(Translation)

Securities Code: No. 5019
June 5, 2019

To the Shareholders:

NOTICE OF THE 104TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

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

Please take notice that the 104th Ordinary General Meeting of Shareholders of the Company will be held as described below and you are cordially requested to attend the meeting.

If you do not expect to be present at the meeting, you may exercise your voting rights either by returning to us by mail the enclosed voting form indicating your approval or disapproval of the propositions or by accessing the website for the exercise of voting rights stated in the enclosed voting form and exercising your voting rights by an electronic method (such as the Internet). Hence, please review the accompanying Reference Document for the General Meeting of Shareholders and exercise your voting rights in accordance with the information on page 4 and page 5 no later than 5:00 p.m., Wednesday, June 26, 2019.

Yours very truly,

Shunichi Kito
President and Representative Director

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

Description

1. Date and hour of the meeting:

   Thursday, June 27, 2019, at 10:00 a.m.

2. Place of the meeting:

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

3. Matters forming the objects of the meeting:

   Matters to be reported:

   1. Report on the business report, the consolidated financial statements and the results of audit of the consolidated financial statements by the accounting auditors and the Board of Statutory Auditors for the 104th fiscal year (from April 1, 2018 to March 31, 2019)

   2. Report on the non-consolidated financial statements for the 104th fiscal year (from April 1, 2018 to March 31, 2019)

   Matters to be resolved:

Proposition No. 1:	Election of thirteen (13) Directors
Proposition No. 2:	Election of one (1) Substitute Statutory Auditor
Proposition No. 3:	Partial Revision of the Amount and Details Concerning Performance-linked Stock Compensation, etc. for Directors, etc.

4. Matters regarding exercise of voting rights:

   1. If you expect to be present by proxy, please make a document evidencing his/her power of attorney presented to a receptionist at the place of the meeting, together with the voting form. (Such proxy must be another shareholder (being one (1) person) of the Company entitled to vote.)

   2. If any institutional investor or any other shareholder who holds shares on behalf of third parties desires to diversely exercise voting rights, please give notice to that effect and of the reason therefor to the Company in writing no later than three (3) days prior to the date of this Ordinary General Meeting of Shareholders.

   3. All fees payable to Internet service providers and telecommunication carriers (such as phone line charges) in accessing the website for the exercise of voting rights must be borne by the shareholders.

- The reception of this meeting will open at 9:00 a.m. on the date of this Ordinary General Meeting of Shareholders.

- Of the documents to be provided upon giving notice of this Ordinary General Meeting of Shareholders, the "notes to consolidated financial statements" and the "notes to non-consolidated financial statements", which are posted on our Internet website (https://www.idss.co.jp/) in accordance with the applicable laws and ordinances and Article 15 of the Articles of Incorporation of the Company, are not included in the attached documents to the notice of this Ordinary General Meeting of Shareholders.

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

- In the event of the revision of any matter in the business report, the consolidated financial statements, the non-consolidated financial statements and the Reference Document for the General Meeting of Shareholders prior to the date of this Ordinary General Meeting of Shareholders, it will be posted on our Internet website set forth above.

** Please note that no souvenirs will be given to our shareholders who personally attend the meeting. Your kind understanding is highly appreciated.

Instructions for Exercising Voting Rights

The right to vote at the General Meeting of Shareholders is an important right of all shareholders.
Please review the accompanying Reference Document for the General Meeting of Shareholders before exercising your voting rights.
There are three methods for voting at the General Meeting of Shareholders.

1. Voting by Attendance at the General Meeting of Shareholders

Please present the enclosed voting form to the reception desk if you are present at the meeting.
Date and hour of the meeting: Thursday, June 27, 2019, at 10:00 a.m.

2. Postal Voting

Please indicate "Approve" or "Disapprove" with respect to each proposition on the enclosed voting form and submit the form.
Votes must be received by: Wednesday, June 26, 2019, 5:00 p.m.

3. Electronic Voting via the Internet

Please input "Approve" or "Disapprove" in conformance with the guidance on the next page.
Votes must be completed by: Wednesday, June 26, 2019, 5:00 p.m.

<Instructions for filling out the voting form>

Please indicate approval or disapproval with respect to each proposition.

Propositions No. 1

Approval of all candidates:	Mark ○ in the box labelled "賛"
Disapproval of all candidates:	Mark ○ in the box labelled "否"
Disapproval of certain candidates:	Mark ○ in the box labelled "賛" and indicate the number of each candidate you wish to disapprove.

Propositions No. 2 and No. 3

Approval:	Mark ○ in the box labelled "賛"
Disapproval:	Mark ○ in the box labelled "否"

If you vote both by post and via the Internet, only the vote exercised via the Internet will be treated as valid.
If you vote more than once via the Internet, only the most recent vote will be treated as valid.

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

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

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

1. Please scan the QR Code located at the lower right of the voting form.
   * “QR Code” is a registered trademark of Denso Wave Incorporated.

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

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

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

1. Please access the voting website.
   (Click on “次へすすむ” (NEXT))

2. Please input the “voting code” included in the voting form.
   (Enter “議決権行使コード” (the voting code)) (Click on “ログイン” (Log in))

3. Please input the “password” included in the voting form.
   (Enter “パスワード” (the password)) (Click on “次へ” (NEXT))

4. Please follow the instructions on the display, and input “Approve” or “Disapprove”.

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

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

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

(Attached document)

BUSINESS REPORT

(April 1, 2018 to March 31, 2019)

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

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

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

During the fiscal year ended March 31, 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, 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 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 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.

(ii) Operating results:

Under these circumstances, the Group's net sales for fiscal 2018 were ¥4,425.1 billion, up 18.6% from the previous fiscal year, mainly due 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.

Current net income attributable to noncontrolling interests was ¥5.3 billion, up 18.5% year on year, mainly reflecting 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% year on year.

(iii) Progress and results of business:

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

Net sales by segment

(Unit: ¥Billion)

	FY2017	FY2018	Change	
			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)

	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 the domestic supply and marketing systems and the expansion of business in overseas markets, and took 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 local 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)

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 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 is ¥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 a stable supply of olefin and aromatic compounds to petrochemical complexes as well as for manufacture of the Company's derivative products.

(Advanced materials and performance 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 were ¥555.4 billion, up 10.9% year-on-year, mainly due to increases in naphtha prices. Operating income, down 24.7% year-on-year, was ¥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 appreciation of assets held by the Company through thorough cost reduction and productivity improvement, and reviewing the asset portfolio. Actions taken are as follows:

(Oil exploration & production business and geothermal energy business)

In the oil exploration and production business, the Company carried out operation improvement activities along with stable operations and production in the existing oil fields. 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, drilling survey projects were conducted in Tohoku and other regional areas.

Net sales of the oil exploration & production and geothermal energy business 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 previous fiscal year.

(Coal business and other business)

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 in order to provide low carbon solutions, 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 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 local 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 working on activities to expand the sales of its biopesticide to advanced producers' groups through its sales subsidiary, Idemitsu Agri Co., Ltd.

In the field of feed supplement for livestock, the Company moved ahead with efforts to increase the adoption of "RUMINUP®", "Crosstop®" and "Molucca", which have the effect of maintaining the intestinal health of cows, chickens and pigs, mainly at large-scale farms in Japan as well as efforts to prepare for developing 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, up 4.3% year on year, are ¥72.8 billion, with operating income of ¥7.8 billion up 6.9% from the previous fiscal year.

(iv) Overview concerning financial position:

Summary of consolidated balance sheet

(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 fiscal 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 fiscal year under review, 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 the previous fiscal year, despite an increase in interest-bearing debts (¥951.4 billion) 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 the previous fiscal year, 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.

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.

(v) Investment in plant and equipment:

The amount of investment in plant and equipment of the Group for fiscal year 2018 totaled ¥78.3 billion, which was principally used as follows:

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

(vi) Financing:

The Group's working capital requirements derive mainly from the purchases of raw materials for the manufacture of products, and fluctuate in response to crude oil prices and foreign exchange rates. As crude oil prices for the beginning and the end of fiscal year 2018 were approximately the same, changes in operating capital were minor. However, with the financing of necessary funds in connection with investments of ¥78.3 billion, etc., the balance of interest-bearing debt at the end of fiscal year 2018 for the Group was ¥951.4 billion, an increase of ¥57.7 billion compared with the end of the previous fiscal year.

(2) Assets and income/loss:

Item	101st year April 1, 2015 - Mar. 31, 2016	102nd year April 1, 2016 - Mar. 31, 2017	103rd year April 1, 2017 - Mar. 31, 2018	104th year (current year) April 1, 2018 - Mar. 31, 2019
Net sales (million yen)	3,570,202	3,190,347	3,730,690	4,425,144
Ordinary income (loss) (million yen)	(21,903)	139,968	226,316	169,121
Net income (loss) attributable to owners of the parent (million yen)	(35,993)	88,164	162,307	81,450
Net income (loss) per share (yen)	(225.03)	551.19	845.17	401.63
Total assets (million yen)	2,402,118	2,641,633	2,920,265	2,890,307
Net assets (million yen)	537,660	619,932	905,929	878,931
Net assets per share (yen)	3,129.93	3,649.83	4,177.40	4,267.21

(3) Major parent company and subsidiaries:

(i) Relationship with the parent company:

Not applicable.

(ii) Major subsidiaries:

Name	Capital	Ratio of voting rights of the Company (%)	Main business
Idemitsu Tanker Co., Ltd.	¥1,000 million	100.0	Transportation of crude oil and petroleum products
Idemitsu Retail Marketing Co., Ltd.	¥80 million	100.0	Sale of petroleum products
Idemitsu Supervising Co., Ltd.	¥10 million	100.0	Sale of petroleum products
S.I. Energy Co., Ltd.	¥500 million	100.0	Sale of petroleum products
IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	US$245,156 thousand	100.0	Import, export and trading of crude oil, petroleum products, etc.
IDEMITSU APOLLO CORPORATION	US$165 thousand	100.0	Import, export and sale of petroleum products, etc.
Idemitsu Unitech Co., Ltd.	¥2,600 million	100.0	Manufacture and sale of plastic products
Idemitsu Petroleum Norge AS	NOK727,900 thousand	100.0	Investigation, exploration, development and sale of oil resources
IDEMITSU AUSTRALIA RESOURCES PTY LTD	A$106,698 thousand	100.0	Investigation, exploration, development and sale of coals
Idemitsu Canada Resources Ltd.	C$131,167 thousand	100.0	Investigation, exploration, development and sale of uranium resources in Canada
Idemitsu Canada Corporation	C$334,000 thousand	100.0	Investigation and promotion of gas and related businesses in Canada
SDS Biotech K.K.	¥810 million	69.7	Production, import and sales of agricultural chemicals

(Notes) 1. The “Ratio of voting rights of the Company” is shown by including those held indirectly through its subsidiaries.
2. The “Ratio of voting rights of the Company” is shown by calculating down to the third decimal place and thereafter rounding upward or downward to the nearest second decimal place, as the case may be.

(4) Issues to be addressed:

Prior to the establishment of a new integrated company ("New Integrated Company") on April 1, 2019, the Group announced the New Integrated Company's vision and business strategy on October 16, 2018, as stated below. The Group is currently developing the New Integrated Company's medium-term management plan, and intends to announce it in the fall of 2019.

(i) Management policies

We, as the New Integrated Company, are a company originating in Japan which co-creates energy, will continue to strive to create new value together with its customers and stakeholders, while aiming to, based on diversity and inclusiveness, harmonize with the environment and society.

We will:

a) deliver various forms of energy and materials in a sustainable manner;
b) expand and share the two integrated companies' cultivated problem-solving capabilities with the world; and
c) create a resilient corporate entity with the capacity to anticipate change and respond flexibly.

