May 15, 2019

# Consolidated Financial Results for the Fiscal Year 2018

## (From April 1, 2018 to March 31, 2019) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL http://www.idemitsu.com)
Company Code: 5019, Shares listed on: Tokyo Stock Exchange
Name of Representative: Shunichi Kito, Representative Director & Chief Executive Officer
Contact Person: Koji Tokumitsu, General Manager, Investor Relations Office, Finance Department
Telephone: +81-3-3213-9307
Scheduled date of ordinary general meeting of shareholders: June 27, 2019
Scheduled date of commencement of dividend payments: June 6, 2019
Scheduled date of filing of Securities Report: June 27, 2019
Supplemental materials for the financial results: Yes
Financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

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

### (1) Consolidated operating results

(Percentages represent changes from prior year)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | |
|---|---|---|---|---|---|---|---|---|
| | ¥million | % | ¥million | % | ¥million | % | ¥million | % |
| FY2018 | 4,425,144 | 18.6 | 179,319 | (10.9) | 169,121 | (25.3) | 81,450 | (49.8) |
| FY2017 | 3,730,690 | 16.9 | 201,323 | 48.9 | 226,316 | 61.7 | 162,307 | 84.1 |

Notes: Comprehensive income FY2018 ¥52,069 million (71.1%) FY2017 ¥180,035 million 94.0%

| | Net income per share | Diluted net income per share | Return on equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| | ¥ | ¥ | % | % | % |
| FY2018 | 401.63 | — | 9.5 | 5.8 | 4.1 |
| FY2017 | 845.17 | — | 22.3 | 8.1 | 5.4 |

Reference: Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates FY2018 ¥(13,141) million
FY2017 ¥27,229 million

### (2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | ¥million | ¥million | % | ¥ |
| FY2018 | 2,890,307 | 878,931 | 29.1 | 4,267.21 |
| FY2017 | 2,920,265 | 905,929 | 29.7 | 4,177.40 |

Reference: Total equity FY2018 ¥842,099 million FY2017 ¥868,700 million

### (3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at the end of period |
|---|---|---|---|---|
| | ¥million | ¥million | ¥million | ¥million |
| FY2018 | 151,015 | (122,284) | (20,152) | 90,690 |
| FY2017 | 136,760 | (89,889) | (51,915) | 86,836 |

2. Dividends

| | Cash dividends per share | | | | | Total dividend amount | Payout ratio (Consolidated) | Dividends on equity ratio (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | As of Jun.30 | As of Sep.30 | As of Dec.31 | As of Mar.31 | Total | | | |
| | ¥ | ¥ | ¥ | ¥ | ¥ | ¥million | % | % |
| FY2017 | ― | 40.00 | ― | 40.00 | 80.00 | 16,636 | 10.2 | 2.3 |
| FY2018 | ― | 50.00 | ― | 50.00 | 100.00 | 20,017 | 24.6 | 2.3 |
| FY2019 (Forecast) | ― | 80.00 | ― | 80.00 | 160.00 | | 30.2 | |

Notes: "Payout ratio (Consolidated)" is calculated by dividing total dividends of common stock by net income attributable to owners of the parent.
"Dividends on equity ratio (Consolidated)" is calculated by dividing total dividends of common stock by an average of total equity balances at the beginning of period and at the end of period.

3. Forecasts of Consolidated Financial Results for FY2019 (From April 1, 2019 to March 31, 2020)

(Percentages represent changes from prior year)

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | | Net income per share |
|---|---|---|---|---|---|---|---|---|---|
| | ¥million | % | ¥million | % | ¥million | % | ¥million | % | ¥ |
| FY2019 | 6,790,000 | 53.4 | 220,000 | 22.7 | 228,500 | 35.1 | 160,000 | 96.4 | 530.23 |

Notes: "Net income per share" is calculated by reflecting the effect of the common stock of 104,411,875 shares the Company issued on April 1, 2019 upon the share exchange with Show Shell Sekiyu K. K. (the Company applied its treasury stock of 10,486,357 shares previously held to the issued shares.)

* Notes

(1) Changes of number of material consolidated subsidiaries during the fiscal year: **None**

(2) Changes in accounting policies and accounting estimates, or restatement
a) Changes in accounting policies arising from revision of accounting standards: **None**
b) Changes arising from other factors: **None**
c) Changes in accounting estimates: **None**
d) Restatement: **None**

(3) Number of shares issued (common stock)
a) Number of shares issued (including treasury stock)
As of March 31, 2019: 208,000,000 As of March 31, 2018: 208,000,000
b) Number of shares of treasury stock
As of March 31, 2019: 10,657,857 As of March 31, 2018: 47,617
c) Weighted average number of shares outstanding during the period
FY2018: 202,797,538 FY2017: 192,040,290

(Reference)

1. Nonconsolidated Financial Results for FY2018 (From April 1, 2018 to March 31, 2019)

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

| | Net sales | | Operating income | | Ordinary income | | Net income | |
|---|---|---|---|---|---|---|---|---|
| | ¥million | % | ¥million | % | ¥million | % | ¥million | % |
| FY2018 | 3,088,005 | 12.4 | 50,361 | (51.5) | 69,896 | (43.9) | 39,858 | (56.3) |
| FY2017 | 2,746,981 | 11.9 | 103,794 | 18.4 | 124,505 | 28.4 | 91,270 | 39.8 |

| | Net income per share | Diluted net income per share |
|---|---|---|
| | ¥ | ¥ |
| FY2018 | 196.54 | — |
| FY2017 | 475.26 | — |

(2) Nonconsolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | ¥million | ¥million | % | ¥ |
| FY2018 | 2,375,455 | 589,641 | 24.8 | 2,987.92 |
| FY2017 | 2,368,631 | 629,904 | 26.6 | 3,029.08 |

Reference: Total equity FY2018 ¥589,641 million FY2017 ¥629,904 million

* This document is out of the scope of audit performed by certificated public accountants or audit firms.
* 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 7 “Forecasts of consolidated financial results for FY2019” of the Appendix.

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[Appendix]

# 1. Overviews Concerning Operating Results and Financial Position

## (1) Overview Concerning Operating Results

### 1) General economic conditions and environment surrounding the Idemitsu Group

During the fiscal year ended March 31, 2019, the Japanese economy maintained a mild recovery trend helped by continued improvements in capital spending and the employment environment, while the economic outlook remained uncertain amid the intensifying US-China trade frictions and the abrupt slowdown in China's economy.

As for petroleum products for the domestic market during fiscal 2018, demand for gasoline decreased slightly due to structural factors including improved vehicle fuel efficiency. Demand for middle distillates such as kerosene remained weak due to the warmer winter, while heavy fuel oil for the power industry was affected by a year-on-year decrease in demand, reflecting the progress in diversification of power sources. Consequently, overall demand for petroleum products during the fiscal 2018 was lower compared with the preceding fiscal year.

Dubai crude oil prices had surged to over $80/bbl by early fall due to growing supply concerns given the US trade sanctions against Iran, but declined below $50/bbl in November due to the softer supply-demand conditions and the uncertain outlook for the global economy. Dubai crude oil prices got back on the recovery track later reflecting the OPEC oil production cut. Consequently, the average price of Dubai crude oil for fiscal 2018 rose by $13.5/bbl from the preceding year to $69.3/bbl.

Demand for petrochemical products during fiscal 2018 remained strong primarily in Asia. The annual average price of naphtha, a petrochemical raw material, increased by $101/ton from the previous fiscal year to $621/ton.

The Japanese yen to US dollar exchange rate was around ¥107/$ at the beginning of fiscal 2018. The yen depreciated in value to around ¥114/$ in October, mainly due to the US policy interest rate hike. The yen-dollar rate generally remained within a stable range between around ¥109/$ and ¥113/$ in the following months. The average exchange rate for fiscal 2018 was ¥110.8/$, which was consistent with the previous fiscal year.

### 2) Operating results

Under these circumstances, the Idemitsu Group's net sales for fiscal 2018 were ¥4,425.1 billion, up 18.6% from the previous fiscal year, due mainly to sales growth in the petroleum products segment as well as the petrochemical products segment helped by increased prices for crude oil and naphtha.

Cost of sales was ¥3,937.4 billion, up 21.6% year on year, primarily due to the higher prices of crude oil and naphtha. Selling, general and administrative expenses totaled ¥308.4 billion, up 5.4% year on year.

Operating income was ¥179.3 billion, down 10.9% year on year, primarily due to the lower profit in the petroleum products segment reflecting higher fuel costs for refining and the effect of inventory valuation, partially offset by higher income in the resources segment resulting from higher prices for natural resources.

Net non-operating loss was ¥10.2 billion, down ¥35.2 billion year on year, primarily reflecting a decrease in equity in earnings of non-consolidated subsidiaries and affiliates, partially offset by increases in interest and dividends income. Consequently, ordinary income was ¥169.1 billion, down 25.3% from the previous fiscal year.

Net extraordinary loss was ¥24.4 billion, which was ¥10.3 billion less than the preceding fiscal year. This reflected impairment loss on fixed assets and loss on penalty for LPG business, which were partly offset by gain on the dissolution of the oil field premium contract in the oil exploration and production business.

Income taxes including both current and deferred tax expenses were ¥57.9 billion, up ¥12.6 billion year on year. Although income before income taxes decreased for fiscal 2018, taxable income in fiscal 2017 was reduced by the tax loss arising from loss on affiliate shares brought forward from preceding years.

Net income attributable to noncontrolling interests for the period was ¥5.3 billion, up 18.5% year on year, reflecting mainly an increase in profit for the resources segment.

As a result, net income attributable to owners of the parent was ¥81.5 billion, down 49.8% compared to the preceding fiscal year.

3) Progress and results of business

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

Net sales by segment

(Unit: ¥Billion)

| Segment | FY2017 | FY2018 | Change (Decrease) | |
|---|---|---|---|---|
| | | | Amount | % |
| Petroleum products | 2,870.8 | 3,488.9 | +618.1 | +21.5% |
| Petrochemical products | 500.7 | 555.4 | +54.7 | +10.9% |
| Resources | 289.4 | 308.0 | +18.6 | +6.4% |
| Others | 69.8 | 72.8 | +3.0 | +4.3% |
| Total | 3,730.7 | 4,425.1 | +694.5 | +18.6% |

Operating income by segment

(Unit: ¥Billion)

| Segment | FY2017 | FY2018 | Change (Decrease) | |
|---|---|---|---|---|
| | | | Amount | % |
| Petroleum products | 88.6 | 56.5 | (32.1) | (36.3)% |
| *: excluding effect of inventory valuation* | *57.5* | *50.5* | *(7.0)* | *(12.2)%* |
| Petrochemical products | 42.2 | 31.8 | (10.4) | (24.7)% |
| Resources | 66.8 | 87.1 | +20.3 | +30.4% |
| Others | 7.3 | 7.8 | +0.5 | +6.9% |
| Reconciliation | (3.6) | (3.9) | (0.3) | — |
| Total | 201.3 | 179.3 | (22.0) | (10.9)% |
| *: excluding effect of inventory valuation* | *170.2* | *173.3* | *+3.1* | *+1.8%* |

[Petroleum products segment]

In the petroleum products segment, the Company set as its basic strategy the reinforcement of the competitiveness of its domestic supply and marketing systems, and business expansion in overseas markets, and implemented the following initiatives:

(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 as well as stable supply of the products. The Company also began commercial operations for mixed xylene recovery units at the Aichi Refinery, aiming to promote the fuel-to-chemical business.

