment	6,736	9,848	433	17,018	2,230	19,249	(19,249)	–
Total	1,663,295	295,095	141,319	2,099,710	33,512	2,133,223	(19,249)	2,113,973
Operating income	76,849	19,714	36,137	132,701	2,200	134,901	(1,204)	133,696

Notes:

1. The segment "Others" refers to the total of other business segments that are not included in the reportable segments, including Showa Shell Sekiyu K.K., engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments is reconciled to the amount of operating income in the consolidated quarterly statement of income.
4. Although not included in the calculation of the operating income of the reportable segments, equity in earnings of non-consolidated subsidiaries and affiliates is provided to and used by the board of directors on a regular basis. The equity in earnings of non-consolidated subsidiaries and affiliates of Showa Shell Sekiyu K.K. is included in the segment "Others".
   (Petroleum products) ¥ (1,027) million (Petrochemical products) ¥6,078 million
   (Resources) ¥1,001 million (Others) ¥12,756 million (Reconciliation) ¥ 21 million

(b) Impairment loss on fixed assets and goodwill by reportable segment

There is no significant item during the period.

6) Significant Subsequent Events

(Execution of Share Exchange Agreement for Business Integration with Showa Shell)

Showa Shell Sekiyu K.K. ("Showa Shell") and Idemitsu Kosan Co.,Ltd. ("Idemitsu Kosan") (collectively, the "Companies") had continued discussions toward executing the share exchange agreement, regarding the business integration (the "Business Integration") agreed by the Companies based on the Business Integration Agreement dated July 10, 2018. On October 16, 2018, the Companies respectively held the board of directors' meetings which resolved to execute an agreement (the "Share Exchange Agreement") regarding the share exchange (the "Share Exchange") in which Idemitsu Kosan will become a wholly owning parent company and Showa Shell will become a wholly owned subsidiary company, subject to the approvals from the Companies' shareholders' meetings and the relevant authorities.

(a) Outline of the Business Integration

a) Purpose of the Business Integration

The Companeis intend to reinforce the enterprise value of the Companies by implementing the Business Integration through the Share Exchange, (i) in the short term, by maximizing synergies and aiming to create an entity with industry-leading competitiveness, and (ii) in the medium to long-term, by evolving into a resilient corporate entity through promoting the optimization of their business structure and their environment, society and governance initiatives.

b) Method for the Business Integration

The Companies will implement a share exchange on April 1, 2019 (scheduled) in which Idemitsu Kosan will distribute its shares to shareholders of Showa Shell and acquire all of the issued shares of Showa Shell, subject to the approvals from the Companies' extraordinary shareholders' meetings scheduled to be held on December 18, 2018 and the relevant authorities.

c) Schedule for the Business Integration

Execution of the Business Integration Agreement	July 10, 2018
Resolution of board of directors' meetings of the Companies concerning approval of the execution of the Share Exchange Agreement	October 16, 2018
Execution of the Share Exchange Agreement (agreement on the share exchange ratio)	October 16, 2018
Public notice of the record date of the Companies' extraordinary shareholders' meetings	October 17, 2018
Record date of the Companies' extraordinary shareholders' meetings	November 1, 2018
The Companies' extraordinary shareholders' meetings	December 18, 2018 (scheduled)
Last trading date (Showa Shell)	March 26, 2019 (scheduled)
Date of delisting (Showa Shell)	March 27, 2019 (scheduled)
Effective date of the Share Exchange	April 1, 2019 (scheduled)

(Note) If it is necessary to amend the schedule because of notifications to the relevant authorities, etc. such as the procedures required by the relevant foreign competition authorities, registrations, acquisition of permissions/approvals, or other preparations for the Business Integration, or for other reasons, the Companies will announce the amended schedule upon mutual discussions and agreement.

(b) Matters Concerning the Share Exchange

a) Details of allocation in the Share Exchange (the share exchange ratio)

	Idemitsu Kosan	Showa Shell
Share exchange ratio	1	0.41

(Note 1) Share allocation ratio

0.41 shares of Idemitsu Kosan common stock will be allocated for every one share of Showa Shell common stock. If there are any material changes in the financial conditions or business performance of Showa Shell or Idemitsu Kosan, or such changes become evident, the Companies may amend the above share exchange ratio through mutual discussions.

(Note 2) Number of shares to be allocated through the Share Exchange

At the time of the Share Exchange, Idemitsu Kosan will allocate and deliver 105 million shares (planned) of common stock to the shareholders of Showa Shell (meaning shareholders after the cancellation of Showa Shell's treasury shares described below, and excluding Showa Shell and Idemitsu Kosan) as of the time immediately before Idemitsu Kosan acquires all of the issued shares of Showa Shell through the Share Exchange (the "Reference Time"). Idemitsu Kosan will, at the allotment and delivery of its shares, cancel the treasury shares it holds, although the number of treasury shares to be cancelled has not been decided to date.

Showa Shell will at the Reference Time cancel all treasury shares it holds as of the Reference Time (including shares to be acquired by Showa Shell in response to dissenting shareholders' demands in relation to the Share Exchange to purchase their shares as stipulated in Article 785, paragraph 1 of the Companies Act) upon a resolution of Showa Shell's board of directors' meeting to be held by the day immediately preceding the effective date of the Share Exchange (the "Effective Date"). The number of shares to be allocated and delivered through the Share Exchange may change due to change of the number of Showa Shell's treasury shares and for other reasons.