(ii) Management strategies, etc.

a) Basic strategies

- In order to create a resilient business portfolio, the Company will aim to enhance the competitiveness of the core businesses, the petroleum business and the basic chemicals business, and accelerate its efforts in growing industries and fields.
- The Company will pursue the "noble use" of petroleum, and aim to enhance the competitiveness of the entire value chain in the Asian region, including the Nghi Son Refinery in Vietnam, which started commercial operation as of November 14, 2018, as well as the competitiveness of six refineries and petrochemical plants in Japan.
- With respect to the synergies, which are a major purpose of the business integration, the Company will realize synergies of 60 billion yen in 2021.
- The Company will actively develop the growing fields of functional materials business, renewable energy, and electricity business, in and outside Japan.
- With respect to cash flow, the Company will make optimum allocations for shareholder returns, strategic investments, and enhancements of its financial capacity.
- The Company will build an advanced governance system, as well as focus greater emphasis on risk management in order to respond to changes in the management environment.
- The Company will actively make efforts to create a sustainable society.
- The Company will realize an environment where each employee can, through the business, perform to his or her full potential and achieve growth.

b) The New Integrated Company's management targets, shareholder return policies, and medium-term management plan

(a) Management targets (FY 2019 to FY 2021)

• Net income for the period	500 billion yen or more (total of three years) 200 billion yen (FY 2021)
• Integration synergies	60 billion yen/year (FY 2021)
• ROE	Over 10% (FY 2021)
• Net D/E ratio	0.5 times or less (FY 2021)
• Total return payout ratio	50% or more

(b) Cash-flow allocation

We aim to secure stable income and proceed to increase returns to shareholders, as well as to make concentrated investments in growing industries and fields, and structural reform. In addition, we continue to strive to enhance our financial basis.

(c) Investment strategies

Total investment: JPY500 billion (3-year total: strategic investments of JPY300 billion)

- Petroleum business, basic chemicals business: 250 billion yen
  Improving refining facilities, organizing and developing overseas facilities, strengthening the service station (SS) network
- Functional materials business, power and renewable energy business: 120 billion yen
  Overseas facilities (lubricants, performance chemicals, OLED), securing domestic and overseas power sources, solid electrolytes, new businesses
- Resources business: 130 billion yen
  Developing new gas fields in Vietnam and the North Sea mining area

(d) Pursue synergies

Effort to enhance and promote business collaboration prior to the business integration, which commenced in May 2017, is extending into various fields such as crude oil procurement, production, logistics, and joint procurement. Due to the Business Integration, synergies of 30 billion yen (compared to 2015) will be realized in 2019, and additional synergies of 30 billion yen are further expected by the end of 2021, as follows.

Field	Major items	Expected synergies
Crude oil procurement	▪Jointly procure crude oil ▪Jointly allocate crude oil tankers ▪Reduce ship chartering and new shipbuilding costs	1.5 billion yen
Supply/demand, overseas, logistics, and sales	▪Integrate production planning system ▪Interchange finished and intermediate products at the seven refineries ▪Mutually utilize oil terminal and joint shipping ▪Integrate imports/exports and expand overseas sales ▪Reorganize oil terminals	29 billion yen
Manufacturing division Procurement division	▪Develop best practices for initiatives to improve refinery margins ▪Reduce procurement costs through joint procurement ▪Optimize adaptation to IMO MARPOL's treaty, response to reduced gasoline demand, etc.	20.5 billion yen
Shared	▪Reduce duplicate costs through organizational integrations (such as office integrations) ▪Optimize capital investment ▪Mutually use lubricant bases ▪Others (such as IT system, and promoting BPR)	9 billion yen
Total		60 billion yen

(e) Shareholder return policies

With consideration for the return of profits to shareholders, which is an important responsibility of management, the Company will steadily secure income by realizing the effects of integration and shareholder returns. The target of total net income for the period from FY 2019 to FY 2021 is 500 billion yen or more, and the Company will aim to implement a shareholder return of 50% or more of such total amount (10% or more of the shareholder return for each fiscal year will be provided through the acquisition of treasury shares).

(f) Medium-term management plan

A medium-term management plan, including a long-term vision, will be announced by fall of 2019.

[Matters to be addressed by the Company]

(i) Environment recognition:

As to the Japanese economy, while the environment concerning employment and income has improved, consumer spending has continued to follow a moderate recovery path. On the other hand, due to the decelerating Chinese economy, as well as the heightened protectionist policy trends in certain developed nations and the sluggish trading discussions between the United States and China, there is concern regarding the stagnation of the worldwide economies. In addition, geopolitical risks in regions such as the Middle East, Asia, and South America, have been increasing since the previous fiscal year.

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

(ii) Specific issues for each segment

The specific issues for each segment of the Company are as explained in the following.

a) Petroleum segment

(a) Optimize petroleum refining

The Company will continuously and effectively invest in the petroleum refining business in order to enhance long-term cost competitiveness and the reliability of facility operations, whereby the Company will aim to (i) maintain refining competitiveness against new and powerful refineries in the Asian and Pacific regions, and (ii) maintain its status as an essential refinery group for society. The Company has started utilizing the integrated LP (Linear Programing), and has been creating an environment to allow the formulation of an optimal production plan at the seven refineries, including Fuji Oil Company, Ltd., of the Group. The Company has been promoting measures for the IMO regulation, which is scheduled to be effective in 2020, by reducing the production ratio of heavy fuel oil throughout the entire Group through the maximization of the cokers of Toa Oil Co., Ltd. and Eureka Thermal Cracking Unit of Fuji Oil Company, Ltd., and modification of units at the Chiba Complex.

(b) Develop the petroleum business overseas

The Company will, through the trading business, the demand for which is expected to grow in the Asian and Pacific regions, the operations of the Nghi Son Refinery (commercial operation of which started as of November 14, 2018) and the expansion of service stations in Vietnam, and the development of wholesale operations in North America and retail operations in Australia, continue to promote expansion of the overseas petroleum business.

(c) Reinforce the network of dealers and retailers

The network of dealers and retailers is essential to the supply of energy, such as petroleum and gas, which is needed in the regions. In order to stabilize the operating capabilities of dealers and retailers, and contribute to the resolution of problems in the regions, the Company will further build stronger relationships with them, through consulting, information processing, and developing and introducing products and services under the retail schemes that the two integrated companies have cultivated to date. The 6,500 service stations in the network of both brands are strategically located to complement one another, and the Company will provide customers with extra value so that they can make the most of the networks of both brands.

In addition, by utilizing digital technology (ICT) to closely collaborate regarding information such as shipment estimates, service station inventory, the operational status of ships and lorries, in real-time and in an interactive manner, the Company will deal with the lower logistics demand density and the shortage of frontline human resources, as well as optimize the logistics systems and improve services.

b) Basic chemicals segment

In order to further promote stabilization of the revenue base of domestic businesses, the Company will, in collaboration with customers of industrial complexes in Chiba, Yokkaichi, and Yamaguchi, aim to achieve stable production corresponding to business environment, optimization, and enhancement of cost competitiveness by diversifying raw materials.

By promoting "Fuel to Chemical" together with the petroleum business, the Company will strive to achieve efficient equipment operation and to improve earning power, to surely promote expansion of sales of products (benzene and paraxylene) produced at the Nghi Son Refinery in Vietnam, in Asian market, which has a large demand extension. With products with the increased source of supply as the core, as the New Integrated Company, the Company will expand the business and the range of selection of portfolios, and will aim to stabilize the business base and increase revenue concerning olefin and aromatic products.

c) Functional materials segment

(a) Lubricants

The Company will contribute to the improvement of the fuel efficiency of automobiles with internal combustion engines, in and outside Japan, and make efforts to develop industrial lubricants that will enhance production efficiency. Further, the Company will develop new oils for the newest technological products, such as electric automobiles and robots. In addition, the Company will expand its overseas production bases to enhance its supply capacity to automobile manufacturers in and outside Japan.

(b) Performance chemicals

The Company will expand its sales in growing industries domestically and overseas and in uses where growth in demand is expected, based on proprietary technologies in the fields of engineering plastics and adhesive base materials. The Company will mainly target the fields of automotive and electronic components, and information and communication devices, the technical innovation for which is fast, as well as of daily consumer products, the demand for which is mainly growing in Asia. In order to proceed with stable production and expansion of its business size while responding to the industries' needs, the Company will start producing hydrogenated petroleum resin overseas, from fiscal year 2019, and will consider also producing syndiotactic polystyrene resin overseas.

(c) Electronic materials

In order to respond to the demand for organic EL materials, the market for which has expanded, the Company will establish research and development systems capable of realizing further performance improvement, enhancing overseas production bases, and meeting users' expectations.

(d) Functional asphalt

The Company will develop and propose eco-friendly products as the only general asphalt manufacturer in Japan, using unique technology which the Company has been cultivated. Specifically, the Company will contribute to social infrastructure resilience in and outside Japan through prolonged life after construction and improving constraints on construction.

(e) Agricultural biotechnology

The Company will aim to enhance food safety and agricultural production efficiency, proceed to develop biotic pesticides, and make efforts to explore markets for new pesticides that are capable of meeting environmental regulations, which may become stricter in the future.

(f) Solid electrolytes for all-solid-state lithium ion batteries

The Company will expedite product research into solid electrolytes for all-solid-state lithium ion batteries which drastically shorten recharge time and improve electricity storage, and enable to expand the scope of use of lithium ion batteries, including EVs, by improving the battery performance due to the all-solid-state. The Company will aim to place them on the market in the 2020s.

d) Electricity and renewable energy segment

The Company will distribute electricity to customers by optimizing its external procurement while still ensuring that such electricity is based on its own competitive electricity sources that the two integrated companies have developed in Japan. The Company also has various renewable energy power sources, such as wind power, solar, and biomass, the development of which the Company will continue to actively promote, as well as developing sales options which adapt to the needs of a low-carbonized society. In the solar panel business, the Company will provide products leveraging its unique thin film solar-cells technologies, and make efforts to develop a self-consumption model as distributed energy resources. In addition, the Company will engage in the gas-fired thermal power generation business, renewable energy business, and the biomass business, outside Japan. The Company is making efforts to develop the next generation energy management businesses, such as micro-grids, etc.

e) Resources segment

With consideration for the expansion of energy demand in the world, the Company will make efforts to maintain and improve the value of existing petroleum and coal resources, and develop gas fields in Asia. With respect to coal, the Company will continue to engage in resource development of coal as a stable and inexpensive energy source, propose highly efficient combustion techniques and establish manufacturing technology for biomass fuel that can improve the mixed-firing levels of coal to reduce burden on the environment. Further, with respect to geothermal energy development, the Company will promote surveys and verification concerning new businesses while maintaining and continuing its geothermal business in Oita.

f) Research & development, and new business development

The Company has knowledge and technical advantages in the fields of organic chemistry, inorganic chemistry, and reduction of environmental load substances. The Company will enhance such knowledge and technical advantages to develop new materials and processes. The Company will thematically organize the technologies developed in corporate research and product research of each business, cross-functionally, and promote open innovation through cooperation with universities and research institutes within and outside Japan to resolve social issues.

The Company will simultaneously foster internal and external incubation whereby the Company will collaborate with venture companies, actively promote capital participation and accelerate research and development, to create new businesses. Further, the Company will adopt digital technology (ICT), and work to construct the next generation's (Society 5.0) energy infrastructure, and develop new types of business model.

(iii) Efforts for sustainability

For the New Integrated Company focusing on the fossil fuel business, it is crucial to respect and contribute to the global environment, and contribute to the resolution of social problems to achieve SDGs. The Company will, through the following activities, realize a sustainable global environment and society, and aim to sustainably grow as an enterprise:

- Reduce the amount of greenhouse gas (GHG) emitted in the course of business activities;
- Actively utilize evaluations made by external organizations and connect such evaluations with the business activity goals;
- Organize a workplace environment where all the people who engage in the Group's business can enjoy their jobs; and
- Create new business with the capability to overcome challenges by combining the Group's business assets and low-carbon technologies.

Specific numerical targets and action plans will be presented in the medium-term management plan to be released in fall of 2019.

(iv) Financial issues

To achieve the New Integrated Company's management target, the Company will actively promote business development in the growth markets. To this end, the Company considers it necessary to further reinforce its financial base in order to enhance its financing capabilities to strengthen its risk countermeasures and overseas development.

(5) Major businesses (as of March 31, 2019):

Segment	Major businesses
Petroleum products	Import, refinement, production and sale of crude oil, petroleum products and lubricants, and transportation and storage relating thereto; sale of service station products
Petrochemical products	Production and sale of petrochemical products
Resources	Investigation, exploration, development and sale of oil resources, geothermal resources, coal and uranium
Others	Import, purchase and sale of gas; production and sale of electronic materials; design, construction, maintenance and management of petroleum-related facilities; insurance sales business; credit card services; production, import and sale of agricultural chemicals; renewable energy business; oil and energy solutions business

(6) Major business offices and plants (as of March 31, 2019):

(i) The Company:

Category	Offices
Head office	1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo
Refineries	Hokkaido (Tomakomai), Aichi (Chita)
Complexes	Chiba (Ichihara), Tokuyama (Shunan)
Branch Offices	Hokkaido Branch (Sapporo), Tohoku Branch (Sendai), Kanto First Branch (Chuo-ku, Tokyo), Kanto Second Branch (Saitama), Chubu Branch (Nagoya), Kansai Branch (Osaka), Chugoku/Shikoku Branch (Hiroshima), Kyushu Branch (Fukuoka)
Overseas offices	Middle East (Abu Dhabi), Hanoi (Vietnam)
Laboratories	Advanced Technology Research Laboratories (Sodegaura), Lubricants Research Laboratory (Ichihara), Performance Materials Laboratories (Ichihara)

(Note) The Company made the following structural changes:

(a) As a result of the business integration with Showa Shell Sekiyu, K.K., the Company has changed its organization as of April 1, 2019.