In the marketing and sales of petroleum products, the Company has taken steps to reinforce the TCS business centering on Idemitsu Autoflat, which plays an important role in new business model development initiatives, while implementing new web marketing strategies including the PIT in plus and Driving Consultant services. All of these initiatives and strategies have helped the Company evolve into a car-life station operator.

As for business efforts in overseas markets, the Nghi Son Refinery operated by Nghi Son Refinery and Petrochemical LLC in Vietnam launched commercial operation on November 14, 2018, seeking to enhance the petroleum products business in the growing Asian markets. The Company also took steps to enhance its overseas business hubs centering on IDEMITSU INTERNATIONAL (ASIA) PTE. LTD., its subsidiary in Singapore, aiming to establish a platform covering the supplying and the marketing of fuel oil in the Pacific Rim region and in other growing markets around the world.

(Lubricants business)

In fiscal 2018, the total amount of lubricants sold in Japan and abroad surpassed 1.2 million kiloliters, a new historical record high, assisted by the sales growth in Asia and North America and other markets around the world. 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 to reinforce its production capabilities abroad.

Net sales in the petroleum products segment for fiscal 2018 increased by 21.5% year on year to ¥3,488.9 billion, primarily due to increases in import prices of crude oil. Operating income was ¥56.5 billion, down 36.3% year on year, affected by higher fuel costs for refining and a decrease in the effect of inventory valuation despite the improved product margins. The inventory valuation gains included in operating income was ¥6.0 billion.

[Petrochemical products segment]

In the petrochemical products segment, the Company set as its basic strategy the further reinforcement of revenue base in the basic chemicals business and the expansion in the scale of operation of the advanced materials and performance chemicals business in the growth markets, and implemented the following initiatives:

(Basic chemicals business)

In the basic chemicals business, the Company took steps toward diversification of raw material selection 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 stable supply of olefin and aromatic compounds to petrochemical complexes as well as for the Company's derivative products.

(Advanced materials and performance chemicals business)

In the engineering plastics business, the Company achieved sales growth both in Japan and abroad on the strength of polycarbonate resin (Product name: TARFLON®) as well as syndiotactic polystyrene resin (Product name: XAREC®).

In the adhesive materials business, construction of a new plant is currently underway, in cooperation with Formosa Petrochemical Corporation of Taiwan, to manufacture hydrogenated petroleum resin (Product name: I-MARV®), the demand for which is expected to grow as a tackifier for hot-melt adhesives. The Company also strives to expand both domestic and overseas markets for functional soft polypropylene (Product name: L-MODU®), which has a melting point that is significantly lower than that of existing crystalline polypropylene, while developing new product applications other than its traditional use as an adhesive for sanitary items and a modifier for non-woven fabrics.

Net sales in the petrochemical products segment for fiscal 2018 were ¥555.4 billion, up 10.9% year-on-year, due mainly to increases in naphtha prices. Operating income was down 24.7% year-on-year to ¥31.8 billion, affected by such factors as higher fuel costs for manufacturing and market conditions for styrene monomer.

[Resources segment]

In the resources segment, the Company set as its basic policy the continuation of stable production, the enhancement of the Company's asset value through thorough cost reductions and productivity improvements, and reviewing the asset portfolio. Actions taken are as follows:

(Oil exploration and production business and geothermal energy business)

In the oil exploration and production business, the Company carried out operation improvement activities along with stable operations and production. Consequently, it produced 27 thousand crude oil-equivalent barrels per day of crude oil and natural gas in the Norwegian North Sea. Meanwhile, the Company has undertaken development of the

gas field discovered off the coast of Vietnam as its operator.

The geothermal energy business, including the binary power plant in the Takigami region of Oita Prefecture, continued to achieve consistent operational performance. Meanwhile, the Company launched environmental assessment activities as part of its feasibility study efforts in the Oyasu area, Yuzawa city, Akita Prefecture. Furthermore, study projects were conducted in Tohoku and other regional areas.

Net sales of the oil exploration and production and geothermal energy business for the current fiscal year totaled ¥77.5 billion, down 4.1% year on year, reflecting reduced production volume while crude oil prices increased. Operating income was ¥37.0 billion, up 36.0% from the same period of the preceding year.

(Coal business and others)

In the coal business, the Company conducted competitive operations of its coalmines through its sole operatorship as a Japanese company. Consequently, the Company produced 12.5 million tons of coals in total from its own mines in Australia and Indonesia. Furthermore, the Company promoted the marketing of "ULTY-V plus", an optimization system to control coal boilers jointly developed with NYK Trading Corporation and NYK Line, and started the production of biomass fuel samples.

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

Net sales of the coal business and others in fiscal 2018 were ¥230.5 billion, up 10.5% year on year, reflecting a significant increase in coal prices for the coal business. Operating income was ¥50.1 billion, up 26.6% from the previous fiscal year.

As a result, total net sales of the resources segment increased by 6.4% year-on-year to ¥308.0 billion with operating income of ¥87.1 billion, up 30.4% from the previous fiscal year.

[Other segments]

Among other segments, as for the electronic materials business, the agricultural biotechnology 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 subsidiary in Chengdu, Sichuan Province, China to meet the expected growth in demand.

In addition, the Company received the Imperial Invention Prize and the Award for Contribution to Invention at the 2018 National Commendation for Invention awards for its invention of OLED devices and organic luminescent medium.

(Agricultural biotechnology business)

In the field of agriculture and greening materials, the Company is currently 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 supplements, the Company moved ahead with efforts to increase the

adoption of “RUMINUP®”, “Crosstop®” and “Molucca”, which have the effect of maintaining a normal intestinal environment in cows, chickens and pigs, mainly at large-scale farms in Japan as well as efforts to develop channels to sell these products overseas.

(Renewable energy business)

In the field of renewable energy business, the Company operates solar power generation facilities (mega-solar power plants with a 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 7,340 kW, 10% of whose shares are held by the Company, are currently in operation. In the field of wind power generation, the Company currently operates Futamata Wind Development Co., Ltd. (a 40% interest is owned by the Company with an output capacity of 51,000 kW).

As a result, total net sales for other segments was up 4.3% year-on-year to ¥72.8 billion, with operating income of ¥7.8 billion, up 6.9% from the previous fiscal year.

4) Forecasts of consolidated financial results for FY2019

The Company expects net sales for FY2019 to be ¥6,790.0 billion, an increase of 53.4% compared to FY2018, due mainly to the business integration with Showa Shell Sekiyu K. K.

Operating income is expected to be ¥220.0 billion, up 22.7% year on year, due mainly to the business integration with Showa Shell Sekiyu K. K., which is partially offset by the effect of inventory valuation and the reduced profit in the resources business resulting from lower resource prices. Ordinary income is expected to be ¥228.5 billion, up 35.1%, and net income attributable to owners of the parent is expected to be ¥160.0 billion, up 96.4% from the preceding year.

The above forecasts for the fiscal year ending March 31, 2020 are based on the assumptions below:

Dubai Crude Oil Price: US$70 per bbl
Foreign Exchange Rate: ¥110 per US$

Forecasts for FY2019 and financial results for FY2018

(Unit: ¥Billion)

| | Net sales | Operating income | Ordinary income | Net income attributable to owners of the parent |
|---|---|---|---|---|
| FY2019 | 6,790.0 | 220.0 | 228.5 | 160.0 |
| FY2018 | 4,425.1 | 179.3 | 169.1 | 81.5 |
| Change (Decrease) | 53.4% | 22.7% | 35.1% | 96.4% |

The above forecasts for FY2019 are based on information available as of the date of publication of this document. The actual results may differ from the forecasts due to various factors in the future.

(2) Overview Concerning Financial Position

1) Analysis of financial position

Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

| | FY2017 | FY2018 | Change (Decrease) |
|---|---|---|---|
| Current assets | 1,208.2 | 1,225.4 | +17.2 |
| Fixed assets | 1,712.0 | 1,664.9 | (47.1) |
| Total assets | 2,920.3 | 2,890.3 | (30.0) |
| Current liabilities | 1,161.6 | 1,195.8 | +34.2 |
| Non-current liabilities | 852.7 | 815.6 | (37.2) |
| Total liabilities | 2,014.3 | 2,011.4 | (3.0) |
| Total net assets | 905.9 | 878.9 | (27.0) |
| Total liabilities and net assets | 2,920.3 | 2,890.3 | (30.0) |

a) Total assets

Total assets as of March 31, 2019 decreased by ¥30.0 billion compared with the end of the previous year to ¥2,890.3 billion, mainly due to the reduction 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 as well as a decrease in investment securities resulting from equity in losses of affiliates recorded in the current fiscal year, despite an increase in inventories due to increased crude oil import prices.

b) Total liabilities

Total liabilities as of March 31, 2019 was ¥2,011.4 billion, down ¥3.0 billion from the end of fiscal 2017, despite an increase in interest-bearing debts (¥951.4 billion as of March 31, 2019) due to temporarily increased demand for operating capital caused mainly by the rise in crude oil import prices, which was more than offset by the reduction 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.

c) Total net assets

The Company’s net assets as of March 31, 2019 was ¥878.9 billion, down ¥27.0 billion compared to the end of fiscal 2017, reflecting repurchases of treasury stock of ¥55.9 billion, dividend payment of ¥18.5 billion and a decrease in foreign currency translation adjustments due to the appreciation of the Japanese yen while the Company recorded net income attributable to owners of the parent of ¥81.5 billion in fiscal 2018.

Consequently, the equity ratio as of March 31, 2019 was 29.1%, a decline of 0.6 points from 29.7% at the end of the preceding fiscal year.

2) Analysis of cash flows

Summarized Consolidated Statements of Cash Flows

(Unit: ¥Billion)

| | FY2017 | FY2018 |
|---|---|---|
| Cash flows from operating activities | 136.8 | 151.0 |
| Cash flows from investing activities | (89.9) | (122.3) |
| Cash flows from financing activities | (51.9) | (20.2) |
| Effect of exchange rate change on cash and cash equivalents | 0.8 | (4.7) |
| Net increase (decrease) in cash and cash equivalents | (4.3) | 3.9 |
| 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 | (0.1) |
| Cash and cash equivalents at the end of period | 86.8 | 90.7 |

Cash and cash equivalents ("funds") as of March 31, 2019 were ¥90.7 billion, an increase of ¥3.9 billion compared with the end of the preceding fiscal year. Major factors for this increase are as follows:

a) Cash flows from operating activities

Net cash provided by operating activities amounted to ¥151.0 billion, reflecting income before income taxes and depreciation and amortization during fiscal 2018, which were partially offset by the effects of an increase in inventories resulting from higher crude oil import prices and payment of income taxes.

b) Cash flows from investing activities

Net cash used in investing activities amounted to ¥122.3 billion, reflecting purchases of tangible fixed assets of ¥76.3 billion and an increase in long-term loans receivable of ¥19.7 billion.

c) Cash flows from financing activities

Net cash used in financing activities was ¥20.2 billion, mainly due to repurchases of treasury stock of ¥55.9 billion and dividend payment of ¥18.5 billion, despite the increased short-term loans and commercial paper.

(3) Basic Policy on Distribution of Profits/Dividends for FY2018 and FY2019

With respect to the year-end dividends for fiscal 2018, the Company has determined to pay a dividend of ¥50 per share. As a result, annual dividends for the fiscal year ended March 31, 2019 are ¥100 per share. Meanwhile, the Company acquired its treasury stock worth approximately ¥55 billion in total, seeking to enhance the return of profits to shareholders during the period from July 2018 through November 2018.