The Company resolved on its board of directors' meeting on July 10, 2018, to acquire its treasury shares. In accordance with this resolution, the Company had acquired 10,439,700 treasury shares for the acquisition cost of ¥54,999 million up to November 9, 2018 and completed the acquisition on the day.

(Note 3) Treatment of shares constituting less than one unit

It is expected that some shareholders will hold shares constituting less than one unit (100 shares) of Idemitsu Kosan stock as a result of the Share Exchange. Such shareholders will not be able to sell such shares constituting less than one unit of Idemitsu Kosan on the market.

Shareholders who will hold shares constituting less than one unit of Idemitsu Kosan may use the following systems on and after the Effective Date.

i. System to demand purchase of shares constituting less than one unit (sale of shares constituting less than one unit)

Shareholders who will hold shares constituting less than one unit of Idemitsu Kosan stock may demand that Idemitsu Kosan purchase their shares constituting less than one unit pursuant to Article 192, paragraph 1 of the Companies Act.

ii. System to further purchase shares constituting less than one unit (purchase shares required to constitute one unit)

Shareholders who will hold shares constituting less than one unit of Idemitsu Kosan stock may purchase from Idemitsu Kosan the number of shares required, together with the number of shares constituting less than one unit they hold, to constitute one unit (100 shares) pursuant to Article 194, paragraph 1 of the Companies Act and the relevant provision of Idemitsu Kosan's articles of incorporation.

(Note 4) Treatment of any fractional shares

For the current shareholders of Showa Shell who will receive a fraction less than one share of Idemitsu Kosan stock upon the Share Exchange, Idemitsu Kosan will pay cash to each such shareholder for the value of such fractional shares pursuant to Article 234 of the Companies Act and other relevant laws and regulations.

b) Voting rights of shareholders of Showa Shell to whom Idemitsu Kosan's common stock will be allotted and delivered at the Share Exchange

Idemitsu Kosan's board of directors' meeting will resolve, by the Effective Date, to grant to shareholders of Showa Shell to whom Idemitsu Kosan's common stock will be allotted and delivered at the Share Exchange, voting rights in relation to such Idemitsu Kosan's common stock which will be able to be exercised at its annual shareholders' meeting to be held in June, 2019 pursuant to Article 124, paragraph 4 of the Companies Act, subject to a condition precedent that (i) the amendment to Showa Shell's articles of incorporation, announced on October 16, 2018, in which the provision regarding the record date to exercise voting rights is deleted, becomes effective, and (ii) the Share Exchange becomes effective.

c) Basis and reasons for the share exchange ratio

Showa Shell and Idemitsu Kosan carefully negotiated and discussed the share exchange ratio, referring to the share exchange ratio calculated by third party financial advisors appointed by each company, using the respective share prices as the main criterion, and based on the results of due diligence reviews mutually carried out by the Companies and for the benefit of the Companies' shareholders, etc. After prudent and thorough discussions, the Companies came to an agreement and concluded that the share exchange ratio described in (b) a) above was appropriate.

d) Names of the financial advisors and their relationships with the Companies

In order to ensure the fairness of the share exchange ratio of the Share Exchange for each company's shareholders, each company appointed third party financial advisors for the calculation of the ratio. Showa Shell retained Lazard Frères K.K. ("Lazard") and Mizuho Securities Co., Ltd. ("Mizuho Securities"), and Idemitsu Kosan retained JPMorgan Securities Japan Co., Ltd., Goldman Sachs Japan Co., Ltd., and Daiwa Securities Co. Ltd. Although Showa Shell and Idemitsu Kosan obtained loans from a bank in Mizuho Securities' group, Mizuho Securities and its group banks had

developed and implemented appropriate conflict of interest management systems in accordance with the applicable laws. As Showa Shell determined that appropriate measures to prevent inappropriate practices had been implemented in connection with the calculation of the share exchange ratio, Showa Shell retained Mizuho Securities as a third party financial advisor. None of the other third party financial advisors of Showa Shell or Idemitsu Kosan had any material interest to be noted in connection with the Share Exchange.

e) Corporate office, principal office, names of representatives, amount of common stock, net assets and total assets, and description of business after the Business Integration

Corporate office	Idemitsu Kosan Co.,Ltd. (Trade Name: Idemitsu Showa Shell (planned))
Principal office	3-1-1 Marunouchi, Chiyoda-ku, Tokyo
Names of representatives (planned)	Representative Director: Takashi Tsukioka (currently, Chairman and Representative Director of Idemitsu Kosan) Representative Director: Tsuyoshi Kameoka (currently, Representative Director, President, Executive Officer, CEO of Showa Shell) Representative Director: Shunichi Kito (currently, Representative Director and Chief Executive Officer of Idemitsu Kosan) Representative Director: Tomonori Okada (currently, Representative Director, Vice President, Executive Officer of Showa Shell)
Amount of common stock	¥168,351 million
Amount of net assets	Not yet determined
Amount of total assets	Not yet determined
Description of business	Petroleum refining and manufacture and sales of oil products Manufacture and sales of petrochemical products Development, production, and sales of petroleum and coal resources Development, manufacture, and sales of electronic materials and agricultural chemicals, etc.