(b) As a result of the business integration with Showa Shell Sekiyu, K.K., the branches of the two integrated companies have been amalgamated as of April 1, 2019, and the location of Kanto Second Branch has been changed to Chuo-ku, Tokyo, and the name of Chugoku/Shikoku Branch has been changed to Chugoku Branch, respectively. In addition, the name of the Advanced Technology Research Laboratories has been changed to the **Advanced** Technology Research Laboratories.

(ii) Subsidiaries:

Name	Address
Idemitsu Tanker Co., Ltd.	Chiyoda-ku, Tokyo
Idemitsu Retail Marketing Co., Ltd.	Chuo-ku, Tokyo
Idemitsu Supervising Co., Ltd.	Chiyoda-ku, Tokyo
S.I. Energy Co., Ltd.	Shinjuku-ku, Tokyo
IDEMITSU INTERNATIONAL (ASIA) PTE. LTD.	Singapore
IDEMITSU APOLLO CORPORATION	Sacramento, U.S.A.
Idemitsu Unitech Co., Ltd.	Minato-ku, Tokyo
Idemitsu Petroleum Norge AS	Lysaker, Norway
Idemitsu Australia Resources Pty Ltd	Brisbane, Australia
Idemitsu Canada Resources Ltd.	Calgary, Canada
Idemitsu Canada Corporation	Calgary, Canada
SDS Biotech K.K.	Chuo-ku, Tokyo

(7) Employees (as of March 31, 2019):

(i) Employees of the Group:

Segment	Number of employees	Change from the end of the previous fiscal year
Petroleum products	6,573 (3,433)	+ 395
Petrochemical products	1,380 (182)	+ 16
Resources	733 (44)	+ 56
Others	790 (263)	+ 54
Total	9,476 (3,922)	+ 521

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

(ii) Employees of the Company:

Number of employees	Change from the end of the previous fiscal year	Average years of age	Average length of service
3,976 (806)	+ 50	42 y/s and 3 m/s	19 y/s and 7 m

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

(8) Major lenders (as of March 31, 2019):

Lender	Debt payable
MUFG Bank, Ltd.	¥89,280 million
Sumitomo Mitsui Banking Corporation	¥88,530 million
Sumitomo Mitsui Trust Bank, Limited	¥65,184 million
Japan Oil, Gas and Metals National Corporation	¥64,925 million
Development Bank of Japan Inc.	¥50,294 million
Mizuho Bank, Ltd.	¥33,414 million
The Norin Chukin Bank	¥24,009 million
Japan Bank for International Cooperation	¥22,622 million

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

(i) Share exchange

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.

(ii) Company split

The Company has executed, as of May 15, 2019, with Showa Shell, the Absorption-type Company Split Agreement in which the Company will be a succeeding company and Showa Shell will be a splitting company, effective as of July 1, 2019.

For details of the above matters, please see the notes to the consolidated financial statements regarding significant subsequent events and the notes to non-consolidated financial statements regarding significant subsequent events.

2. Current state of the Company

(1) Shares (as of March 31, 2019):

(i) Total number of authorized shares: 436,000,000 shares

(ii) Total number of issued shares: 208,000,000 shares

(iii) Number of shareholders: 16,324 persons

(iv) Major shareholders (top 10):

Name	Number of shares (thousand shares)	Shareholding ratio (%)
Nissho Kosan K.K.	27,119	13.73
Idemitsu Culture and Welfare Foundation	12,392	6.27
The Master Trust Bank of Japan, Ltd. (Trust account)	8,218	4.16
Idemitsu Museum of Arts Foundation	8,000	4.05
Japan Trustee Services Bank, Ltd. (Trust account)	5,452	2.76
MUFJ Bank, Ltd.	5,142	2.60
Sumitomo Mitsui Banking Corporation	5,142	2.60
Sumitomo Mitsui Trust Bank, Limited	5,142	2.60
Munakata Godo Gaisha	4,974	2.52
Idemitsu Employee Stockholders Committee	4,628	2.34

(Notes) 1. Even though the Company holds treasury stock of the Company (10,487,357 shares), the Company is excluded from the major shareholders above. 10,487,357 shares of the treasury stock of the Company do not include the Company shares of 170,500 shares which are owned by The Master Trust Bank of Japan, Ltd. (Board Incentive Plan Trust Account).

2. The shareholding ratios are calculated by excluding the shares of treasury stock of the Company.

(2) Stock acquisition rights, etc.: Not applicable.

(3) Corporate officers:

(i) Directors and Statutory Auditors (as of March 31, 2019):

Position	Name	Duties and major concurrent office
Chairman and Representative Director	Takashi Tsukioka	President, Petroleum Association of Japan (assumed office on May 25, 2018)
Representative Director and CEO	Shunichi Kito	
Executive Vice President and Representative Director	Takashi Matsushita	Assistant to President (petrochemicals, functional materials, intellectual property/research, manufacturing and technology and Vietnam project)
Managing Director	Susumu Nibuya	Assistant to President (external affairs and special missions) and responsible for corporate planning, public relations, corporate sustainability, resources division, and new energy
Director	Kazuo Maruyama	In charge of supervising chemicals business (Petrochemical Business Department, Advanced Materials & Performance Chemicals Department, Idemitsu Unitech, and Prime Polymer)
Director	Toshiaki Sagishima	In charge of accounting and information systems (Treasury Department, and Information System Department), and concurrently serves as Division Manager, Safety and Environmental Protection Division, and Division Manager, Quality Assurance Division
Director	Kiyoshi Honma	In charge of supervising overseas/supply and trading(Integrated Supply & Trading Department, Overseas Petroleum & Gas Department, Idemitsu Tanker, Idemitsu International (Asia), and Hokkaido Joint Oil Stockpiling)
Director	Eri Yokota	Professor, Faculty of Business and Commerce, Keio University Outside Director, TOLI Corporation
Director	Ryosuke Ito	Attorney at law (TMI Associates) Outside Director, Japan Baseball Marketing K.K.

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

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

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

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

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

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

6. Following Directors have resigned as of March 31, 2019.

Managing Director	Susumu Nibiya
Director	Kazuo Maruyama
Director	Toshiaki Sagishima
Director	Kiyoshi Honma
Director	Eri Yokota
Director	Ryosuke Ito

7. Following Statutory Auditors have resigned as of March 31, 2019.

Full-time Statutory Auditor	Sakae Hirano
Statutory Auditor	Shoichiro Niwayama

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

Name	Position before the change	Position after the change	Date of the change
Takashi Matsushita	Executive Vice President and Representative Director	Director	April 1, 2019

Directors and Statutory Auditors as of the last day of the fiscal year under review and following the end of the fiscal year under review due to changes in 6 through 8 above are as below:

Last day of the fiscal year under review (March 31, 2019)		Following the end of the fiscal year under review (April 1, 2019)	
Chairman and Representative Director	Takashi Tsukioka	Chairman and Representative Director	Takashi Tsukioka
Representative Director and CEO	Shunichi Kito	Vice Chairman and Representative Director	Tsuyoshi Kameoka
Executive Vice President and Representative Director	Takashi Matsushita	President and Representative Director	Shunichi Kito
Managing Director	Susumu Nibiya	Representative Director	Tomonori Okada
Director	Kazuo Maruyama	Director	Takashi Matsushita
Director	Toshiaki Sagishima	Director	Katsuaki Shindome
Director	Kiyoshi Honma	Director	Masakazu Idemitsu
Director	Eri Yokota	Director	Kazunari Kubohara
Director	Ryosuke Ito	Director	Takeo Kikkawa
Director	Takeo Kikkawa	Director	Mackenzie Clugston
Director	Mackenzie Clugston	Director	Norio Otsuka
Full-time Statutory Auditor	Sakae Hirano	Director	Yuko Yasuda
Full-time Statutory Auditor	Toshiyuki Tanida	Full-time Statutory Auditor	Toshiyuki Tanida
Statutory Auditor	Taigi Ito	Full-time Statutory Auditor	Kenji Takahashi
Statutory Auditor	Shoichiro Niwayama	Statutory Auditor	Taigi Ito
		Statutory Auditor	Kenji Yamagishi

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

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

Category	Number	Total amount of remuneration, etc.
Director (Outside Director)	11 (4)	¥1,187 million (¥52 million)
Statutory Auditor (Outside Statutory Auditor)	5 (2)	¥103 million (¥26 million)
Total (Outside Director and Outside Statutory Auditor)	16 (6)	¥1,290 million (¥78 million)

(Note) Remuneration of the Directors and Statutory Auditors includes the following:

494 million yen for the portion of adjustments for transfer of officer remuneration in connection with the business integration.

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

With regard to remuneration, etc. of officers, the maximum amount of remuneration of Directors was determined to be ¥1,200 million per annum and that of Statutory Auditors was determined to be ¥120 million per annum, respectively, by resolution of the 91st Ordinary General Meeting of Shareholders held on June 27, 2006. Also, with the resolution of the 103rd Ordinary General Meeting of Shareholders held on June 28, 2018, separate from this remuneration of Directors, the following performance-linked stock compensation plan for the Directors, etc. has been introduced. The remuneration, etc. of individual Directors are determined by the Board of Directors in accordance with a report from the Remuneration Advisory Committee, which shall be comprised of independent Outside Directors and independent Outside Statutory Auditors, and the remuneration, etc. of individual Statutory Auditors are determined upon consultation among the Statutory Auditors.

(Performance-linked Stock Compensation Plan)
In the 103rd Ordinary General Meeting of Shareholders held on June 28, 2018, the Company resolved to introduce a performance-linked stock compensation plan (the "Plan") as a highly transparent and objective officer remuneration plan for Directors (excluding Outside Directors and those who are non-residents of Japan; the same applies hereinafter) and executive officers (excluding those who are non-residents of Japan; the same applies hereinafter) (the "Directors, etc."), which is highly linked with the Company's performance, for the purpose of enhancing the officers' consciousness of contribution to the enhancement of the Company's middle to long-term performance and corporate value.

(1) Outline

The Company adopted the scheme referred to as the "Board Incentive Plan Trust" (the "Trust") as a trust in the Plan.

The Plan is a stock compensation plan where the trust acquires the Company's shares, and the money equivalent to the converted value of such shares (hereinafter referred to as the "Company's Shares, etc.") is delivered and granted to the Directors, etc. through the trust (such delivery and grant shall be referred to as the "Delivery, etc.") with the compensations to the Directors, etc. to be paid by the Company. For three (3) consecutive fiscal years (the period subject to the Plan shall hereinafter be referred to as the "Applicable Period"), the Delivery, etc. shall be conducted as officer remuneration after resignation of the Directors, etc. for the Company's Shares, etc. in accordance with performance, etc. of each fiscal year.

Directors, etc. will be given "grant points," which are calculated by multiplying "basic points" by the performance-linked coefficient. Basic points are calculated using the formula predetermined by official position at a certain time every year during the trust period, while the performance-linked coefficient varies, depending on consolidated operating income and net income attributable to owners of the parent, etc. for each fiscal year as well as the degree of achievement for selected performance measurements from those set in the Company's Mid-term Management Plan. (The degree of achievement for each measurement is evaluated by using such measurement on the basis of excluding the impact from inventory valuation gain/loss.)

After the retirement of Directors, etc., cumulative grant points (hereinafter referred to as "Cumulative Points") are calculated, and Delivery, etc. of Company's Shares, etc. equivalent to Cumulative Points will be made. Note that one point shall be equivalent to one share of the Company's stock and that fractions less than one point shall be rounded off. In this regard, however, if the Company splits or consolidates its shares during the trust period, the number of Company's Shares, etc. subject to Delivery, etc. per point will be adjusted in accordance with the split ratio or the consolidation ratio of the Company's stock.

(2) Total number of shares of which the Delivery, etc. is conducted to the Directors, etc. subject to the Plan

Maximum total number of points to be given to Directors, etc. per fiscal year is 127,000.