As described in the "Announcement Regarding Execution of Share Exchange Agreement and Business Integration" released on October 16, 2018, the Company considers the return of profits to shareholders as one of the most important matters and intends to return profits to shareholders, while ensuring the achievement of consistent profitability through the business integration with Showa Shell Sekiyu K. K. Net income target for fiscal 2019-2021 is set at ¥500.0 billion or greater on a cumulative basis, of which 50% or more profit shall be used for returns to shareholders (10% or a greater percentage of the amount of returns to shareholders will be used to acquire treasury stock each fiscal year.).

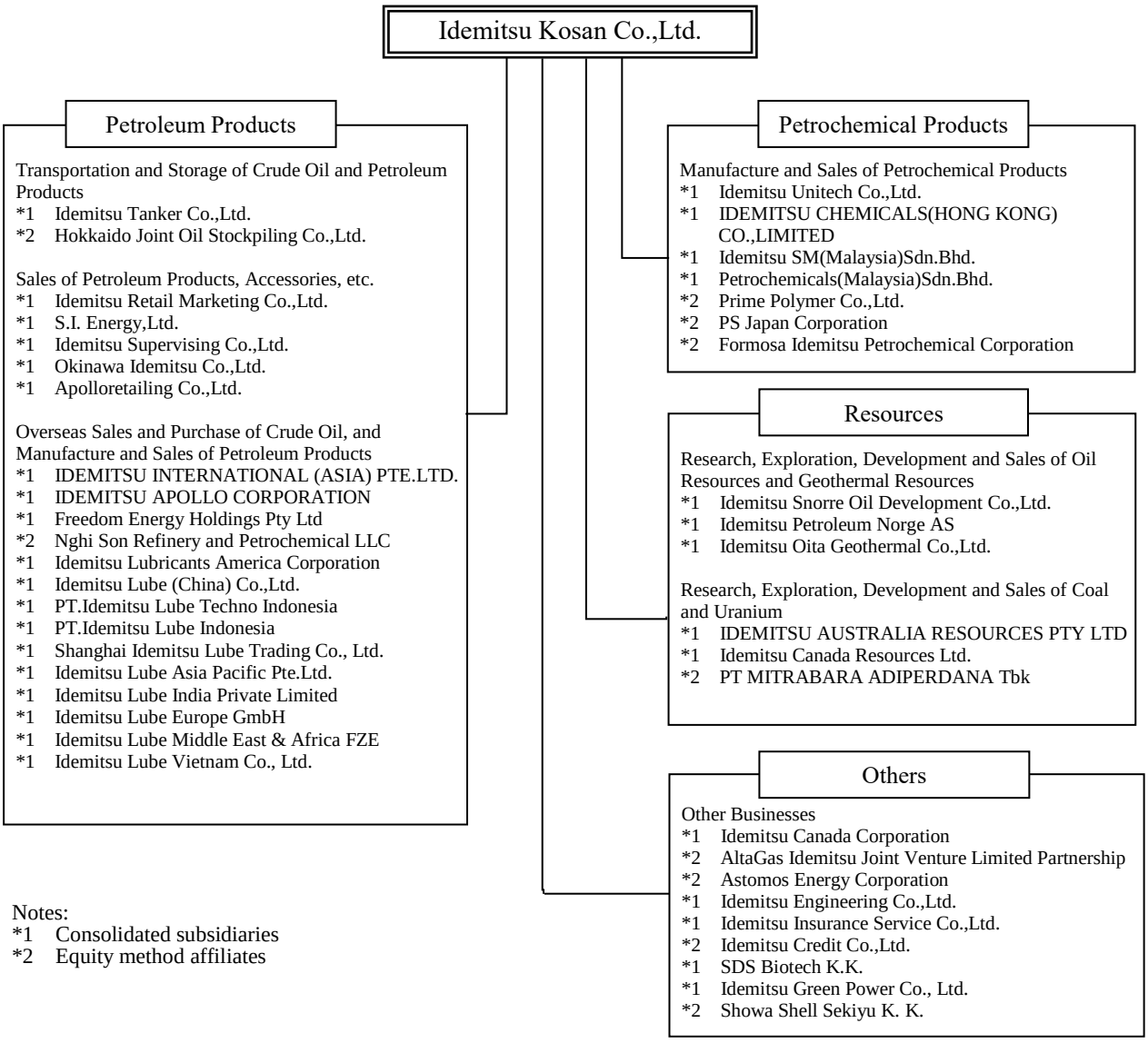
Based on the policy above, the Company plans to raise annual dividends by ¥60 per share to ¥160 per share for the next fiscal year. Furthermore, the Company plans to achieve shareholders' return ratio of 50% through dividends and acquisitions of treasury stock.

## 2. Description of Idemitsu Group

The principle businesses of the Company, its subsidiaries (96 companies) and its affiliates (49 companies) and their principal businesses are as follows:

| Segment | Principal Businesses | Primary Subsidiaries and Affiliates |
|---|---|---|
| Petroleum Products | Import, refinery, transportation, storage and sales of crude oil and petroleum products | Idemitsu Kosan Co.,Ltd.,<br>Idemitsu Tanker Co.,Ltd.,<br>Hokkaido Joint Oil Stockpiling Co.,Ltd. |
| | Sales of petroleum products, accessories, etc. | Idemitsu Retail Marketing Co.,Ltd., S.I. Energy,Ltd.,<br>Idemitsu Supervising Co.,Ltd., Okinawa Idemitsu Co.,Ltd.,<br>Apolloretailing Co.,Ltd. |
| | Overseas sales and purchase of crude oil, and manufacture and sales of petroleum products | IDEMITSU INTERNATIONAL (ASIA) PTE.LTD.,<br>IDEMITSU APOLLO CORPORATION,<br>Freedom Energy Holdings Pty Ltd,<br>Nghi Son Refinery and Petrochemical LLC,<br>Idemitsu Lubricants America Corporation,<br>Idemitsu Lube (China) Co.,Ltd.,<br>PT.Idemitsu Lube Techno Indonesia,<br>PT.Idemitsu Lube Indonesia,<br>Shanghai Idemitsu Lube Trading Co., Ltd.,<br>Idemitsu Lube Asia Pacific Pte.Ltd.,<br>Idemitsu Lube India Private Limited,<br>Idemitsu Lube Europe GmbH,<br>Idemitsu Lube Middle East & Africa FZE,<br>Idemitsu Lube Vietnam Co., Ltd. |
| Petrochemical Products | Manufacture and sales of petrochemical products | Idemitsu Kosan Co.,Ltd.,<br>Idemitsu Unitech Co.,Ltd.,<br>IDEMITSU CHEMICALS(HONG KONG) CO.,LIMITED,<br>Idemitsu SM(Malaysia)Sdn.Bhd.,<br>Petrochemicals(Malaysia)Sdn.Bhd.,<br>Prime Polymer Co.,Ltd., PS Japan Corporation,<br>Formosa Idemitsu Petrochemical Corporation |
| Resources | Research, exploration, development and sales of oil resources, geothermal resources, coal and uranium | Idemitsu Kosan Co.,Ltd.,<br>Idemitsu Snorre Oil Development Co.,Ltd.,<br>Idemitsu Petroleum Norge AS,<br>IDEMITSU AUSTRALIA RESOURCES PTY LTD,<br>Idemitsu Canada Resources Ltd.,<br>Idemitsu Oita Geothermal Co.,Ltd.,<br>PT MITARABARA ADIPERDANA Tbk |
| Others | Import, purchase and sales of gas | Idemitsu Canada Corporation,<br>AltaGas Idemitsu Joint Venture Limited Partnership,<br>Astomos Energy Corporation |
| | Manufacture and sales of electronics materials, and licensing business | Idemitsu Kosan Co.,Ltd. |
| | Construction, insurance and credit service | Idemitsu Engineering Co.,Ltd.,<br>Idemitsu Insurance Service Co.,Ltd.,<br>Idemitsu Credit Co.,Ltd. |
| | Manufacture, import and sales of pesticides, etc. | SDS Biotech K.K. |
| | Renewable energy | Idemitsu Green Power Co., Ltd. |
| | Oil and energy solutions business | Showa Shell Sekiyu K. K. |

The following is the illustration of the Idemitsu group:




Notes:
*1 Consolidated subsidiaries
*2 Equity method affiliates

## 3. Principal Policy for Selecting Financial Reporting Framework

The Idemitsu Group applies generally accepted accounting principles in Japan. We do not yet plan to elect to adopt International Financial Reporting Standards (“IFRS”). In response to potentially possible adoption of IFRS in the future, we have been tailoring group accounting policies.

# 4. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Unit: ¥Million)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and deposits | 88,424 | 91,850 |
| Notes and accounts receivable, trade | 486,185 | 453,316 |
| Inventories | 535,636 | 586,561 |
| Other | 98,422 | 94,801 |
| Less: Allowance for doubtful accounts | (432) | (1,101) |
| Total current assets | 1,208,236 | 1,225,427 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures, net | 183,269 | 172,512 |
| Machinery, equipment and vehicles, net | 185,959 | 182,800 |
| Land | 579,743 | 576,288 |
| Construction in progress | 13,057 | 14,853 |
| Other, net | 44,753 | 45,573 |
| Total property, plant and equipment | 1,006,782 | 992,028 |
| Intangible fixed assets: | | |
| Goodwill | 6,723 | 7,214 |
| Other | 14,045 | 17,536 |
| Total intangible fixed assets | 20,768 | 24,750 |
| Investments and other assets: | | |
| Investment securities | 422,436 | 400,847 |
| Investments in capital of subsidiaries and affiliates | 25,479 | 14,388 |
| Long-term loans receivable | 56,348 | 74,816 |
| Assets for employees' retirement benefits | 344 | 279 |
| Deferred tax assets | 64,797 | 56,619 |
| Oil field premium assets | 33,081 | ― |
| Other | 82,054 | 101,844 |
| Less: Allowance for doubtful accounts | (64) | (696) |
| Total investments and other assets | 684,477 | 648,100 |
| Total fixed assets | 1,712,029 | 1,664,879 |
| Total assets | 2,920,265 | 2,890,307 |

(Unit: ¥Million)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|---|---|
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable, trade | 429,550 | 399,176 |
| Short-term loans payable | 142,873 | 154,715 |
| Commercial paper | 138,001 | 204,000 |
| Current portion of bonds payable | 25,000 | 10,000 |
| Accounts payable, other | 295,421 | 305,563 |
| Income taxes payable | 27,542 | 30,634 |
| Provision for bonuses | 8,111 | 8,169 |
| Other | 95,106 | 83,541 |
| Total current liabilities | 1,161,607 | 1,195,800 |
| Non-current liabilities: | | |
| Bonds payable | 40,000 | 50,000 |
| Long-term loans payable | 546,171 | 531,168 |
| Deferred tax liabilities | 12,044 | 10,574 |
| Deferred tax liability related to land revaluation | 87,972 | 88,595 |
| Liability for employees' retirement benefits | 13,972 | 11,996 |
| Reserve for repair work | 27,112 | 38,267 |
| Asset retirement obligations | 49,178 | 51,620 |
| Oil field premium liabilities | 39,274 | — |
| Other | 37,002 | 33,353 |
| Total non-current liabilities | 852,727 | 815,575 |
| Total liabilities | 2,014,335 | 2,011,376 |
| Net assets | | |
| Shareholders' equity: | | |
| Common stock | 168,351 | 168,351 |
| Capital surplus | 130,875 | 130,876 |
| Retained earnings | 403,745 | 466,750 |
| Treasury stock | (133) | (56,022) |
| Total shareholders' equity | 702,839 | 709,955 |
| Accumulated other comprehensive income: | | |
| Unrealized gains (losses) on available-for-sale securities | 10,105 | 5,734 |
| Deferred gains (losses) on hedging activities, net | (4,083) | (6,730) |
| Surplus from land revaluation | 158,171 | 155,535 |
| Foreign currency translation adjustments | 919 | (21,330) |
| Defined retirement benefit plans | 748 | (1,064) |
| Total accumulated other comprehensive income | 165,861 | 132,144 |
| Noncontrolling interests | 37,228 | 36,831 |
| Total net assets | 905,929 | 878,931 |
| Total liabilities and net assets | 2,920,265 | 2,890,307 |