(3) Scope of the persons eligible to receive beneficial interests and other rights due to the Plan

Requirements for the beneficiary are as follows:

A Incumbent as Directors, etc. during the Applicable Period on and after the commencement date of the Plan (including persons who became new Directors, etc. on and after the commencement date of the Plan.);
B Residents in Japan;
C Have resigned as Directors or executive officers (*);
D Not persons who resigned for his/her personal reasons (excluding

resignations for personal reasons due to unavoidable reasons such as injury and illness) or any persons who have resigned or have been removed due to certain illegal acts, or material breach of duties or internal rules, etc. during his/her incumbency; or

E Other requirements deemed necessary to achieve the intentions of the performance-linked stock compensation plan.

* However, in the case where the trust period is extended, and the persons subject to the Plan are incumbent as Directors, etc. as of the expiration of the extended trust period, the Trust will terminate as of such point in time, and the Delivery, etc. of the Company's Shares, etc. will be conducted to the persons subject to the Plan during incumbency of the Directors, etc.

(iii) Matters concerning outside officers:

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

Not applicable.

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

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

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

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

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

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

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

Not applicable.

d) Major activities during the fiscal year under review:

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

		Board of Directors		Board of Statutory Auditors	
		Meetings attended	Rate of attendance	Meetings attended	Rate of attendance
Director	Eri Yokota	15/15	100%	-	-
Director	Ryosuke Ito	15/15	100%	-	-
Director	Takeo Kikkawa	15/15	100%	-	-
Director	Mackenzie Clugston	15/15	100%	-	-
Statutory Auditor	Taigi Ito	14/15	93%	16/16	100%
Statutory Auditor	Shoichiro Niwayama	15/15	100%	16/16	100%

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

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

e) Outline of the content of liability limitation agreements:

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

(4) Accounting auditors:

(i) Names of the accounting auditors:

Deloitte Touche Tohmatsu LLC

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

	Amount of remuneration, etc.
Amount of remuneration, etc. payable to the accounting auditors for the fiscal year under review:	¥168 million
Total amount of money and other proprietary benefits payable to the accounting auditors by the Company and its subsidiaries:	¥272 million

(Notes) 1. The amount of remuneration, etc. payable to the accounting auditors for audits under the Companies Act of Japan and the amount of remuneration, etc. payable for audits under the Financial Instruments and Exchange Act of Japan are not separated in the audit agreement between the Company and the accounting auditors. Hence, the above amount of remuneration, etc. payable to the accounting auditors for the fiscal year under review includes both amounts.

2. The total amount of money and other proprietary benefits payable to the accounting auditors by the Company and its subsidiaries includes remuneration for services (non-auditing services), which are not covered by Article 2, paragraph 1 of the Certified Public Accountant Act of Japan, entrusted to Deloitte Touche Tohmatsu LLC.

3. Among the important subsidiaries of the Company, the overseas subsidiaries were audited by a certified public accountant or audit firm (including those who have an equivalent certification in a foreign country) other than the Company's accounting auditors.

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

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

(iv) Content of non-auditing services:

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

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

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

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

With respect to the payment of the year-end dividends for the fiscal year ended March 31, 2019, the Company has decided to pay ¥50 per share. As a result, annual dividends for the fiscal year will be ¥100 per share.

Also, during the period from July 2018 to November 2018, as a part of returns to shareholders, the Company acquired treasury shares of approximately 55.0 billion yen.

As stated in the "Announcement Regarding Execution of Share Exchange Agreement and Business Integration" announced on October 16, 2018, the Company will secure steady revenue through realization of integration effects with Showa Shell Sekiyu K.K. with the understanding that returns of profits to shareholders are an important issue in management, and will realize returns to shareholders. The target current net income for fiscal years 2019 to 2021 will be aggregate of 500 billion yen or above, and the Company aims to make returns to shareholders of 50% or more of the amount above (10% or more of the amount of such returns to shareholders is scheduled to be appropriated to the acquisition of treasury shares for each fiscal year).

Based on the above policy, for the fiscal year ended March 31, 2020, the Company plans to pay annual dividends of ¥160 per share by increasing the annual dividend amount by ¥60 per share.

Also, together with the dividends, the Company plans to conduct acquisition of treasury shares to realize a total return ratio of 50% for fiscal year 2019.

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

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

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

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

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

a) The Board of Directors of the Company shall, pursuant to the Regulations of the Board of Directors, determine important matters and supervise the execution of business.

b) Pursuant to the Compliance Regulations, the Company shall establish Compliance Committee to promote compliance activities for the Company and its subsidiaries.

c) The Company shall make use of the Compliance Handbook that sets action guidelines on compliance with law to raise awareness of compliance.

d) The Company shall establish, and allow the employees of the Company and its subsidiaries in and outside Japan to make use of, compliance contact offices within and outside of the Company to help solve questions and problems with regard to compliance and to promptly identify, rectify and prevent any problems.

e) The Company shall establish an Internal Control Promotion Department to supervise and promote structuring the internal control system and compliance activities of the entire company, and aims to further strengthen initiatives.

f) The Internal Audit Office shall conduct audits to verify the appropriateness of business activities and the state of execution of business pursuant to the internal rules at each business division of the Company and its subsidiaries.

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

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

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

a) The Company shall establish an Enterprise Risk Management Committee with the President acting as the Committee Chair where issues including potential

management risks are discussed to respond to risks by projecting changes in the environment and their impact.

b) Pursuant to the Basic Manual for Risk Management, the Company shall establish a Risk Management Committee to promote risk management activities.

c) Pursuant to the Regulations on Measures upon Outbreak of Crisis and other internal rules, the Company shall take measures promptly and properly upon the outbreak of any serious crisis to the Company or any of its subsidiaries.

d) The Company shall institute a Business Continuity Plan (BCP) for measures against an epicentral earthquake in the Tokyo metropolitan area, measures against a new type of influenza, etc., and exert group-wide efforts to implement, maintain and manage the BCP.

e) Each business division shall, pursuant to the Regulations on Internal Control and Self-Management, self-manage risks to business by using the voluntary inspection list, etc.

f) The Internal Audit Office shall, pursuant to the Internal Control Regulations, conduct audits to verify the state of risk management by each business division.

(iv) Internal control over financial reporting:

a) Pursuant to the Regulations on Evaluation of Internal Control over Financial Reporting, the Company shall establish a system to ensure reliability of financial reporting of the whole Group for the purpose of adequate improvement and administration of internal control on financial reporting.

b) Pursuant to the regulations set forth in (a) above, the Company shall establish a Committee for Evaluation of Internal Control over Financial Reporting, which shall deliberate on and investigate matters concerning annual improvement and administration policies and evaluation plans, matters concerning the determination of the evaluation scope, etc.

c) The Internal Audit Office shall conduct periodic evaluation of the effectiveness of internal control, as well as necessary improvements thereof.

(v) Severance of all relations with antisocial forces:

a) The Company shall deal with any person or group, including any crime syndicate and corporate racketeer, who engages in antisocial activities, violence and illegitimate demand in a resolute attitude and sever all relations therewith.

b) In the event that any antisocial force sets on, the Company shall resolutely refuse without giving in and act properly pursuant to the Manual for Measures against Antisocial Forces.

(vi) Systems to secure efficient execution by the Directors of the Company of their duties:

a) To secure efficient execution of business, the Company shall have Executive Officers.

b) Pursuant to the Regulations of Sanctions and Powers and the Regulations of Execution of Business, the Company shall clearly define the roles and authorities of the Board of Directors, Representative Directors and other Directors.

c) Pursuant to the Regulations of Management Committee and Management Meeting, as a deliberative body to plan and deliberate on strategies for group management and for smooth and proper decision-making of business execution, the Company shall establish a Management Committee comprised of the President acting as the Committee Chair and other members appointed by the Committee Chair, which shall meet three times a month, in principle. As a decision-making body comprised of a part of such committee members, the Management Meeting shall be established.

(vii) Systems to secure the properness of business activities of the corporate group comprised of the Company, its parent company and its subsidiaries:

a) In the Affiliated Companies Regulations, the Company shall specify the definition and classification of affiliated companies, to clearly define responsibilities for business administration. Each affiliated company shall periodically file reports on its performance and other matters.

b) In the Affiliated Companies Regulations, the Company shall provide a fundamental policy to the effect that "transactions with affiliated companies shall be based on market prices, in principle", to prevent conflicts of interest.

c) In the Affiliated Companies Regulations, the Company shall provide for the rules for selection of Directors and Statutory Auditors of its affiliated companies, pursuant to which the Directors of the Company shall not assume office of Directors of the affiliated companies, in principle.

d) A Company employee who serves as a part-time Statutory Auditor of the subsidiary selected pursuant to the Affiliated Companies Regulations shall belong to Group Audit Section established in the Internal Control Promotion Department, in principle, and build the system to enhance effectiveness of audits by sharing information among the Company's Statutory Auditors, accounting auditors and subsidiaries' Statutory Auditors.

e) The Company shall improve operational efficiencies by utilizing the Group-standard IT infrastructures and integrating the tasks of overhead divisions.

(viii) Matters concerning the employees to assist the Statutory Auditors of the Company to execute their duties when the Statutory Auditors request the assignment thereof:

The Company shall, upon request from the Statutory Auditors, assign its employees as staff of the Board of Statutory Auditors' Secretariat to assist the Statutory Auditors to execute their duties.

(ix) Matters to secure the independence of the employees set forth in (viii) above from the Directors and the effectiveness of directions given to the employees:

a) Staff at the Board of Statutory Auditors' Secretariat shall serve on a full-time basis. The final decision on personnel changes, evaluations, etc. of the Statutory Auditors' staff shall be subject to consent of the Statutory Auditors, which shall

be provided for in the internal rules of the Personnel Department.

b) In the Organization Regulations, the Company shall provide for the duties of the Board of Statutory Auditors' Secretariat.

(x) System for reporting by the Directors and employees of the Company and its subsidiaries and the statutory auditors of the subsidiaries to the Statutory Auditors (the Board of Statutory Auditors) of the Company and other systems for reporting to the Statutory Auditors of the Company:

a) The Directors, the Executive Officers, and the head of each department/office shall, pursuant to the Regulations of Execution of Business, report the specified matters to the Statutory Auditors.

b) The Internal Audit Office shall, pursuant to the Internal Audit Regulations, report the results of audits to the Statutory Auditors.

c) The Compliance Committee shall periodically report the state of consultations and measures at the Compliance Contact Offices to the Statutory Auditors.

(xi) System to ensure the prevention of unfair treatment of the person who has given a report under (x) above because of such report:

a) It shall be prohibited to treat unfairly the person who has given a report under (x) above because of such report.

b) The Compliance Committee shall decree that any person shall not be treated unfairly because of consulting with the Compliance Contact Offices and stipulate in the Compliance Handbook to that effect and make it thoroughly educated through training and other sessions.

(xii) Matters concerning the policy to pay expenses incurred by the Statutory Auditors in executing their duties:

All expenses necessary for the Statutory Auditors in performing their roles and duties, including audits of the execution by the Directors of their duties, election and dismissal of the accounting auditors, shall be borne by the Company.

(xiii) Other systems to ensure effective audits by the Statutory Auditors (the Board of Statutory Auditors) of the Company:

a) The Representative Directors shall hold a regular meeting with the Statutory Auditors quarterly, in principle.

b) The Internal Audit Office shall closely coordinate and cooperate with the Statutory Auditors and the accounting auditors with regard to internal audit schedules, visiting audits, etc.

Note: The above system was resolved at the Board of Directors Meeting held on May 15, 2019, reflecting initiatives conducted with the intention of strengthening governance, such as the establishment of the Management Meeting, the Internal Control Promotion Department, and revisions of relevant regulations.

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

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

The Company plans to revise the "systems to secure the properness of business activities (so-called "internal control systems")" every year after the institution thereof. During the fiscal year under review, the Company operated the systems pursuant to the resolution made at the Board of Directors Meeting held in May 2018.

Major activities for internal control that were considered important during the fiscal year under review are as described below:

(i) Activities for compliance:

a) The Operational Risk and Compliance Committee held five meetings, and the compliance status was confirmed and the compliance efforts were deliberated. In addition, to further enhance the activities, the Company decided to establish an Internal Control Promotion Department, which will comprehensively promote the development of internal control systems and group-wide compliance activities, in the 2019 fiscal year.

b) The Company has exerted its efforts to raise awareness of compliance by disseminating the Compliance Handbook and compliance-related cases in and outside of the Company through training sessions for its business offices and subsidiaries nationwide, training sessions for new employees and training sessions for new managers, as well as by utilizing its intranet. During the fiscal year under review, the Company conducted anti-harassment training sessions for all managers including the senior management, carried out employee compliance awareness surveys, and expanded the distribution of a monthly compliance e-mail newsletter to also include the employees at its overseas business offices.

c) The details of consultations handled and measures taken by the Compliance Contact Offices have been reported to the Operational Risk and Compliance Committee to respond to each case and implement measures to prevent recurrences. During the fiscal year under review, the Company established, and launched the use of, Compliance Contact Offices for overseas employees.

(ii) Activities for risk management:

a) The Company established an Enterprise Risk Management Committee, chaired by the President where issues including potential management risks are discussed to respond to risks by projecting changes in the environment and their impact. In addition, the Operational Risk and Compliance Committee identifies material risks that require group-wide continued monitoring based on a survey to capture risks (risk survey), formulates a plan to prevent occurrence of a crisis, prevent increase of risks and respond to new risks, and confirms the implementation of the plan. For the fiscal year under review, the Committee identified environmental pollution, information system failure, terrorism, etc. as material risks and made efforts to control these risks, in connection with which

the Committee held five meetings for deliberations. The Committee also enhanced and conducted risk surveys of overseas business offices in countries at high risk and areas that the Company is expecting to newly enter. Accordingly, based on the progress of such efforts, the Committee has set the material risks for the 2019 fiscal year.

b) For the purpose of risk management, the Company has focused its efforts on requiring an immediate report as soon as any accident, disaster or other emergency is recognized and taking a group-wide countermeasure in an early stage to prevent it from enlarging.

c) With regard to the Business Continuity Plan (BCP) instituted for measures against an epicentral earthquake in the Tokyo metropolitan area, an immense earthquake in the Nankai Trough area and a new type of influenza, the Company has organized comprehensive disaster management drills on a regular basis to ensure it efficient. Simultaneously, by taking into consideration any amendment to the government's disaster projections, the development of earthquake resistant construction of its facilities, including tanks and jetties and points for consideration of the comprehensive disaster management drills, the Company has regularly reviewed the plan to make it updated at all times. In addition, each of the refineries, business offices and departments has conducted disaster management drills in preparation for any emergency. During the fiscal year under review, the Company responded to numerous natural disasters such as the Hokkaido Eastern Iburi Earthquake in accordance with the BCP, and also developed and improved fuel supply systems in emergencies.

d) On the assumption of an epicentral earthquake in the Tokyo metropolitan area, the Company conducted real time drills simulating the situation immediately after an earthquake occurs and challenge achieving drills simulating the situation in 72 hours, to improve its capabilities of responding to crisis and changes in the environment.

(iii) Measures to ensure effective audits by the Statutory Auditors:

a) Through regular meetings held by the Representative Directors with the Statutory Auditors, and sessions of the Management Committee, the Operational Risk and Compliance Committee, etc., the Company has shared with the Statutory Auditors various issues, including those of compliance and risk management.

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

b) By providing more opportunities to visit its business offices and subsidiaries in and outside of Japan, the Company has enhanced the efficiencies of the audits by the full-time Statutory Auditors, as well as the Outside Statutory Auditors.

(iv) Measures for internal audits:

a) In accordance with its annual internal audit plan, the Company has specified the "status of achievement of management targets", "schemes to prevent and mitigate risks", "status of compliance" and "effectiveness and efficiency of business operations" as key items of internal audits and conducted internal audits of its business offices and subsidiaries in and outside of Japan. During the fiscal year under review, by focusing on departments that have high internal control risks or have experienced environmental changes, internal audits of 13 departments in total, comprising of 6 domestic departments and 7 overseas departments (including 9 affiliates), were conducted. In addition, the Company launched cross-departmental "theme audits" regarding specific themes (for the fiscal year under review, "status of promoting a dynamic female workforce").

b) With regard to internal control over financial reporting, the Company has evaluated the status of establishment and operation of the systems and schemes (group-wide internal control) and the status of documentation and operation of business processes (business process control) and has obtained confirmation from the Committee for Evaluation of Internal Control over Financial Reporting.

(v) Measures for management of subsidiaries:

a) The Company has formulated Regulations of Duties and Powers universally applicable to the Company and its subsidiaries, and with regard to any issue concerning any of the subsidiaries that is important to the Group, the Company, following careful considerations at its Board of Directors, Management Committee, Investment Committee, etc. in accordance with such regulations, has made a decision.

b) To enhance the internal control functions, improve operational quality, and accelerate development of new businesses, the Company formulated and launched a five-year plan on standardizing the business processes and systems of the entire Group. In addition, the Company exerts efforts to centralize clerical work concerning employee's welfare programs or otherwise to make the business operations of the Group more efficient.

c) Audits of the subsidiaries by the Statutory Auditors are as described in item (iii) (b) above and internal audits of the subsidiaries are as described in item (iv) (a) above. To increase the effectiveness of audits, the Company employs a system where: its employees, who were elected pursuant to the Affiliated Companies Regulations and serve as part-time Statutory Auditors of subsidiaries, belong to the "Audit & Supervisory Section for Group Company" established in the Internal Audit Office to enhance governance and reduce risks in the affiliated companies; and the Statutory Auditors and accounting auditors of the Company, and the Statutory Auditors of its subsidiaries share information.

(7) Fundamental policy on corporate control:

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

Hence, in the event that any party engages in any large purchase action with regard to the shares of the Company and consequently, it threatens to prejudice the corporate value of the Group and the common interests of its shareholders, it is the Company's

fundamental policy to take any appropriate measure to the extent permitted by laws or ordinances and the Articles of Incorporation.

CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(million yen)

ASSETS	
Current assets:	**1,225,427**
Cash and deposit	91,850
Notes and accounts receivable-trade	453,316
Inventories	586,561
Other current assets	94,801
Allowance for doubtful accounts	(1,101)
Fixed assets:	**1,664,879**
Tangible fixed assets	**992,028**
Buildings and structures	172,512
Machinery, equipment and vehicles	182,800
Land	576,288
Construction in progress	14,853
Other tangible fixed assets	45,573
Intangible fixed assets	**24,750**
Goodwill	7,214
Other intangible fixed assets	17,536
Investment and other assets	**648,100**
Investment securities	400,847
Investments in capital of affiliates	14,388
Long-term loans receivable	74,816
Assets for employees' retirement benefits	279
Deferred tax assets	56,619
Other investments	101,844
Allowance for doubtful accounts	(696)
TOTAL ASSETS	**2,890,307**

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

(million yen)

LIABILITIES	
Current liabilities:	**1,195,800**
Notes and accounts payable-trade	399,176
Short-term borrowings	154,715
Commercial paper	204,000
Current portion of bonds	10,000
Accounts payable, other	305,563
Accrued income taxes	30,634
Allowance for bonuses	8,169
Other current liabilities	83,541
Long-term liabilities:	**815,575**
Bonds	50,000
Long-term debt	531,168
Deferred tax liabilities	10,574
Deferred tax liabilities upon revaluation	88,595
Liability for employees' retirement benefits	11,996
Reserve for repair works	38,267
Asset retirement obligations	51,620
Other long-term liabilities	33,353
Total liabilities	**2,011,376**
NET ASSETS	
Shareholders' equity:	**709,955**
Common stock	168,351
Additional paid-in capital	130,876
Retained earnings	466,750
Treasury stocks	(56,022)
Accumulated other comprehensive income:	**132,144**
Unrealized holding gains on other securities	5,734
Deferred gains (loss) on hedges	(6,730)
Revaluation difference of land	155,535
Translation adjustments	(21,330)
Retirement benefit liability adjustment	(1,064)
Noncontrolling interests:	**36,831**
Total net assets	**878,931**
TOTAL LIABILITIES AND NET ASSETS	**2,890,307**

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

CONSOLIDATED STATEMENT OF INCOME

(April 1, 2018 to March 31, 2019)

(million yen)

Account Title	Amount	
Net sales		**4,425,144**
Cost of sales		**3,937,449**
Gross profit		**487,694**
Selling, general and administrative expenses		**308,374**
Operating income		**179,319**
Non-operating income		
Interest income	6,858	
Dividend income	3,711	
Subsidy income	2,119	
Others	3,358	16,047
Non-operating expenses		
Interest expenses	8,648	
Equity in losses of nonconsolidated subsidiaries and affiliates, net	13,141	
Others	4,455	26,245
Ordinary income		**169,121**
Extraordinary income		
Gain on sales of fixed assets	4,243	
Gain on sales of investment securities	358	
Gain on sale of affiliate stock	187	
Gain on dissolution of oil field premium contract	6,143	
Others	612	11,545
Extraordinary expenses		
Impairment loss on fixed assets	15,882	
Loss on sales of fixed assets	211	
Loss on disposal of fixed assets	2,795	
Loss on penalty for LPG business	12,826	
Others	4,249	35,965
Income before income taxes		**144,701**
Income taxes - current	53,183	
Income taxes - deferred	4,736	57,919
Net income		**86,781**
Net income attributable to noncontrolling interests		5,331
Net income attributable to owners of the parent		**81,450**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, ETC.

(April 1, 2018 to March 31, 2019)

(million yen)

	Shareholders'				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stocks	Total shareholders' equity
Balance at April 1, 2018	168,351	130,875	403,745	(133)	702,839
Changes during the year					
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
Reversal of revaluation difference of land			1,396		1,396
Change in items other than shareholders' equity during the year (net)					
Total changes during the year	-	0	63,004	(55,889)	7,115
Balance at March 31, 2019	168,351	130,876	466,750	(56,022)	709,955

	Accumulated other comprehensive income						Noncontrolling interests	Total net assets
	Unrealized holding gains on other securities	Deferred gains (loss) on hedges	Revaluation difference of land	Translation adjustments	Retirement benefit liability adjustment	Total accumulated other comprehensive income		
Balance at April 1, 2018	10,105	(4,083)	158,171	919	748	165,861	37,228	905,929
Changes during the year								
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
Reversal of revaluation difference of land			(1,396)			(1,396)		-
Change in items other than shareholders' equity during the year (net)	(4,370)	(2,647)	(1,239)	(22,249)	(1,813)	(32,320)	(397)	(32,717)
Total changes during the year	(4,370)	(2,647)	(2,635)	(22,249)	(1,813)	(33,716)	(397)	(26,998)
Balance at March 31, 2019	5,734	(6,730)	155,535	(21,330)	(1,064)	132,144	36,831	878,931

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

NON-CONSOLIDATED BALANCE SHEET

(As of March 31, 2019)

(million yen)

ASSETS	
Current assets:	**950,760**
Cash and deposit	16,758
Notes receivable-trade	202
Accounts receivable-trade	349,801
Merchandise and finished goods	258,512
Raw material and supplies	223,048
Prepaid expenses	3,264
Short-term loans receivable	31,659
Other current assets	68,476
Allowance for doubtful accounts	(962)
Fixed assets:	**1,424,695**
Tangible fixed assets	**798,738**
Buildings	46,664
Structures	62,308
Oil tanks	22,671
Machinery and equipment	76,749
Vehicles and transportation equipment	1,449
Tools, furniture and fixtures	7,094
Land	573,666
Construction in progress	8,134
Intangible fixed assets	**14,974**
Leasehold rights	8,293
Software	6,189
Other intangible fixed assets	491
Investments and other assets	**610,981**
Investment securities	31,825
Investments in shares of affiliates	454,889
Long-term loans receivable	12,891
Deferred tax assets	52,436
Other investments	58,990
Allowance for doubtful accounts	(52)
TOTAL ASSETS	**2,375,455**

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

(million yen)

LIABILITIES	
Current liabilities:	**1,104,106**
Accounts payable, trade	288,151
Short-term borrowings	141,504
Commercial paper	204,000
Current portion of bonds	10,000
Accounts payable, other	299,485
Accrued expenses	2,771
Income taxes payable	4,451
Advances received	22,413
Deposit received	110,274
Allowance for bonuses	6,244
Other current liabilities	14,808
Long-term liabilities:	**681,706**
Bonds	50,000
Long-term debt	470,370
Deferred tax liabilities upon revaluation	88,595
Retirement allowances for employees	8,869
Reserve for repair works	37,079
Other long-term liabilities	26,792
Total liabilities	**1,785,813**
NET ASSETS	
Shareholders' equity:	**431,885**
Common stock	**168,351**
Additional paid-in capital	**127,344**
Capital reserve	116,990
Other additional paid-in capital	10,354
Retained earnings	**192,212**
Retained earnings reserve	1,081
Other retained earnings	191,131
Reserve for special depreciation	627
Reserve for loss on overseas investment, etc.	302
Reserve for deferred income tax on fixed assets	32,985
Retained earnings carried forward	157,215
Treasury stocks	**(56,022)**
Valuation and translation adjustments:	**157,755**
Unrealized holding gains on other securities	4,695
Deferred gains (loss) on hedges	(2,475)
Revaluation difference of land	155,535
Total net assets	**589,641**
TOTAL LIABILITIES AND NET ASSETS	**2,375,455**