(2) Consolidated Statements of Income and Comprehensive Income

1) Consolidated Statements of Income

(Unit: ¥Million)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Net sales | 3,730,690 | 4,425,144 |
| Cost of sales | 3,236,808 | 3,937,449 |
| Gross profit | 493,882 | 487,694 |
| Selling, general and administrative expenses | 292,559 | 308,374 |
| Operating income | 201,323 | 179,319 |
| Non-operating income: | | |
| Interest income | 4,624 | 6,858 |
| Dividend income | 2,796 | 3,711 |
| Subsidy income | 2,764 | 2,119 |
| Equity in earnings of nonconsolidated subsidiaries and affiliates, net | 27,229 | — |
| Other | 2,922 | 3,358 |
| Total non-operating income | 40,338 | 16,047 |
| Non-operating expenses: | | |
| Interest expense | 9,655 | 8,648 |
| Equity in losses of nonconsolidated subsidiaries and affiliates, net | — | 13,141 |
| Other | 5,689 | 4,455 |
| Total non-operating expenses | 15,345 | 26,245 |
| Ordinary income | 226,316 | 169,121 |
| Extraordinary income: | | |
| Gain on sales of fixed assets | 1,711 | 4,243 |
| Gain on sales of investment securities | 414 | 358 |
| Gain on sales of shares of subsidiaries and affiliates | 12,136 | 187 |
| Gain on dissolution of oil field premium contract | — | 6,143 |
| Other | 34 | 612 |
| Total extraordinary income | 14,297 | 11,545 |
| Extraordinary loss: | | |
| Impairment loss on fixed assets | 8,727 | 15,882 |
| Loss on sales of fixed assets | 276 | 211 |
| Loss on disposals of fixed assets | 3,104 | 2,795 |
| Loss on transition to defined contribution pension plan | 13,810 | — |
| Loss on penalty for LPG business | — | 12,826 |
| Other | 2,529 | 4,249 |
| Total extraordinary loss | 28,448 | 35,965 |
| Income before income taxes | 212,165 | 144,701 |
| Income taxes-current | 42,712 | 53,183 |
| Income taxes-deferred | 2,644 | 4,736 |
| Total income taxes | 45,357 | 57,919 |
| Net income | 166,807 | 86,781 |
| Net income attributable to noncontrolling interests | 4,500 | 5,331 |
| Net income attributable to owners of the parent | 162,307 | 81,450 |

2) Consolidated Statements of Comprehensive Income

(Unit: ¥Million)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Net income | 166,807 | 86,781 |
| Other comprehensive income: | | |
| Unrealized gains (losses) on available-for-sale securities | 1,773 | (3,383) |
| Deferred gains (losses) on hedging activities, net | 4,363 | (3,114) |
| Surplus from land revaluation | 4,953 | (1,239) |
| Foreign currency translation adjustments | 3,014 | (22,630) |
| Defined retirement benefit plans | 1,743 | (955) |
| Share of other comprehensive income in equity method subsidiaries and affiliates | (2,621) | (3,387) |
| Total other comprehensive income | 13,227 | (34,711) |
| Comprehensive income | 180,035 | 52,069 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 175,190 | 49,148 |
| Noncontrolling interests | 4,845 | 2,921 |

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

FY2017 (From April 1, 2017 to March 31, 2018)

(Unit: ¥Million)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 108,606 | 71,131 | 249,549 | (131) | 429,156 |
| Changes of items during the period: | | | | | |
| Issuance of new shares | 59,744 | 59,744 | | | 119,489 |
| Dividends from surplus | | | (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 |
| Acquisitions of treasury stock | | | | (1) | (1) |
| Adjustment due to sales and revaluation of land | | | 2,324 | | 2,324 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | 59,744 | 59,744 | 154,195 | (1) | 273,683 |
| Balance at the end of current period | 168,351 | 130,875 | 403,745 | (133) | 702,839 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Unrealized gains (losses) on available -for-sale securities | Deferred gains (losses) on hedging activities, net | Surplus from land revaluation | Foreign currency translation adjustments | Defined retirement benefit plans | Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 7,617 | (7,713) | 155,541 | 318 | (1,119) | 154,644 | 36,132 | 619,932 |
| Changes of items during the period: | | | | | | | | |
| Issuance of new shares | | | | | | | | 119,489 |
| Dividends from surplus | | | | | | | | (12,316) |
| Net income attributable to owners of the parent | | | | | | | | 162,307 |
| Change in scope of consolidation | | | | | | | | 1,881 |
| Acquisitions of treasury stock | | | | | | | | (1) |
| Adjustment due to sales and revaluation of land | | | (2,324) | | | (2,324) | | － |
| Net changes of items other than shareholders' equity | 2,488 | 3,630 | 4,953 | 600 | 1,867 | 13,540 | 1,096 | 14,637 |
| Total changes of items during the period | 2,488 | 3,630 | 2,629 | 600 | 1,867 | 11,216 | 1,096 | 285,997 |
| Balance at the end of current period | 10,105 | (4,083) | 158,171 | 919 | 748 | 165,861 | 37,228 | 905,929 |

FY2018 (From April 1, 2018 to March 31, 2019)

(Unit: ¥Million)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 168,351 | 130,875 | 403,745 | (133) | 702,839 |
| Changes of items during the period: | | | | | |
| Dividends from surplus | | | (18,460) | | (18,460) |
| Net income attributable to owners of the parent | | | 81,450 | | 81,450 |
| Change in scope of consolidation | | | (1,381) | | (1,381) |
| Acquisitions of treasury stock | | | | (55,889) | (55,889) |
| Disposals of treasury stock | | 0 | | 0 | 0 |
| Adjustment due to sales and revaluation of land | | | 1,396 | | 1,396 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | – | 0 | 63,004 | (55,889) | 7,115 |
| Balance at the end of current period | 168,351 | 130,876 | 466,750 | (56,022) | 709,955 |

| | Accumulated other comprehensive income | | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Unrealized gains (losses) on available -for-sale securities | Deferred gains (losses) on hedging activities, net | Surplus from land revaluation | Foreign currency translation adjustments | Defined retirement benefit plans | Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 10,105 | (4,083) | 158,171 | 919 | 748 | 165,861 | 37,228 | 905,929 |
| Changes of items during the period: | | | | | | | | |
| Dividends from surplus | | | | | | | | (18,460) |
| Net income attributable to owners of the parent | | | | | | | | 81,450 |
| Change in scope of consolidation | | | | | | | | (1,381) |
| Acquisitions of treasury stock | | | | | | | | (55,889) |
| Disposals of treasury stock | | | | | | | | 0 |
| Adjustment due to sales and revaluation of land | | | (1,396) | | | (1,396) | | – |
| Net changes of items other than shareholders' equity | (4,370) | (2,647) | (1,239) | (22,249) | (1,813) | (32,320) | (397) | (32,717) |
| Total changes of items during the period | (4,370) | (2,647) | (2,635) | (22,249) | (1,813) | (33,716) | (397) | (26,998) |
| Balance at the end of current period | 5,734 | (6,730) | 155,535 | (21,330) | (1,064) | 132,144 | 36,831 | 878,931 |

(4) Consolidated Statements of Cash Flows

(Unit: ¥Million)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Cash flows from operating activities: | | |
| Income before income taxes | 212,165 | 144,701 |
| Depreciation and amortization | 67,907 | 61,615 |
| Impairment loss on fixed assets | 8,727 | 15,882 |
| Amortization of goodwill | 1,006 | 1,094 |
| Increase (decrease) in liability for employees' retirement benefits | 786 | (3,664) |
| Increase (decrease) in reserve for repair work | (1,245) | 11,154 |
| Interest and dividend income | (7,421) | (10,569) |
| Interest expense | 9,655 | 8,648 |
| Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net | (27,229) | 13,141 |
| (Gain) loss on sales of fixed assets, net | (1,434) | (4,031) |
| (Gain) loss on sales of shares of subsidiaries and affiliates | (11,066) | (187) |
| Loss on transition to defined contribution pension plan | 13,810 | ― |
| (Increase) decrease in notes and accounts receivable, trade | (160,141) | 26,741 |
| (Increase) decrease in inventories | (105,561) | (53,416) |
| (Increase) decrease in accounts receivable, other | (3,736) | (2,000) |
| Increase (decrease) in notes and accounts payable, trade | 97,586 | (25,705) |
| Increase (decrease) in accounts payable, other | 61,366 | 13,323 |
| Other, net | 3,884 | (11,752) |
| Subtotal | 159,059 | 184,977 |
| Interest and dividends received | 21,662 | 18,099 |
| Interest paid | (9,693) | (8,656) |
| Income taxes paid | (34,268) | (43,404) |
| Net cash provided by (used in) operating activities | 136,760 | 151,015 |
| Cash flows from investing activities: | | |
| Purchases of tangible fixed assets | (58,079) | (76,250) |
| Proceeds from sales of tangible fixed assets | 7,048 | 6,594 |
| Purchases of intangible fixed assets | (1,163) | (4,954) |
| Acquisitions of investment securities | (1,756) | (6,571) |
| Payments for acquisitions of shares of subsidiaries resulting in change in scope of consolidation | ― | (3,077) |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | (11,912) | ― |
| Disbursements for long-term loans | (22,190) | (19,716) |
| Proceeds from collection of long-term loans receivable | 1,235 | 1,104 |
| (Increase) decrease in short-term loans receivable, net | (1,081) | (1,184) |
| Other, net | (1,989) | (18,229) |
| Net cash provided by (used in) investing activities | (89,889) | (122,284) |

(Unit: ¥Million)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term loans payable, net | (192,068) | 16,905 |
| Increase (decrease) in commercial paper, net | 33,996 | 65,998 |
| Proceeds from long-term loans payable | 74,257 | 29,100 |
| Repayments of long-term loans payable | (70,521) | (48,845) |
| Proceeds from issuance of bonds | 10,000 | 20,000 |
| Redemption of bonds | (10,000) | (25,000) |
| Proceeds from issuance of common stock | 118,624 | ― |
| Purchases of treasury stock | (1) | (55,889) |
| Proceeds from disposals of treasury stock | ― | 0 |
| Cash dividends paid | (12,316) | (18,460) |
| Cash dividends paid to noncontrolling interests | (3,747) | (3,319) |
| Other, net | (136) | (642) |
| Net cash provided by (used in) financing activities | (51,915) | (20,152) |
| Effect of exchange rate change on cash and cash equivalents | 791 | (4,669) |
| Net increase (decrease) in cash and cash equivalents | (4,253) | 3,907 |
| 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 | (53) |
| Cash and cash equivalents at the end of period | 86,836 | 90,690 |

(5) Notes to Consolidated Financial Statements

(Events or Conditions that may Cast Significant Doubt about the Company's Ability to Continue as a Going Concern)

None

(Change in Presentation Methods)

Application of Partial Amendments of Accounting Standard for Tax Effect Accounting

The Company adopted ASBJ Statement No.28, Partial Amendments of Accounting Standard for Tax Effect Accounting (February 16, 2018), 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.