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

NON-CONSOLIDATED STATEMENT OF INCOME

(April 1, 2018 to March 31, 2019)

(million yen)

Account Title	Amount	
Net sales		**3,088,005**
Cost of sales		**2,818,199**
Gross profit		**269,805**
Selling, general and administrative expenses		**219,444**
Operating income		**50,361**
Non-operating income		
Interest income	1,121	
Dividend income	21,604	
Gain on foreign exchange, net	515	
Subsidy income	2,119	
Others	2,856	28,218
Non-operating expenses		
Interest expenses	5,591	
Others	3,092	8,683
Ordinary income		**69,896**
Extraordinary income		
Gain on sales of fixed assets	2,037	
Gain on sales of investment securities	354	
Gain on sale of affiliate stock	187	2,578
Extraordinary expenses		
Impairment loss on fixed assets	4,607	
Loss on sale of fixed assets	71	
Loss on disposal of fixed assets	2,536	
Loss on revaluation of affiliate stock	3,249	
Loss on penalty for LPG business	12,826	
Others	426	23,717
Income before income taxes		**48,757**
Income taxes - current	6,409	
Income taxes - deferred	2,489	8,898
Net income		**39,858**

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

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

(April 1, 2018 to March 31, 2019)

(million yen)

	Shareholders' equity									
	Common stock	Additional paid-in capital			Retained earnings					
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Retained earnings reserve	Other retained earnings				Total retained earnings
						Reserve for special depreciation	Reserve for loss on overseas investment, etc.	Reserve for deferred income tax on fixed assets	Retained earnings carried forward	
Balance at April 1, 2018	168,351	116,990	10,354	127,344	1,081	941	736	32,448	134,210	169,417
Changes during the year										
Dividends from surplus									(18,460)	(18,460)
Net income									39,858	39,858
Acquisitions of treasury stock										
Disposals of treasury stock			0	0						
Additions to other retained earnings								2,614	(2,614)	-
Reversal of other retained earnings						(313)	(434)	(2,077)	2,825	-
Reversal of revaluation difference of land									1,396	1,396
Changes in items other than shareholders' equity during the year (net)										
Total changes during the year	-	-	0	0	-	(313)	(434)	537	23,005	22,794
Balance at March 31, 2019	168,351	116,990	10,354	127,344	1,081	627	302	32,985	157,215	192,212

(million yen)

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stocks	Total shareholders' equity	Unrealized holding gains on other securities	Deferred gains (loss) on hedges	Revaluation difference of land	Total valuation and translation adjustments	
Balance at April 1, 2018	(133)	464,980	7,901	(1,148)	158,171	164,924	629,904
Changes during the year							
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
Additions to other retained earnings		-					-
Reversal of other retained earnings		-					-
Reversal of revaluation difference of land		1,396			(1,396)	(1,396)	-
Changes in items other than shareholders' equity during the year (net)			(3,205)	(1,327)	(1,239)	(5,772)	(5,772)
Total changes during the year	(55,889)	(33,094)	(3,205)	(1,327)	(2,635)	(7,168)	(40,263)
Balance at March 31, 2019	(56,022)	431,885	4,695	(2,475)	155,535	157,755	589,641

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

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

May 15, 2019

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

Deloitte Touche Tohmatsu LLC

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

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

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

Minoru Takashima (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

We have audited the consolidated financial statements, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity, etc. and the notes to consolidated financial statements of Idemitsu Kosan Co., Ltd. (the "Company"), applicable to its consolidated fiscal year from April 1, 2018 to March 31, 2019 pursuant to Article 444, paragraph 4 of the Companies Act of Japan.

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis

As stated in the Significant Subsequent Events, on April 1, 2019, the Company conducted a share exchange in which the Company became a wholly owning parent company and Showa Shell Sekiyu K.K. became a wholly owned subsidiary, following the approvals of the relevant authorities and at their extraordinary general meetings of shareholders held on December 18, 2018.

This does not have any effect on our opinion.

Interest

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

- END -

AUDITORS' REPORT ON THE NON-CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

May 15, 2019

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

Deloitte Touche Tohmatsu LLC

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

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

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

Minoru Takashima (seal)
Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant

We have audited the non-consolidated financial statements, namely, the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, etc. and the notes to non-consolidated financial statements, and the accompanying supplemental schedules of Idemitsu Kosan Co., Ltd. (the "Company"), applicable to its 104th fiscal year from April 1, 2018 to March 31, 2019 pursuant to Article 436, paragraph 2, item 1 of the Companies Act of Japan.

Management's Responsibility for Financial Statements, etc.

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis

As stated in the Significant Subsequent Events, on April 1, 2019, the Company conducted a share exchange in which the Company became a wholly owning parent company and Showa Shell K.K. ("Showa Shell") became a wholly owned subsidiary, following the approvals of the relevant authorities and at their extraordinary general meetings of shareholders held on December 18, 2018. Further, at the board of directors meeting held on May 15, 2019, the Company has resolved to execute, and has executed as of the same day, with Showa Shell, the Absorption-type Company Split Agreement in which the Company will be a succeeding company and Showa Shell will be a splitting company.

This does not have any effect on our opinion.

Interest

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

- END -

THE BOARD OF STATUTORY AUDITORS' AUDIT REPORT

AUDIT REPORT

We, the Board of Statutory Auditors of the Company, based on the audit report prepared by each Statutory Auditor on the performance by the Directors of their duties during the 104th fiscal year from April 1, 2018 to March 31, 2019, have prepared this audit report upon deliberation and hereby report as follows:

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

(1) The Board of Statutory Auditors determined the audit policy, assignment of duties among them, etc., received from each Statutory Auditor reports on the state of his performance of audits and the results thereof, and also received from the Directors, etc. and the accounting auditors Deloitte Touche Tohmatsu LLC (the "Accounting Auditors") reports on the state of performance of their duties and demanded their explanations whenever necessary.

(2) Each Statutory Auditor, pursuant to the rules of audits by the Statutory Auditors determined by the Board of Statutory Auditors and in accordance with the audit policy, assignment of duties among them, etc., maintained constant communication with the Directors, the Internal Audit Office and other employees, etc. in an effort to collect information and improve the environment for auditing and conducted our audits in the following methods:

(a) We attended meetings of the Board of Directors and other important meetings, received from the Directors and employees, etc. reports on the state of performance of their duties, demanded their explanations whenever necessary, inspected important decision documents, etc., and made investigation into the state of activities and property at the head office and principal business offices of the Company. With regard to its subsidiaries, we maintained constant communication and exchanged information with the directors, statutory auditors, etc. thereof and required the subsidiaries to render reports on their business operations whenever necessary.

(b) With regard to the details of the resolutions of the Board of Directors for establishing systems to secure that the performance by the Directors of their duties will comply with laws or ordinances and the Articles of Incorporation as described in the business report and such other systems provided for in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act of Japan as necessary to secure the adequacy of business of a corporate group comprising a joint-stock corporation and its subsidiaries, as well as the systems (internal control systems) established pursuant to such resolutions, we received from the Directors, employees, etc. reports on a regular basis, demanded their explanations whenever necessary, and expressed our opinions, on the status of the formulation and operation of the systems. With regard to internal control over financial reporting, we received from the Directors, etc. and the Accounting Auditors reports on the state of evaluation and audits of the internal control and demanded explanations whenever necessary.

(c) With regard to the fundamental policy under Article 118, paragraph 3, item (a) of the Ordinance for Enforcement of the Companies Act of Japan as described in the business report, we, taking into consideration the deliberations thereof, etc. by the Board of Directors or otherwise, investigated the content thereof.

(d) We also monitored and verified whether the Accounting Auditors had maintained an independent position and conducted adequate audits, and received from the Accounting Auditors reports on the state of performance of their duties and demanded their explanations whenever necessary. In addition, we received from the Accounting Auditors a notice that "systems to secure adequate performance of duties" (as listed in the items of Article 131 of the Rules of Corporate Accounting) had been established in accordance with the "Standard for Quality Control Concerning Audits" (the Accounting Standards Board of Japan, October 28, 2005) and demanded their explanations whenever necessary.

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

2. Results of audit:

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

We are of the opinion:

(a) That the business report and its supplemental schedules present fairly the state of the Company in accordance with laws or ordinances and the Articles of Incorporation;

(b) That in connection with the performance by the Directors of their duties, no dishonest act or material fact of violation of laws or ordinances or the Articles of Incorporation exists;

(c) That the details of the resolutions of the Board of Directors on internal control systems are proper and that the descriptions in the business report and the performance by the Directors of their duties concerning such internal control systems contain nothing to be pointed out. With regard to internal control over financial reporting, we have received from the Directors, etc. and the Accounting Auditors reports that there exists no material inadequacy to be disclosed at the time of preparing this audit report; and

(d) That the fundamental policy on the ideal of the persons who shall control the determination of financial and business policies of the Company as described in the business report contains nothing to be pointed out.

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

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

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

We are of the opinion that the method and results of the audit made by the Accounting

Auditors are proper.

May 14, 2019

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

Takanori Kuniyasu (seal)
Full-time Statutory Auditor

Sakae Hirano (seal)
Full-time Statutory Auditor

Taigi Ito (seal)
(Outside) Statutory Auditor

Shoichiro Niwayama (seal)
(Outside) Statutory Auditor

- END -

Reference Document for the General Meeting of Shareholders

Proposition No. 1: Election of thirteen (13) Directors

The term of office of all of the Directors will expire at the close of this Ordinary General Meeting of Shareholders. Hence, it is hereby proposed that thirteen (13) Directors be elected.

The candidates for Director are as follows:

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held
1	[For reelection] Takashi Tsukioka (May 15, 1951)	April 1975 Joined the Company July 2002 General Manager of Kobe Branch April 2005 General Manager of Chubu Branch June 2007 Executive Officer and General Manager of Supply & Logistics Department June 2008 Managing Executive Officer and General Manager of Supply & Logistics Department June 2009 Director and General Manager of Supply & Logistics Department June 2010 Managing Director and Managing Executive Officer and General Manager of Corporate Planning Department April 2011 Managing Director June 2012 Executive Vice President and Representative Director June 2013 Representative Director & Chief Executive Officer April 2018 Chairman and Representative Director (to date) May 2018 President, Petroleum Association of Japan (to date)	44,535 shares
	(Reason for nomination as candidate for Director) Mr. Takashi Tsukioka, who has been responsible for the management as the Representative Director & Chief Executive Officer of the Company since 2013, and as the Chairman and Representative Director of the Company since April 2018, has promoted the strengthening of its domestic main business and the expansion of its overseas business; has contributed to energy security of Japan and the realization of a society in harmony with the environment; and has delivered solid results. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.		

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held
2	[For reelection] Tsuyoshi Kameoka (October 18, 1956)	April 1979 Joined Shell Sekiyu K.K. April 2003 Oil Products Division Manager, Showa Shell April 2005 Senior Officer and Kinki Area Manager, Showa Shell March 2006 Executive Officer, Showa Shell March 2009 Corporate Executive Officer, Showa Shell March 2013 Executive Officer Vice President, Oil Business COO, Showa Shell March 2014 Executive Officer, Oil Business COO, Showa Shell March 2015 President & Representative Director, Group CEO, Energy Solution Business COO, Showa Shell March 2016 President & Representative Director, Group CEO, Showa Shell March 2018 Representative Director, President, Executive Officer, CEO, Showa Shell April 2019 Vice Chairman and Representative Director, and Vice Chairman and Executive Officer (to date)	11,080 shares
	(Reason for nomination as candidate for Director) Mr. Tsuyoshi Kameoka, who served as President & Representative Director of Showa Shell since 2015, has assumed the position of Vice Chairman and Representative Director of the Company as of April 2019. He demonstrated his strong leadership abilities to promote the Showa Shell Sekiyu group's Medium Term Business Strategy, which he formulated with a focus on the future changes in the oil market, and delivered results. Therefore, he has accumulated wide experience, knowledge, and expertise. Thus, management has judged that he will be able to execute the business of the Company properly, fairly and effectively.		