(Additional Information)

Performance-linked Stock Compensation Plan

In the current fiscal year, 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 (March 26, 2015).

(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's 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 March 31, 2019 was ¥890 million (170 thousand shares).

(Notes to Consolidated Balance Sheets)

(Unit: ¥Million)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|---|---|
| 1. Assets pledged as collateral | 346,051 | 344,102 |

In addition to the above, the Company pledged investment securities in Nghi Son Refinery and Petrochemical LLC ("NSRP") amounting to ¥63,632 million as of March 31, 2019 (¥82,672 million as of March 31, 2018) and long-term loans receivable from NSRP amounting to ¥71,586 million as of March 31, 2019 (¥52,571 million as of March 31, 2018) as collateral for NSRP's borrowings from financial institutions.

(Unit: ¥Million)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|---|---|
| 2. Contingent liabilities: | | |
| Guaranty liabilities and items of similar nature | 10,962 | 8,915 |
| Construction completion guarantee | 164,576 | 174,334 |
| Total | 175,539 | 183,249 |
| 3. Accumulated depreciation for property, plant and equipment | 2,145,422 | 2,152,954 |

4. Revaluation of land

The Company revalued its land used for business activities in accordance with the "Law of Land Revaluation" (No. 34, March 31, 1998) and the "Law for Partial Revision of the Law of Land Revaluation" (No. 19, March 31, 2001)." The difference between the revaluated amount and the book value is stated as "Surplus from land revaluation" in net assets after deducting the related deferred tax liability.

(a) Method of revaluation

The Company's land was revaluated based on the land value determined for calculating property tax, the land value determined for calculating landholding tax and appraisal by certified real estate appraisers as stipulated in Articles 2-3, 2-4 and 2-5 of the "Enforcement Ordinance of the Law of Land Revaluation" (No.119, March 31, 1998), respectively.

(b) Date of revaluation: March 31, 2002

(c) Difference between the total fair value and the total carrying amount of revaluated land at fiscal year-ends

(Unit: ¥Million)

| FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|---|
| (144,275) | (140,345) |

(Notes to Consolidated Statements of Comprehensive Income)

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

(Unit: ¥Million)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Unrealized gains (losses) on available-for-sale securities: | | |
| Amount arising during the period | 2,917 | (4,409) |
| Reclassification adjustments to profit or loss | (414) | (354) |
| Amount before income tax effect | 2,502 | (4,763) |
| Income tax effect | (729) | 1,380 |
| Total | 1,773 | (3,383) |
| Deferred gains (losses) on hedging activities, net: | | |
| Amount arising during the period | 2,939 | (4,682) |
| Reclassification adjustments to profit or loss | 3,207 | 279 |
| Amount before income tax effect | 6,147 | (4,402) |
| Income tax effect | (1,783) | 1,287 |
| Total | 4,363 | (3,114) |
| Surplus from land revaluation: | | |
| Income tax effect | 4,953 | (1,239) |
| Foreign currency translation adjustments: | | |
| Amount arising during the period | 8,035 | (22,630) |
| Reclassification adjustments to profit or loss | (5,021) | — |
| Amount before income tax effect | 3,014 | (22,630) |
| Income tax effect | — | — |
| Total | 3,014 | (22,630) |
| Defined retirement benefit plans: | | |
| Amount arising during the period | 557 | (2,210) |
| Reclassification adjustments to profit or loss | 1,787 | 798 |
| Amount before income tax effect | 2,345 | (1,412) |
| Income tax effect | (602) | 456 |
| Total | 1,743 | (955) |
| Share of other comprehensive income in equity method subsidiaries and affiliates: | | |
| Amount arising during the period | (1,118) | (2,215) |
| Reclassification adjustments to profit or loss | (1,502) | (1,172) |
| Total | (2,621) | (3,387) |
| Total other comprehensive income | 13,227 | (34,711) |

(Notes to Consolidated Statements of Changes in Net Assets)

FY2017 (From April 1, 2017 to March 31, 2018)

1. Issued shares

| | Number of shares at the beginning of current period | Increase | Decrease | Number of shares at the end of current period |
|---|---|---|---|---|
| Common stock (*) | 160,000,000 | 48,000,000 | — | 208,000,000 |

(*) The number of shares outstanding increased by 48,000 thousand shares as a result of the public share offering.

2. Treasury stock

| | Number of shares at the beginning of current period | Increase | Decrease | Number of shares at the end of current period |
|---|---|---|---|---|
| Common stock (*) | 47,236 | 381 | — | 47,617 |

(*)The increase during the current period is due to the acquisitions of less-than-one-unit shares.

3. Dividends

(a) Dividends paid

| Resolution | Class of shares | Total dividends paid (¥Million) | Dividends per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of directors' meeting on May 15, 2017 | Common stock | 3,998 | 25.00 | March 31, 2017 | June 8, 2017 |
| Board of directors' meeting on November 14, 2017 | Common stock | 8,318 | 40.00 | September 30, 2017 | December 7, 2017 |

(b) Dividends of which record date is the current fiscal year and effective date is next fiscal year

| Resolution | Class of shares | Total dividends paid (¥Million) | Source of dividends | Dividends per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of directors' meeting on May 15, 2018 | Common stock | 8,318 | Retained earnings | 40.00 | March 31, 2018 | June 7, 2018 |

FY2018 (From April 1, 2018 to March 31, 2019)

1. Issued shares

| | Number of shares at the beginning of current period | Increase | Decrease | Number of shares at the end of current period |
|---|---|---|---|---|
| Common stock | 208,000,000 | — | — | 208,000,000 |

2. Treasury stock

| | Number of shares at the beginning of current period | Increase | Decrease | Number of shares at the end of current period |
|---|---|---|---|---|
| Common stock (*) | 47,617 | 10,610,340 | 100 | 10,657,857 |

(*) 1. The increase of 10,610 thousand shares comprised of the acquisitions of 10,439 thousand shares in accordance with the resolution of the board of directors, the acquisitions of 170 thousand for the Board Incentive Plan Trust for Officers and 0 thousand shares due to the acquisitions of less-than-one-unit shares.

2. The decrease is due to the disposals of less-than-one-unit shares.

3. Of the number of shares at the end of the current period 170 thousand shares were held by the Board Incentive Plan Trust for Officers.

3. Dividends

(a) Dividends paid

| Resolution | Class of shares | Total dividends paid (¥Million) | Dividends per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of directors' meeting on May 15, 2018 | Common stock | 8,318 | 40.00 | March 31, 2018 | June 7, 2018 |
| Board of directors' meeting on November 14, 2018 (*) | Common stock | 10,142 | 50.00 | September 30, 2018 | December 7, 2018 |

(*) The total dividends paid include dividend payment of ¥8 million made for the treasury stock held by the Board Incentive Plan Trust for Officers

(b) Dividends of which record date is the current fiscal year and effective date is next fiscal year

| Resolution | Class of shares | Total dividends paid (¥Million) | Source of dividends | Dividends per share (¥) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Board of directors' meeting on May 15, 2019 (*) | Common stock | 9,875 | Retained earnings | 50.00 | March 31, 2019 | June 6, 2019 |

(*) The total dividends paid include dividend payment of ¥8 million made for the treasury stock held by the Board Incentive Plan Trust for Officers

(Notes to Consolidated Statements of Cash Flows)

1. Reconciliation between "Cash and cash equivalents" in the consolidated statements of cash flows and captions on the consolidated balance sheets are as follows:

(Unit:¥Million)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Cash and deposits | 88,424 | 91,850 |
| Time deposits with original maturities of longer than three months | (1,587) | (1,159) |
| Cash and cash equivalents | 86,836 | 90,690 |

2. Major components of the assets and liabilities of companies that had been excluded from the scope of consolidation due to the sale of their shares

FY2017 (From April 1, 2017 to March 31, 2018)

Components of assets and liabilities related to the exclusion of Idemitsu Petroleum UK Ltd. and other 3 subsidiaries from the scope of consolidation due to the sale of their shares and the relationship between the sale price of the shares and net payments for the sale of shares is as follows.

| | (Unit: ¥Million) |
|---|---|
| Current assets | 21,080 |
| Fixed assets | 10,682 |
| Current liabilities | (4,236) |
| Non-current liabilities | (32,527) |
| Foreign currency translation adjustments | (2,671) |
| Gain on sales of shares of subsidiaries and affiliates, net | 11,066 |
| Sales price of shares | 3,393 |
| Cash and cash equivalents | (15,305) |
| Net payments for sales of shares | (11,912) |

(Segment and Related Information)

Segment Information

1. Description of reportable segments

The Company's business segments cover the Group's business units for which separate financial information is available on the business units for the whole Group and for which the Company's Board of Directors carries out a periodic review in order to determine the allocation of management resources and to evaluate their operating performance.

Taking into consideration the nature of the products and the business standing in the Group, the Company adopts the three reportable segments of Petroleum products, Petrochemical products and Resources. In addition, other business segments are summarized under Others.

The Petroleum products segment is engaged in the manufacturing and sales of fuel oils and lubricant oils. The Petrochemical products segment is involved in the manufacturing and sales of basic chemicals as raw materials for various petrochemical products, as well as solvents and various functional materials. The Resources segment carries out exploration, development, production and sales of energy resources, including crude oil and coal.

2. Methods of measurement for the amounts of sales, income, assets and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in "Significant Matters Constituting the Basis for the Preparation of the Consolidated Financial Statements." The Company accounts for inter-segment sales and transfers as if the sales and transfers were made to third parties.

3. Information about sales, income, assets and other items by reportable segment

FY2017 (From April 1, 2017 to March 31, 2018)

(Unit: ¥Million)

| | Reportable segments | | | | Others (*1) | Total | Reconciliation (*2, 4, 5, 6) | Consolidated (*3) |
|---|---|---|---|---|---|---|---|---|
| | Petroleum products | Petro-chemical products | Resources | Total | | | | |
| Net sales: | | | | | | | | |
| Net sales to outside customers | 2,870,802 | 500,664 | 289,386 | 3,660,853 | 69,837 | 3,730,690 | — | 3,730,690 |
| Inter-segment | 12,682 | 4,440 | 1,013 | 18,136 | 4,601 | 22,737 | (22,737) | — |
| Total | 2,883,485 | 505,104 | 290,400 | 3,678,990 | 74,438 | 3,753,428 | (22,737) | 3,730,690 |
| Operating income | 88,639 | 42,231 | 66,815 | 197,687 | 7,253 | 204,941 | (3,617) | 201,323 |
| Segment assets | 1,808,009 | 447,156 | 421,829 | 2,676,995 | 315,204 | 2,992,200 | (71,935) | 2,920,265 |
| Other items: | | | | | | | | |
| Depreciation and amortization | 27,603 | 8,897 | 29,783 | 66,284 | 1,071 | 67,356 | 551 | 67,907 |
| Amortization of goodwill | 682 | 34 | — | 716 | 290 | 1,006 | — | 1,006 |
| Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates | (2,650) | 9,313 | 1,713 | 8,376 | 18,799 | 27,175 | 54 | 27,229 |
| Impairment loss on fixed assets | 1,663 | 59 | 7,004 | 8,727 | — | 8,727 | — | 8,727 |
| Investment in equity method nonconsolidated subsidiaries and affiliates | 92,820 | 48,501 | 5,950 | 147,272 | 233,800 | 381,072 | — | 381,072 |
| Unamortized balance of goodwill | 5,598 | 182 | — | 5,781 | 942 | 6,723 | — | 6,723 |
| Increase of property, plant, equipment and intangible fixed assets | 34,503 | 6,873 | 15,110 | 56,487 | 2,444 | 58,931 | 447 | 59,378 |

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including Showa Shell Sekiyu K. K., engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments is reconciled to the amount of operating income in the consolidated statements of income.
4. The amount of reconciliation for the segment assets represents elimination among the reportable segments and the amount of Company assets that are not allocated to reportable segments.
5. The amounts of reconciliation for “Depreciation and amortization” and “Increase of property, plant, equipment and intangible fixed assets” mainly represent depreciation and increases in fixed assets for research and development that do not belong to the reportable segments.
6. The amount of reconciliation for “Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates” is due to elimination of inter-segment transactions.

FY2018 (From April 1, 2018 to March 31, 2019)

(Unit: ¥Million)

| | Reportable segments | | | | Others (*1) | Total | Reconciliation (*2, 4, 5, 6) | Consolidated (*3) |
|---|---|---|---|---|---|---|---|---|
| | Petroleum products | Petro-chemical products | Resources | Total | | | | |
| Net sales: | | | | | | | | |
| Net sales to outside customers | 3,488,938 | 555,405 | 307,976 | 4,352,320 | 72,824 | 4,425,144 | − | 4,425,144 |
| Inter-segment | 17,292 | 29,730 | 981 | 48,003 | 5,023 | 53,027 | (53,027) | − |
| Total | 3,506,230 | 585,136 | 308,957 | 4,400,324 | 77,847 | 4,478,172 | (53,027) | 4,425,144 |
| Operating income | 56,499 | 31,796 | 87,139 | 175,435 | 7,753 | 183,189 | (3,869) | 179,319 |
| Segment assets | 1,844,840 | 442,572 | 399,539 | 2,686,951 | 305,709 | 2,992,661 | (102,353) | 2,890,307 |
| Other items: | | | | | | | | |
| Depreciation and amortization | 27,832 | 8,856 | 23,401 | 60,090 | 1,102 | 61,192 | 422 | 61,615 |
| Amortization of goodwill | 769 | 34 | − | 804 | 290 | 1,094 | − | 1,094 |
| Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates | (16,716) | 9,130 | 1,421 | (6,164) | (7,072) | (13,236) | 95 | (13,141) |
| Impairment loss on fixed assets | 3,834 | 226 | 11,821 | 15,882 | − | 15,882 | − | 15,882 |
| Investment in equity method nonconsolidated subsidiaries and affiliates | 73,728 | 49,274 | 5,654 | 128,658 | 224,259 | 352,917 | − | 352,917 |
| Unamortized balance of goodwill | 6,414 | 148 | − | 6,562 | 651 | 7,214 | − | 7,214 |
| Increase of property, plant, equipment and intangible fixed assets | 36,958 | 7,816 | 32,041 | 76,816 | 1,530 | 78,346 | 0 | 78,347 |

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including Showa Shell Sekiyu K. K., engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments is reconciled to the amount of operating income in the consolidated statements of income.
4. The amount of reconciliation for the segment assets represents elimination among the reportable segments and the amount of Company assets that are not allocated to reportable segments.
5. The amounts of reconciliation for “Depreciation and amortization” and “Increase of property, plant, equipment and intangible fixed assets” mainly represent depreciation and increases in fixed assets for research and development that do not belong to the reportable segments.
6. The amount of reconciliation for “Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates” is due to elimination of inter-segment transactions.

Related Information

FY2017 (From April 1, 2017 to March 31, 2018)

(a) Information for each product and service

Since "Segment Information" includes similar information, descriptions have been omitted.

(b) Geographic segment information

(1) Sales

(Unit: ¥Million)

| Japan | Asia and Oceania | North America | Europe | Others | Total |
|---|---|---|---|---|---|
| 2,787,132 | 596,760 | 208,822 | 100,460 | 37,515 | 3,730,690 |

(Notes)

1. Areas are segmented based on their geographical proximity.
2. The principal areas included in each region are as follows:

| | |
|---|---|
| Asia and Oceania | : China, Australia, South Korea, Singapore, etc. |
| North America | : USA and Canada |
| Europe | : UK, Norway, etc. |
| Others | : South America, etc. |

(2) Property, plant and equipment

(Unit: ¥Million)

| Japan | Asia and Oceania | Europe | Others | Total |
|---|---|---|---|---|
| 815,009 | 122,107 | 42,756 | 26,908 | 1,006,782 |

(Notes)

1. Areas are segmented based on their geographical proximity.
2. The principal areas included in each region are as follows:

| | |
|---|---|
| Asia and Oceania | : Australia, Malaysia, South Korea, Indonesia, etc. |
| Europe | : Norway, etc. |
| Others | : USA, Canada, etc. |

(3) Principal customer information

Of the net sales to outside customers, no customer accounted for 10% or more of net sales in the consolidated statements of income. As such, descriptions have been omitted.

FY2018 (From April 1, 2018 to March 31, 2019)

(a) Information for each product and service

Since "Segment Information" includes similar information, descriptions have been omitted.

(b) Geographic segment information

(1) Sales

(Unit: ¥Million)

| Japan | Asia and Oceania | North America | Europe | Others | Total |
|---|---|---|---|---|---|
| 3,090,281 | 851,531 | 316,871 | 108,318 | 58,141 | 4,425,144 |

(Notes)

1. Areas are segmented based on their geographical proximity.
2. The principal areas included in each region are as follows:

| | |
|---|---|
| Asia and Oceania | : China, Australia, South Korea, Singapore, etc. |
| North America | : USA and Canada |
| Europe | : UK, Norway, etc. |
| Others | : South America, etc. |

(2) Property, plant and equipment

(Unit: ¥Million)

| Japan | Asia and Oceania | Europe | Others | Total |
|---|---|---|---|---|
| 810,997 | 121,600 | 37,108 | 22,321 | 992,028 |

(Notes)

1. Areas are segmented based on their geographical proximity.
2. The principal areas included in each region are as follows:

| | |
|---|---|
| Asia and Oceania | : Australia, Malaysia, South Korea, Indonesia, etc. |
| Europe | : Norway, etc. |
| Others | : USA, Canada, etc. |

(3) Principal customer information

Of the net sales to outside customers, no customer accounted for 10% or more of net sales in the consolidated statements of income. As such, descriptions have been omitted.

Information Regarding Impairment Loss on Fixed Assets by Reportable Segment

Since "Segment Information" includes similar information, descriptions have been omitted.

Information Regarding Amortization and Unamortized Balances of Goodwill by Reportable Segment

Since "Segment Information" includes similar information, descriptions have been omitted.

Information Regarding Negative Goodwill Gain by Reportable Segment

No negative goodwill was recognized during the periods.

(Other Notes to Consolidated Financial Statements)

Certain notes such as notes on lease transactions, income taxes, securities, derivatives and retirement benefits to employees have been omitted since the Company believes that they are not as material as those disclosed in this release.

These notes will become available on EDINET on-line disclosure as the Company plans to file the Securities Report on June 27, 2019.

(Per Share Information)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Net assets per share | ¥4,177.40 | ¥4,267.21 |
| Net income per share | ¥845.17 | ¥401.63 |

(*) 1. Diluted net income per share for the fiscal year is not calculated because dilutive shares do not exist.

2. In calculating net assets per share, the 170 thousand shares held by The Master Trust Bank of Japan, Ltd. as the trust property for the Company's stock compensation plan is included in the number of treasury stock that is to be deducted from the number of the Company's issued shares at the end of the current fiscal year. Also, in calculating net income per share, the 170 thousand shares held by The Master Trust Bank of Japan, Ltd. as the trust property for the Company's stock compensation plan is included in the number of treasury stock that is to be deducted from the average number of the Company's issued shares during the current fiscal year.

3. The basis for calculating net income per share is as follows:

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Net income per share: | | |
| Net income attributable to owners of the parent (¥million) | 162,307 | 81,450 |
| Amount not attributable to common stock (¥million) | – | – |
| Net income attributable to common stock (¥million) | 162,307 | 81,450 |
| Weighted-average common shares outstanding during the period (thousands of shares) | 192,040 | 202,797 |

(Significant Subsequent Events)

On April 1, 2019, the Company and Showa Shell Sekiyu K. K. (“Showa Shell”) conducted a share exchange in which the Company became a wholly owning parent company and Showa Shell became a wholly owned subsidiary, following the approvals at their extraordinary general meetings of shareholders held on December 18, 2018.

(Business Combination through Acquisition)

(a) Outline of the Business Combination

a) Name and Business Description of the Acquiree
Name of the acquiree: Showa Shell Sekiyu K. K.
Business description: refining and sales of petroleum products, etc.

b) Primary reasons for the business combination
The Company and Showa Shell intend to reinforce their enterprise value, in the short term, by maximizing synergies and aiming to create an entity with industry-leading competitiveness, and 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.

c) Date of the business combination
April 1, 2019

d) Legal form of the business combination
Share exchange in which the Company becomes a wholly owning parent company and Showa Shell becomes a wholly owned subsidiary

e) Company name after the business combination
Idemitsu Kosan Co.,Ltd.

f) Percentage of voting equity interests acquired
Percentage immediately before the business combination: 31.62%
Additional percentage acquired on the acquisition date: 68.38%
Percentage after the acquisition: 100.0%

g) Primary rationale for determining the acquirer
The Company’s acquisition of all shares of Showa Shell in exchange for the Company’s shares

(b) Matters Concerning Calculation of Acquisition Cost

a) Breakdown of acquisition cost of acquiree and consideration transferred

(Unit: ¥Million)

| | |
|---|---|
| Consideration transferred: acquisition-date fair value of the common stock held by the Company immediately before the business combination | 183,231 |
| Consideration transferred: fair value of the Company's shares transferred on the date of the business combination | 396,243 |
| Acquisition cost | 579,474 |

b) Share exchange ratio and rationale for the ratio and the number of shares issued

i. Share exchange ratio

0.41 shares of the Company's common stock were issued for every one share of Showa Shell common stock.

ii. Rationale for the share exchange ratio

The Company and Showa Shell had 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 both companies and for the benefit of their shareholders, etc. As a result, the both companies came to an agreement and concluded that the share exchange ratio described above was appropriate.

iii. Number of shares issued

The Company's common stock: 104,411,875 shares

As part of the shares issued above, the Company reissued and allocated10,486,357 shares of its common stock that were previously repurchased and held by the Company.

c) Description and amount of acquisition-related costs

The Company is currently in the process of finalizing the acquisition-related costs.

d) Difference of the acquisition cost of the business combination from the aggregate amount of each of acquisition cost arising from the transactions resulting in the acquisition

Gain from step acquisition: ¥17,215 million

(c) Amount, amortization method and amortization period of goodwill and factors that make up the goodwill recognized

The Company is currently in the process of finalizing the goodwill.

(d) Amount of assets acquired and liabilities assumed and their major components

The Company is currently in the process of finalizing the assets and liabilities.