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held
3	[For reelection] Shunichi Kito (April 6, 1956)	April 1980 Joined the Company April 2005 Deputy General Manager of Personnel Department July 2008 Deputy General Manager of Treasury Department June 2011 Executive Officer and General Manager of Treasury Department June 2013 Director, Managing Executive Officer and General Manager of Treasury Department June 2014 Managing Director June 2017 Executive Vice President and Director April 2018 Representative Director & Chief Executive Officer April 2019 President and Representative Director, and Chief Executive Officer (to date)	18,408 shares
	(Reason for nomination as candidate for Director) Mr. Shunichi Kito has worked as the top manager in the accounting division, has served as the Executive Vice President, and has assumed the position of Representative Director and Chief Executive Officer as of April 2018. Since April 2019, as the President of the New Integrated Company, he has demonstrated his leadership abilities to realize internal harmonization, to maximize the synergy effect of integration, and also to formulate a growth strategy for the 2030 fiscal year. Thus, management has judged that he will be able to execute business of the Group properly, fairly and effectively.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th colspan="2">Brief history and position and duties in the Company
(and important concurrent office)</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">4</td><td>[For reelection]

Tomonori Okada
(May 12, 1954)</td><td>April 1980
April 2003
Sep. 2006
March 2007
March 2009
March 2011
March 2013
June 2014
June 2015
March 2016
March 2018
April 2019
Current duties:</td><td>Joined Showa Sekiyu K.K.
Head of Logistics Business Division, Showa Shell
Senior Officer & Keihin Vice Chief, TOA OIL Co., Ltd. (“TOA OIL”)
Director, TOA OIL
Managing Director, TOA OIL
Corporate Executive Officer, Showa Shell
Senior Corporate Executive Officer, Showa Shell
Director & Vice President, Seibu Oil Co., Ltd. (“Seibu Oil”)
Representative Director & President, Seibu Oil
Representative Director, Vice President, Showa Shell
Representative Director, Vice President, Executive Officer and Oil Business COO, Showa Shell
Representative Director, and Executive Vice President and Executive Officer (to date)
In charge of Manufacturing & Technology, Energy Solution, and Technical Products</td><td>9,036 shares</td></tr>
<tr><td colspan="4">(Reason for nomination as candidate for Director)

Mr. Tomonori Okada, who served as Representative Director & President of Seibu Oil and also as Representative Director, Vice President of Showa Shell, has assumed the position of Representative Director, Executive Vice President and Executive Officer of the Company as of April 2019. He has accumulated wide experience, knowledge, and expertise especially relating to safety and technology in the manufacturing and logistics fields. Further, he has demonstrated his leadership abilities in the business development, and delivered solid results. Thus, management has judged that he will be able to execute the business of the Company properly, fairly and effectively.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held
5	[For reelection] Takashi Matsushita (July 9, 1956)	April 1979	Joined the Company	17,502 shares
		Oct. 2004	Deputy General Manager of Hokkaido Refinery	
		April 2007	Deputy General Manager of Manufacturing Department	
		April 2010	Executive Officer and General Manager of Tokuyama Refinery and General Manager of Tokuyama Plant	
		April 2013	Executive Officer and General Manager of Manufacturing & Technology Department	
		June 2013	Director, Managing Executive Officer and General Manager of Manufacturing & Technology Department	
		June 2014	Managing Director	
		June 2017	Executive Vice President and Director	
		April 2018	Executive Vice President and Representative Director	
		April 2019	Director, and Executive Vice President and Executive Officer (to date)	
			Director, Showa Shell (to date)	
		Current duties:	In charge of Petrochemicals, Functional Materials, Intellectual Property/Research, and Vietnam Project (Vietnam Business Development Department)	
	(Reason for nomination as candidate for Director) Mr. Takashi Matsushita has worked as the top manager in the manufacturing division and technology division. He has accumulated wide experience, knowledge, and expertise. He has been responsible for the overall management as the Executive Vice President; promoted restructuring in the fields of manufacturing and technology both inside and outside Japan and delivered solid results. Thus, management has judged that he will be able to execute business of the Company properly, fairly and effectively.			

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th colspan="2">Brief history and position and duties in the Company
(and important concurrent office)</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">6</td><td>[For reelection]

Katsuaki Shindome
(August 25, 1957)</td><td>April 1980
April 2006
Nov. 2008
March 2009
March 2013
April 2019

Current duties:</td><td>Joined Shell Sekiyu K.K.
Kyushu Branch Manager, Showa Shell
Kinki Branch Manager, Showa Shell
Executive Officer, Showa Shell
Corporate Executive Officer, Showa Shell
Director, and Senior Managing Executive Officer (to date)
President & Representative Director, Showa Shell (to date)
In charge of Human Resources (Human Resources Department 1 and Human Resources Department 2), Information Systems, General Affairs, and Internal Control; Head of Safety and Environmental Protection Headquarters; and Head of Quality Assurance Headquarters</td><td>3,429 shares</td></tr>
<tr><td colspan="4">(Reason for nomination as candidate for Director)
Mr. Katsuaki Shindome, who served as Executive Officer and also Corporate Executive Officer of Showa Shell, has assumed the position of Director and Senior Managing Executive Officer of the Company as of April 2019. He accumulated wide experience, knowledge, and expertise relating to the sales department and the corporate department which includes health, safety, security and environmental (HSSE) and internal control. Thus, management has judged that he will be able to execute the business of the Company properly, fairly and effectively.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held
7	[For reelection] Masakazu Idemitsu (October 15, 1968)	April 2010 Councilor, Public Interest Incorporated Foundation Idemitsu Museum of Arts Councilor, Public Interest Incorporated Foundation Idemitsu Culture and Welfare Foundation Dec. 2015 Director and Vice President, Nissho Kosan Co., Ltd. ("Nissho Kosan") April 2016 Representative Director and President, Nissho Kosan (to date) April 2019 Director (to date)	2,422,030 shares
	(Reason for nomination as candidate for Director) Mr. Masakazu Idemitsu has assumed the position of Director of the Company as of April 2019. He has an essential understanding of the details of the Company's business, and its management philosophy, "respect for human beings," as a grandson of Mr. Sazo Idemitsu, the founder of the Company. Thus, management has judged that, from the long-term perspective, he will be able to perform his duties as Director properly.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th colspan="2">Brief history and position and duties in the Company
(and important concurrent office)</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">8</td><td>[For reelection]

Kazunari Kubohara
(July 16, 1967)</td><td>Dec. 2008
April 2010

April 2011

Sep. 2015

June 2016

July 2017

March 2018

April 2018

April 2019</td><td>Registered as an attorney, established Kyuhodo Law Firm
Committee Member, Tokyo Local Third-Party Committee to Check Pension Records, Ministry of Internal Affairs and Communications
Delegate, Dai-Ichi Tokyo Bar Association
Auditor, General Incorporated Association for Realizing Prescription of Adequate Amount of Anti-Dementia Drugs (to date)
Outside Statutory Auditor, Class Technology Co., Ltd. (to date)
Auditor, Medical Corporation Hakueikai Miyake Dental Clinic (to date)
Delegate, Japan Federation of Bar Associations (to date)
Vice Chairperson of the Legal Services Obstruction Countermeasures Committee, Dai-Ichi Tokyo Bar Association (to date)
Director (to date)</td><td>-</td></tr>
<tr><td colspan="4">(Reason for nomination as candidate for Director)
Mr. Kazunari Kubohara has an experience working in a corporate environment before he registered as an attorney, is familiar with corporate legal affairs as an attorney, and has extensive knowledge of corporate management. Thus, management has judged that he will be able to perform his duties as Director properly.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held
9	[For reelection] Takeo Kikkawa (August 24, 1951)	April 1987 Assistant Professor, Aoyama Gakuin University School of Business Oct. 1993 Assistant Professor, Institute of Social Science, University of Tokyo April 1996 Professor, Institute of Social Science, University of Tokyo April 2007 Professor, Hitotsubashi University Graduate School of Commerce and Management Jan. 2013 President, Business History Society of Japan June 2013 Outside Director, Mitsubishi Chemical Holdings Corporation (to date) April 2015 Professor, Graduate School of Innovation Studies, Tokyo University of Science (currently, Graduate School of Management, Tokyo University of Science) (to date) June 2017 Director (to date)	-
	(Reason for nomination as candidate for Director) Mr. Takeo Kikkawa has not engaged in corporate management in any manner other than serving as an outside officer. However, management has judged that he will be able to perform his duties as an Outside Director properly as he has long experience and wide knowledge as a university professor, has full knowledge about corporate management as an expert in business administration studies and especially in energy industry theory, and satisfies the "Requirements for Independence of Outside Officers" of the Company. (Business relationship between the candidate and the Company) The Company hires the candidate as an instructor for its employee trainings; however, the remuneration is extremely insignificant and was 280,000 yen for fiscal year 2018.		

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

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held
11	[For reelection] Norio Otsuka (July 5, 1950)	April 1973 Joined NSK Ltd. (“NSK”) Dec. 1999 Deputy Head of Corporate Planning Division HQ, NSK April 2000 Vice President, Head of Corporate Planning Division HQ, NSK June 2002 Director, Senior Vice President, Head of Corporate Strategy Division HQ, NSK June 2004 Representative Executive Vice President, Responsible for Administrative Divisions, Head of Corporate Strategy Division HQ, NSK June 2007 Representative Executive Officer and Senior Executive Vice President, NSK June 2009 President and Chief Executive Officer, Chairperson of the Nomination Committee, NSK June 2015 Director, Chairman, NSK June 2016 Chairman, the Japan Bearing Industry Association March 2017 Outside Director, Showa Shell June 2017 Honorary Chairman, NSK June 2018 Outside Director, Sojitz Corporation (to date) Advisor, NSK (to date) April 2019 Director (to date)	664 shares
	(Reason for nomination as candidate for Director) Management has judged that Mr. Norio Otsuka will be able to perform his duties as an Outside Director properly as he served as President and Chief Executive Officer, and Director, Chairman of NSK, has promoted its global growth strategy, enhanced its corporate governance, and accumulated wide experience and advanced insight regarding corporate management, and satisfies the “Requirements for Independence of Outside Officers” of the Company. (Business relationship between the candidate and the Company) The Group has business relationships with NSK in relation to the transactions of lubricants, etc.; however, the transaction amount is an extremely insignificant amount of 4,390,000 yen for fiscal year 2018.		

<table>
<tr><th>Candidate No.</th><th>Name
(Date of birth)</th><th>Brief history and position and duties in the Company
(and important concurrent office)</th><th>Number of shares of the Company held by</th></tr>
<tr><td rowspan="2">12</td><td>[For reelection]

Yuko Yasuda
(September 16, 1961)</td><td>April 1985 Joined IBM Japan, Ltd.
Sep. 1991 Joined Booz Allen Hamilton Inc.
Sep. 1993 Joined Russell Reynolds Associates Japan Inc. (“Russell Reynolds Associates Japan”)
June 1996 Managing Director, Russell Reynolds Associates Japan (to date)
April 2001 Associate Representative in Japan, Russell Reynolds Associates Japan
April 2003 Representative in Japan, Russell Reynolds Associates Japan
Member of Executive Committee, Russell Reynolds Associates Inc. (until March 2006)
April 2013 Member of Executive Committee, Russell Reynolds Associates Inc. (reappointed, until March 2016)
June 2015 Outside Director, SCSK Corporation
March 2017 Outside Director, Showa Shell
June 2018 Outside Director, Murata Manufacturing Co., Ltd. (to date)
April 2019 Director (to date)</td><td>199 shares</td></tr>
<tr><td colspan="3">(Reason for nomination as candidate for Director)
Management has judged that Ms. Yuko Yasuda will be able to perform her duties as an Outside Director properly as she served as Representative in Japan of Russell Reynolds Association Japan, and engaged in the executive assessment of a corporation and in the training of CEO successors, has accumulated wide experience as a business manager and broad knowledge about the training of global leaders, and satisfies the “Requirements for Independence of Outside Officers” of the Company.