# 5. Nonconsolidated Financial Statements

(1) Nonconsolidated Balance Sheets

(Unit: ¥Million)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and deposits | 18,785 | 16,758 |
| Notes receivable, trade | 207 | 202 |
| Accounts receivable, trade | 373,369 | 349,801 |
| Merchandise and finished goods | 258,505 | 258,512 |
| Raw material and supplies | 200,190 | 223,048 |
| Prepaid expenses | 3,007 | 3,264 |
| Short-term loans receivable | 27,944 | 31,659 |
| Other | 69,667 | 68,476 |
| Less: Allowance for doubtful accounts | (797) | (962) |
| Total current assets | 950,881 | 950,760 |
| Fixed assets: | | |
| Property, plant and equipment: | | |
| Buildings, net | 47,917 | 46,664 |
| Structures, net | 62,137 | 62,308 |
| Oil tanks, net | 23,151 | 22,671 |
| Machinery and equipment, net | 79,390 | 76,749 |
| Vehicles, net | 1,618 | 1,449 |
| Tools, furniture and fixtures, net | 5,379 | 7,094 |
| Land | 576,965 | 573,666 |
| Construction in progress | 8,055 | 8,134 |
| Total property, plant and equipment | 804,615 | 798,738 |
| Intangible fixed assets: | | |
| Leasehold rights | 8,285 | 8,293 |
| Software | 2,647 | 6,189 |
| Other | 394 | 491 |
| Total intangible fixed assets | 11,327 | 14,974 |
| Investments and other assets: | | |
| Investment securities | 36,780 | 31,825 |
| Investments in subsidiaries and affiliates | 451,062 | 454,889 |
| Long-term loans receivable | 14,196 | 12,891 |
| Deferred tax assets | 53,653 | 52,436 |
| Other | 46,168 | 58,990 |
| Less: Allowance for doubtful accounts | (54) | (52) |
| Total investments and other assets | 601,807 | 610,981 |
| Total fixed assets | 1,417,749 | 1,424,695 |
| Total assets | 2,368,631 | 2,375,455 |

(Unit: ¥Million)

| | FY2017 (As of March 31, 2018) | FY2018 (As of March 31, 2019) |
|---|---|---|
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable, trade | 341,189 | 288,151 |
| Short-term loans payable | 123,578 | 141,504 |
| Commercial paper | 138,001 | 204,000 |
| Current portion of bonds payable | 25,000 | 10,000 |
| Accounts payable, other | 290,982 | 299,485 |
| Accrued expenses | 2,543 | 2,771 |
| Income taxes payable | ― | 4,451 |
| Advances received | 22,422 | 22,413 |
| Deposits received | 92,168 | 110,274 |
| Provision for bonuses | 6,150 | 6,244 |
| Other | 22,331 | 14,808 |
| Total current liabilities | 1,064,368 | 1,104,106 |
| Non-current liabilities: | | |
| Bonds payable | 40,000 | 50,000 |
| Long-term loans payable | 479,122 | 470,370 |
| Deferred tax liability related to land revaluation | 87,972 | 88,595 |
| Provision for retirement benefits | 12,316 | 8,869 |
| Reserve for repair work | 25,227 | 37,079 |
| Other | 29,719 | 26,792 |
| Total non-current liabilities | 674,357 | 681,706 |
| Total liabilities | 1,738,726 | 1,785,813 |
| Net assets | | |
| Shareholders' equity: | | |
| Common stock | 168,351 | 168,351 |
| Capital surplus | | |
| Legal capital surplus | 116,990 | 116,990 |
| Other capital surplus | 10,354 | 10,354 |
| Total capital surplus | 127,344 | 127,344 |
| Retained earnings | | |
| Legal retained earnings | 1,081 | 1,081 |
| Other retained earnings | | |
| Reserve for special depreciation | 941 | 627 |
| Reserve for overseas investment loss | 736 | 302 |
| Reserve for advanced depreciation of fixed assets | 32,448 | 32,985 |
| Retained earnings brought forward | 134,210 | 157,215 |
| Total retained earnings | 169,417 | 192,212 |
| Treasury stock | (133) | (56,022) |
| Total shareholders' equity | 464,980 | 431,885 |
| Valuation and translation adjustments: | | |
| Unrealized gains (losses) on available-for-sale securities | 7,901 | 4,695 |
| Deferred gains (losses) on hedging activities, net | (1,148) | (2,475) |
| Surplus from land revaluation | 158,171 | 155,535 |
| Total valuation and translation adjustments | 164,924 | 157,755 |
| Total net assets | 629,904 | 589,641 |
| Total liabilities and net assets | 2,368,631 | 2,375,455 |

(2) Nonconsolidated Income Statements

(Unit: ¥Million)

| | FY2017 (From April 1, 2017 to March 31, 2018) | FY2018 (From April 1, 2018 to March 31, 2019) |
|---|---|---|
| Net sales | 2,746,981 | 3,088,005 |
| Cost of sales | 2,432,652 | 2,818,199 |
| Gross profit | 314,329 | 269,805 |
| Selling, general and administrative expenses | 210,534 | 219,444 |
| Operating income | 103,794 | 50,361 |
| Non-operating income: | | |
| Interest income | 773 | 1,121 |
| Dividend income | 27,658 | 21,604 |
| Gain on foreign exchange, net | — | 515 |
| Subsidy income | 2,764 | 2,119 |
| Other | 728 | 2,856 |
| Total non-operating income | 31,924 | 28,218 |
| Non-operating expenses: | | |
| Interest expense | 6,046 | 5,591 |
| Loss on foreign exchange, net | 53 | — |
| Other | 5,113 | 3,092 |
| Total non-operating expenses | 11,213 | 8,683 |
| Ordinary income | 124,505 | 69,896 |
| Extraordinary income: | | |
| Gain on sales of fixed assets | 1,683 | 2,037 |
| Gain on sales of investment securities | 414 | 354 |
| Gain on sales of shares of subsidiaries and affiliates | 3,385 | 187 |
| Total extraordinary income | 5,483 | 2,578 |
| Extraordinary loss: | | |
| Loss on impairment of fixed assets | 1,713 | 4,607 |
| Loss on sales of fixed assets | 268 | 71 |
| Loss on disposals of fixed assets | 3,043 | 2,536 |
| Impairment loss on investments in subsidiaries and affiliates | 12,388 | 3,249 |
| Loss on transition to defined contribution pension plan | 13,810 | — |
| Loss on penalty for LPG business | — | 12,826 |
| Other | 1,155 | 426 |
| Total extraordinary loss | 32,379 | 23,717 |
| Income before income taxes | 97,608 | 48,757 |
| Income taxes-current | 1,994 | 6,409 |
| Income taxes-deferred | 4,344 | 2,489 |
| Total income taxes | 6,338 | 8,898 |
| Net income | 91,270 | 39,858 |

## (3) Nonconsolidated Statements of Changes in Net Assets

FY2017 (From April 1, 2017 to March 31, 2018)

(Unit: ¥Million)

| | Shareholders' equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | | | Retained earnings | | | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | | | Total retained earnings |
| | | | | | | Reserve for special depreciation | Reserve for overseas investment loss | Reserve for advanced depreciation of fixed assets | Retained earnings brought forward | |
| Balance at the beginning of current period | 108,606 | 57,245 | 10,354 | 67,599 | 1,081 | 1,254 | 424 | 33,449 | 51,932 | 88,140 |
| Changes of items during the period | | | | | | | | | | |
| Issuance of new shares | 59,744 | 59,744 | | 59,744 | | | | | | |
| Dividends from surplus | | | | | | | | | (12,316) | (12,316) |
| Net income | | | | | | | | | 91,270 | 91,270 |
| Acquisitions of treasury stock | | | | | | | | | | |
| Provision of other retained earnings | | | | | | | 349 | 1,126 | (1,476) | — |
| Reversal of other retained earnings | | | | | | (312) | (36) | (2,127) | 2,476 | — |
| Adjustment due to sales and revaluation of land | | | | | | | | | 2,324 | 2,324 |
| Net changes of items other than shareholders' equity | | | | | | | | | | |
| Total changes of items during the period | 59,744 | 59,744 | — | 59,744 | — | (312) | 312 | (1,000) | 82,277 | 81,277 |
| Balance at the end of period | 168,351 | 116,990 | 10,354 | 127,344 | 1,081 | 941 | 736 | 32,448 | 134,210 | 169,417 |

| | Shareholders' equity | | Valuation and translation adjustments | | | | Total net assets |
|---|---|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedging activities, net | Surplus from land revaluation | Total valuation and translation adjustments | |
| Balance at the beginning of current period | (131) | 264,215 | 6,445 | (2,824) | 155,541 | 159,162 | 423,377 |
| Changes of items during the period | | | | | | | |
| Issuance of new shares | | 119,489 | | | | | 119,489 |
| Dividends from surplus | | (12,316) | | | | | (12,316) |
| Net income | | 91,270 | | | | | 91,270 |
| Acquisitions of treasury stock | (1) | (1) | | | | | (1) |
| Provision of other retained earnings | | — | | | | | — |
| Reversal of other retained earnings | | — | | | | | — |
| Adjustment due to sales and revaluation of land | | 2,324 | | | (2,324) | (2,324) | — |
| Net changes of items other than shareholders' equity | | | 1,455 | 1,676 | 4,953 | 8,086 | 8,086 |
| Total changes of items during the period | (1) | 200,764 | 1,455 | 1,676 | 2,629 | 5,762 | 206,527 |
| Balance at the end of period | (133) | 464,980 | 7,901 | (1,148) | 158,171 | 164,924 | 629,904 |

FY2018 (From April 1, 2018 to March 31, 2019)

(Unit: ¥Million)

| | Shareholders' equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | | | Retained earnings | | | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | | | Total retained earnings |
| | | | | | | Reserve for special depreciation | Reserve for overseas investment loss | Reserve for advanced depreciation of fixed assets | Retained earnings brought forward | |
| Balance at the beginning of current period | 168,351 | 116,990 | 10,354 | 127,344 | 1,081 | 941 | 736 | 32,448 | 134,210 | 169,417 |
| Changes of items during the period | | | | | | | | | | |
| Dividends from surplus | | | | | | | | | (18,460) | (18,460) |
| Net income | | | | | | | | | 39,858 | 39,858 |
| Acquisitions of treasury stock | | | | | | | | | | |
| Disposals of treasury stock | | | 0 | 0 | | | | | | |
| Provision of other retained earnings | | | | | | | | 2,614 | (2,614) | ― |
| Reversal of other retained earnings | | | | | | (313) | (434) | (2,077) | 2,825 | ― |
| Adjustment due to sales and revaluation of land | | | | | | | | | 1,396 | 1,396 |
| Net changes of items other than shareholders' equity | | | | | | | | | | |
| Total changes of items during the period | ― | ― | 0 | 0 | ― | (313) | (434) | 537 | 23,005 | 22,794 |
| Balance at the end of period | 168,351 | 116,990 | 10,354 | 127,344 | 1,081 | 627 | 302 | 32,985 | 157,215 | 192,212 |

| | Shareholders' equity | | Valuation and translation adjustments | | | | Total net assets |
|---|---|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Unrealized gains (losses) on available-for-sale securities | Deferred gains (losses) on hedging activities, net | Surplus from land revaluation | Total valuation and translation adjustments | |
| Balance at the beginning of current period | (133) | 464,980 | 7,901 | (1,148) | 158,171 | 164,924 | 629,904 |
| Changes of items during the period | | | | | | | |
| Dividends from surplus | | (18,460) | | | | | (18,460) |
| Net income | | 39,858 | | | | | 39,858 |
| Acquisitions of treasury stock | (55,889) | (55,889) | | | | | (55,889) |
| Disposals of treasury stock | 0 | 0 | | | | | 0 |
| Provision of other retained earnings | | ― | | | | | ― |
| Reversal of other retained earnings | | ― | | | | | ― |
| Adjustment due to sales and revaluation of land | | 1,396 | | | (1,396) | (1,396) | ― |
| Net changes of items other than shareholders' equity | | | (3,205) | (1,327) | (1,239) | (5,772) | (5,772) |
| Total changes of items during the period | (55,889) | (33,094) | (3,205) | (1,327) | (2,635) | (7,168) | (40,263) |
| Balance at the end of period | (56,022) | 431,885 | 4,695 | (2,475) | 155,535 | 157,755 | 589,641 |

(Reference) Financial Disclosure for Delisted Company (Showa Shell Sekiyu K. K.)

On April 1, 2019, the Company and Showa Shell Sekiyu K. K. ("Showa Shell") conducted a share exchange in which the Company became a wholly owning parent company and Showa Shell became a wholly owned subsidiary. The following is the consolidated financial results of Showa Shell for the 15 months ended March 31, 2019, which was delisted from the stock exchange due to the stock exchange.

May 15, 2019

# Consolidated Financial Results for the Fiscal Year 2018

## (From January 1, 2018 to March 31, 2019) [Japan GAAP]

Company Name: **Showa Shell Sekiyu K. K.**

(Figures less than ¥1 million are rounded off)

1. Consolidated Financial Results for FY2018 (From January 1, 2018 to March 31, 2019)

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

| | Net sales | | Operating income | | Ordinary income | | Net income attributable to owners of the parent | |
|---|---|---|---|---|---|---|---|---|
| | ¥million | % | ¥million | % | ¥million | % | ¥million | % |
| FY2018 | 3,082,871 | — | 95,322 | — | 101,053 | — | 39,142 | — |
| FY2017 | 2,045,936 | 18.5 | 78,477 | 69.1 | 92,973 | 94.3 | 42,751 | 152.7 |

Notes: 1. Comprehensive income FY2018 ¥37,249 million —% FY2017 ¥47,768 million 225.3%

2. Since fiscal 2018 is a 15-month accounting period due to a fiscal year change, percentage changes over fiscal 2017 are not provided.

| | Net income per share | Diluted net income per share | Return on equity | Ratio of ordinary income to total assets | Ratio of operating income to net sales |
|---|---|---|---|---|---|
| | ¥ | ¥ | % | % | % |
| FY2018 | 104.43 | — | 15.2 | 9.7 | 3.1 |
| FY2017 | 113.51 | — | 18.0 | 9.2 | 3.8 |

Reference: Equity in earnings of affiliates FY2018 ¥3,911 million FY2017 ¥8,745 million

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | ¥million | ¥million | % | ¥ |
| FY2018 | 1,040,644 | 283,419 | 25.2 | 704.93 |
| FY2017 | 1,038,882 | 275,451 | 24.4 | 672.71 |

Reference: Total equity FY2018 ¥262,498 million FY2017 ¥253,364 million

* Notes

(1) Changes of number of material consolidated subsidiaries during the fiscal year: **None**

(2) Changes in accounting policies and accounting estimates, or restatement

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

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

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

d) Restatement: **None**

(3) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of March 31, 2019: 372,596,000 As of December 31, 2017: 376,850,400

b) Number of shares of treasury stock

As of March 31, 2019: 222,888 As of December 31, 2017: 221,026

c) Weighted average number of shares outstanding during the period

FY2018: 374,822,073 FY2017: 376,630,088

## (1) Consolidated Balance Sheets

(Unit: ¥Million)

| | FY2017 (As of December 31, 2017) | FY2018 (As of March 31, 2019) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and deposits | 50,380 | 52,705 |
| Notes and accounts receivable-trade | 280,557 | 253,236 |
| Merchandise and finished goods | 98,938 | 96,120 |
| Work in process | 1,610 | 1,294 |
| Raw materials and supplies | 128,438 | 145,420 |
| Deferred tax assets | 7,343 | 6,667 |
| Other | 29,120 | 40,479 |
| Allowance for doubtful accounts | (881) | (1,471) |
| Total current assets | 595,507 | 594,452 |
| Noncurrent assets: | | |
| Property, plant and equipment: | | |
| Buildings and structures | 300,200 | 308,853 |
| Accumulated depreciation and impairment loss | (219,097) | (225,677) |
| Buildings and structures, net | 81,102 | 83,175 |
| Oil tanks | 79,493 | 80,498 |
| Accumulated depreciation and impairment loss | (70,533) | (71,536) |
| Oil tanks, net | 8,960 | 8,962 |
| Machinery, equipment and vehicles | 615,416 | 618,340 |
| Accumulated depreciation and impairment loss | (533,153) | (554,238) |
| Machinery, equipment and vehicles, net | 82,263 | 64,101 |
| Land | 139,601 | 140,390 |
| Construction in progress | 6,945 | 15,130 |
| Other | 26,130 | 26,537 |
| Accumulated depreciation and impairment loss | (19,967) | (20,376) |
| Other, net | 6,162 | 6,161 |
| Total property, plant and equipment | 325,035 | 317,920 |
| Intangible assets: | | |
| Goodwill | 941 | 879 |
| Software | 4,939 | 4,608 |
| Other | 3,761 | 3,728 |
| Total intangible assets | 9,642 | 9,215 |
| Investments and other assets: | | |
| Investment securities | 62,432 | 74,044 |
| Long-term loans receivable | 7,296 | 6,434 |
| Deferred tax assets | 20,828 | 21,031 |
| Assets for employees' retirement benefits | 111 | 648 |
| Other | 18,236 | 17,013 |
| Allowance for doubtful accounts | (208) | (116) |
| Total investments and other assets | 108,697 | 119,055 |
| Total noncurrent assets | 443,374 | 446,192 |
| Total assets | 1,038,882 | 1,040,644 |

(Unit: ¥Million)

| | FY2017 (As of December 31, 2017) | FY2018 (As of March 31, 2019) |
|---|---|---|
| Liabilities | | |
| Current liabilities: | | |
| Notes and accounts payable-trade | 276,597 | 290,409 |
| Short-term loans payable | 23,715 | 29,725 |
| Current portion of bonds payable | ― | 10,000 |
| Current portion of long-term loans payable | 30,625 | 44,080 |
| Accounts payable-other | 164,665 | 138,479 |
| Lease obligations | 910 | 820 |
| Income taxes payable | 12,737 | 2,720 |
| Provision for bonuses | 2,195 | 4,023 |
| Provision for directors' bonuses | 79 | 83 |
| Provision for damages to the submarine pipeline | 5,502 | ― |
| Other | 51,164 | 48,268 |
| Total current liabilities | 568,193 | 568,610 |
| Noncurrent liabilities: | | |
| Bonds payable | 10,000 | ― |
| Long-term loans payable | 53,116 | 42,522 |
| Lease obligations | 1,873 | 1,795 |
| Deferred tax liabilities | 3,535 | 1,466 |
| Provision for special repairs | 14,601 | 19,730 |
| Liability for retirement benefits | 87,801 | 87,772 |
| Other | 24,307 | 35,325 |
| Total noncurrent liabilities | 195,237 | 188,614 |
| Total liabilities | 763,430 | 757,224 |
| Net assets | | |
| Shareholders' equity: | | |
| Capital stock | 34,197 | 34,197 |
| Capital surplus | 22,123 | 21,775 |
| Retained earnings | 202,083 | 215,435 |
| Treasury stock | (188) | (191) |
| Total shareholders' equity | 258,216 | 271,215 |
| Accumulated other comprehensive income: | | |
| Unrealized holding gain (loss) on securities | 4,627 | 2,138 |
| Unrealized gain (loss) from hedging instruments | (312) | (104) |
| Foreign currency translation adjustment | (62) | (184) |
| Retirement benefits liability adjustment | (9,105) | (10,567) |
| Total accumulated other comprehensive income | (4,852) | (8,717) |
| Non-controlling interests | 22,087 | 20,921 |
| Total net assets | 275,451 | 283,419 |
| Total liabilities and net assets | 1,038,882 | 1,040,644 |

## (2) Consolidated Statements of Income and Comprehensive Income

### 1) Consolidated Statements of Income

(Unit: ¥Million)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to March 31, 2019) |
|---|---|---|
| Net sales | 2,045,936 | 3,082,871 |
| Cost of sales | 1,866,217 | 2,849,314 |
| Gross profit | 179,719 | 233,557 |
| Selling, general and administrative expenses: | | |
| Freightage related expenses | 37,057 | 52,968 |
| Personnel expenses | 23,153 | 29,977 |
| Other | 41,031 | 55,289 |
| Total selling, general and administrative expenses | 101,241 | 138,235 |
| Operating income | 78,477 | 95,322 |
| Non-operating income: | | |
| Interest income | 220 | 280 |
| Dividend income | 977 | 1,187 |
| Equity in earnings of affiliates | 8,745 | 3,911 |
| Gain on transfer of business | 5,725 | 2,575 |
| Other | 2,038 | 2,258 |
| Total non-operating income | 17,707 | 10,212 |
| Non-operating expenses: | | |
| Interest expense | 1,044 | 1,093 |
| Sales discounts | 1,147 | 1,666 |
| Loss on foreign exchange, net | 59 | 79 |
| Provision of allowance for doubtful accounts | ― | 597 |
| Other | 959 | 1,043 |
| Total non-operating expenses | 3,211 | 4,481 |
| Ordinary income | 92,973 | 101,053 |
| Extraordinary income: | | |
| Gain on sales of noncurrent assets | 1,653 | 1,405 |
| Gain on sales of investments in securities | 383 | 2,425 |
| Subsidy | 2,664 | 4,516 |
| Compensation income | 1,800 | ― |
| Gain on transfer from business divesture | ― | 2,292 |
| Income on penalty for LPG business | ― | 12,826 |
| Other | 388 | 319 |
| Total extraordinary income | 6,890 | 23,785 |
| Extraordinary losses: | | |
| Loss on disposal of noncurrent assets | 3,798 | 3,907 |
| Impairment loss | 8,441 | 15,704 |
| Loss on valuation of investment securities | 6,612 | 302 |
| Loss on damages to the submarine pipeline | 4,426 | 225 |
| Loss on penalty for LPG business | ― | 25,652 |
| Other | 7,266 | 4,923 |
| Total extraordinary losses | 30,545 | 50,715 |
| Income before income taxes and non-controlling interests | 69,318 | 74,123 |
| Income taxes-current | 15,074 | 33,414 |
| Income taxes-deferred | 10,283 | (520) |
| Total income taxes | 25,357 | 32,894 |
| Net income | 43,960 | 41,228 |
| Net income attributable to non-controlling interests | 1,208 | 2,086 |
| Net income attributable to owners of the parent | 42,751 | 39,142 |

## 2) Consolidated Statements of Comprehensive Income

(Unit: ¥Million)

| | FY2017 (From January 1, 2017 to December 31, 2017) | FY2018 (From January 1, 2018 to March 31, 2019) |
|---|---|---|
| Net income | 43,960 | 41,228 |
| Other comprehensive income: | | |
| Unrealized holding gain (loss) on securities | 2,142 | (2,405) |
| Unrealized gain (loss) from hedging instruments | 456 | 207 |
| Foreign currency translation adjustment | (481) | (121) |
| Remeasurements of defined benefit plans | 1,259 | (1,608) |
| Share of other comprehensive income (loss) of affiliates accounted for by the equity method | 430 | (50) |
| Total other comprehensive income | 3,807 | (3,979) |
| Comprehensive income | 47,768 | 37,249 |
| Comprehensive income attributable to: | | |
| Owners of the parent | 46,387 | 35,277 |
| Non-controlling interests | 1,380 | 1,971 |