(Business relationship between the candidate and the Company)
There is no business relationship between the candidate and the Company.</td></tr>
</table>

Candidate No.	Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)	Number of shares of the Company held
13	[For new election] Mitsunobu Koshiba (November 9, 1955)	Oct. 1981 Joined Japan Synthetic Rubber Co., Ltd. (currently, JSR Corporation) June 2002 Officer and General Manager of Electronic Materials Department I, Electronic Materials Division, JSR Corporation ("JSR") June 2003 Officer, General Manager of Electronic Materials Division, and General Manager of Electronic Materials Department, JSR June 2004 Director, General Manager of Electronic Materials Division, JSR June 2005 Senior Officer, General Manager of Electronic Materials Division and Assistant in charge of Fine Chemicals Business, JSR June 2006 Managing Director, General Manager of Electronic Materials Division, JSR June 2007 Managing Director, JSR June 2008 Senior Managing Director, JSR April 2009 Representative Director and President, JSR (to date) June 2019 Representative Director and Chairman, JSR (scheduled)	-
	(Reason for nomination as candidate for Director) Mr. Mitsunobu Koshiba has long been engaged in research and electronic materials business at JSR, served as the General Manager of Electronic Materials Division, and has been serving as the Representative Director and President of JSR since 2009. Management has judged that Mr. Mitsunobu Koshiba will be able to perform his duties as an Outside Director properly as he has expertise in the technology area as well as long experience and wide knowledge as a business manager, and satisfies the "Requirements for Independence of Outside Officers" of the Company. (Business relationship between the candidate and the Company) The Group has business relationships with JSR in relation to the transaction of chemicals such as ethylene, styrene monomer, and butadiene, lubricants, fuel oil C, and coal; however, the trading volume is an insignificant percentage of the Company's consolidated sales, namely, approximately 6.4 billion yen for fiscal year 2018, which comprises 0.17% of the Company's consolidated sales.		

(Notes) 1. Mr. Masakazu Idemitsu is Representative Director and President of Nissho Kosan, which is the biggest shareholder of the Company. The Company conducts real estate lease transactions with Nissho Kosan, and the terms of which has been determined based on the market rate of the adjacent areas, and the transaction amount of which is approximately 156 million yen per annum. There is no special relationship between any candidate for Directors except Mr. Masakazu Idemitsu and Mr. Mitsunobu Koshiba and the Company.

2. Mr. Takeo Kikkawa, Mr. Mackenzie Clugston, Mr. Norio Otsuka, Ms. Yuko Yasuda, and Mr. Mitsunobu Koshiba are candidates for Outside Director.

3. Mr. Takeo Kikkawa, Mr. Mackenzie Clugston, Mr. Norio Otsuka, and Ms. Yuko Yasuda are currently Outside Directors of the Company. At the close of this Ordinary General Meeting of Shareholders, Mr. Takeo Kikkawa and Mr. Mackenzie Clugston will each have served as Outside Directors for two years, and Mr. Norio Otsuka and Ms. Yuko Yasuda will each have served as Outside Directors for three months.

4. Under Article 427, paragraph 1 of the Companies Act of Japan, the Company has entered into agreements with each of Mr. Masakazu Idemitsu, Mr. Kazunari Kubohara, Mr. Takeo Kikkawa, Mr. Mackenzie Clugston, Mr. Norio Otsuka, and Ms. Yuko Yasuda to limit the liability for damages provided for in Article 423, paragraph 1 of the Companies Act of Japan. Under the agreement, the liability is limited to the amount provided for under law. If the reelection of Mr. Masakazu Idemitsu, Mr. Kazunari Kubohara, Mr. Takeo Kikkawa, Mr. Mackenzie Clugston, Mr. Norio Otsuka and Ms. Yuko Yasuda is approved, the Company plans to continue each agreement. Also, if Mr. Mitsunobu Koshiba is elected, the Company plans to enter into a similar agreement limiting liability.

5. The Company has registered Mr. Takeo Kikkawa, Mr. Mackenzie Clugston, Mr. Norio Otsuka, and Ms. Yuko Yasuda as independent officers with the Tokyo Stock Exchange in accordance with its rules. Also, Mr. Mitsunobu Koshiba has satisfied the requirements for independent officers under such rules, and the Company plans to register him as an independent officer with the Tokyo Stock Exchange.

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

Proposition No. 2: Election of one (1) Substitute Statutory Auditor

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

The Board of Statutory Auditors has consented to this proposition. The candidate for Substitute Statutory Auditor is as follows:

Name (Date of birth)	Brief history and position and duties in the Company (and important concurrent office)		Number of shares of the Company held
Junko Kai (September 29, 1967)	April 1992	Registered as attorney at law (Daini Tokyo Bar Association)	-
	June 2006	Committee Member, Disciplinary Enforcement Committee, Daini Tokyo Bar Association	
	March 2007	Lecturer of Criminal Defense, Legal Training and Research Institute	
	April 2010	Tokyo Family Court Conciliation Committee Member (to date)	
	July 2010	Reserve Committee Member, Disciplinary Committee, The Japanese Institute of Certified Public Accountants	
	Oct. 2010	Bar Examiner (Code of Criminal Procedure)	
		Examiner for the Preliminary Bar Examination (Code of Criminal Procedure)	
	June 2014	Committee Member, Pension Special Account Public Procurement Committee, Ministry of Health, Labour and Welfare (to date)	
	Oct. 2015	Special Committee Member, Central Committee for Adjustment of Construction Work Disputes, Ministry of Land, Infrastructure, Transport and Tourism (to date)	
	Feb. 2016	Committee Member, Disciplinary Committee, Daini Tokyo Bar Association (to date)	

(Reason for nomination as candidate for Substitute Statutory Auditor)

It is hereby proposed that Ms. Junko Kai be elected as substitute Outside Statutory Auditor to reflect her long experience and wide knowledge as an attorney at law. She has not engaged in corporate management. However, management has judged that she will be able to perform her duties as an Outside Statutory Auditor properly as she satisfies the "Requirements for Independence of Outside Officers" of the Company, is familiar with corporate legal affairs as an attorney at law, and has full knowledge about corporate management.

(Business relationship between the candidate and the Company)

There is no business relationship between the candidate and the Company.

(Notes) 1. There is no special relationship between the candidate for Substitute Statutory Auditor and the Company.

2. Ms. Junko Kai is a candidate for substitute Outside Statutory Auditor.

3. Under Article 427, paragraph 1 of the Companies Act of Japan, the Company is scheduled to enter into an agreement with Ms. Junko Kai to limit the liability for damages provided for in Article 423, paragraph 1 of the Companies Act of Japan if she is appointed as the Outside Statutory Auditor of the Company. Under the agreement, the liability shall be limited to the amount provided for under law.
4. Ms. Junko Kai has satisfied the requirements for independent officers under the rules of the Tokyo Stock Exchange, and if she is appointed as the Outside Statutory Auditor of the Company, the Company plans to register her as an independent officer with the Tokyo Stock Exchange.

Proposition No. 3: Partial Revision of the Amount and Details Concerning Performance-linked Stock Compensation, etc. for Directors, etc.

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

With approval of its shareholders at the 103rd Ordinary General Meeting of Shareholders held on June 28, 2018, the Company has introduced a performance-linked stock compensation plan (the "Plan") to deliver shares of the Company to its Directors (excluding Outside Directors and those who are non-residents of Japan; the same hereinafter) and Executive Officers (excluding those who are non-residents of Japan; the same hereinafter) (hereinafter collectively referred to as the "Directors, etc.") in accordance with their official positions and the degree of achievement for performance targets, etc., 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.

Effective on April 1, 2019, the Company has conducted the business integration with Showa Shell Sekiyu K.K. and aims at further enhancement of the corporate value under the new management system (hereinafter referred to as the "New System") by means of maximization in creating synergy, recombination of the business portfolio and promoting efforts to environment, social and governance issues. In line with this, the Company hereby proposes to partially revise the Plan, which has been implemented since 2018 as a mid- and long-term incentive to the Directors, etc., in order to ensure that it responds to the increase in the number of Directors, etc. and the medium-term business plan under the New System (hereinafter referred to as the "Revision of the Plan"), and thus, the Company asks for approval for this proposal.

This proposal is to provide Directors, etc. with stock compensation, apart from [the limit of compensation for Directors (a maximum of 1.2 billion yen per annum) approved at the 91st Ordinary General Meeting of Shareholders held on June 27, 2006].

The Company believes that the revision of the Plan is reasonable, as it aims at enhancement of their consciousness of contribution to both enhancing the Company's mid- and long-term operating results and expanding the enterprise value.

The number of Directors eligible for the Plan will be six if Proposition No. 1 "Election of thirteen (13) Directors" is approved as proposed. In addition, as mentioned above, the Plan also applies to Executive Officers (the current number of Executive Officers eligible for the Plan who do not hold concurrent position as Director is 31 as of May 15, 2019), and the compensation based on the Plan includes the compensation for the Executive Officers. In this proposition, the amount and details of the entire compensation under the Plan is proposed as compensation, etc. for Directors, etc., given the possibility that these Executive Officers may newly assume office as Directors after the commencement of the Plan.

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

(1) Outline of the Plan

The Plan is a stock compensation plan where a trust (the "Trust") acquires shares of the Company by using the amount of the compensation for Directors, etc. contributed by the Company and offers the delivery and grant ("Delivery, etc.") of the Company's shares and money equivalent to the converted value of such shares ("Company's Shares, etc.") to Directors, etc. In principle, the Delivery, etc. of the Company's Shares, etc. to the Directors, etc. may occur after their retirement. (For details, please see (2) and below.)

(i) Persons eligible for the Delivery, etc. of Company's Shares, etc. subject to this proposition	● Directors of the Company (excluding Outside Directors and those who are non-residents of Japan) ● Executive Officers of the Company (excluding those who are non-residents of Japan)

(ii) Impact of Company's shares subject to this proposition on the total number of issued shares	
Maximum amount of money contributed by the Company (as stated in (2) below)	● 1,900,000,000 yen in total per trust period (three years); however, 2,300,000,000 yen in total for the initial trust period (four years)
Maximum number of the Company's shares delivered to Directors, etc. (including the number of shares subject to the conversion into cash) (as stated in (2) and (3) below)	● Maximum total number of points (number of shares) to be given to Directors, etc. is 200,000 points (200,000 shares) per year ● The proportion of (i) the total number of points converted to common shares of the Company (one point is equivalent to one common share of the Company) to (ii) the Company's total number of issued shares (as of March 31, 2019, after the deduction of the treasury shares), is approximately 0.1%

(iii) Description of conditions for achievement of performance target (as stated in (3) below)	● Varies, depending on the degree of achievement for each fiscal year's performance target of the Company's performance measurements (consolidated operating income, net income attributable to owners of the parent company, etc.) (Note that the degree of achievement for each measurement is evaluated by using such measurement on the basis of excluding the impact from inventory valuation gain/loss)

(iv) Timing of Delivery, etc. of Company's Shares, etc. to Directors, etc. (as stated in (4) below)	● After retirement

(2) Maximum amount of money contributed by the Company

The Plan will be applicable for three consecutive fiscal years.

The Company will contribute 1,900,000,000 yen in total at a maximum per trust period as compensation for Directors, etc., and establish the Trust in which beneficiaries shall be Directors, etc. who fulfill the beneficiary requirements and which period shall be three years (the Trust includes a continuation of the Trust under the fifth paragraph of this (2); the same hereinafter). The Trust will acquire the Company's shares from the stock market or the Company (treasury share disposal) by using the entrusted funds in accordance with instructions from the trust administrator.

However, regarding the Plan which started from fiscal year 2018, the initial period will be amended to be until 2021 and the period of the Trust already established will be extended for one additional year and will be for four years from 2018 to 2021 as a mid- and long-term incentive under a new system. The maximum total amount of money to be contributed by the Company in the extended trust period (four years) will be 2,300,000,000 yen in total including the amount already contributed in the trust period before extension.

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

At the expiration of the trust period, instead of newly setting the Trust, the Trust may be continued by amending the trust agreement and making additional contributions to the Trust, and in such a case, the trust period of the Trust will be extended by the Company for three years. The Company will contribute additional money within 1,900,000,000 yen in total for every extended trust period, and continue giving points to Directors, etc. during the extended trust period. The Trust will continue the Delivery, etc. of Company's Shares, etc. Note that, if such additional contributions are to be made, and if there are some remaining Company's shares (excluding those that correspond to the points given to Directors, etc. and have yet to make Delivery, etc. to them) and money (hereinafter referred to as the "Remaining Shares, etc.") in the trust assets on the last day of the trust period before the extension, then the sum of the amount of the Remaining Shares, etc. and the amount of trust money to be additionally contributed shall be within 1,900,000,000 yen in total.

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

(3) Calculation method for the number of Company's shares subject to the delivery to

Directors, etc. (including the number of shares subject to the conversion into cash) and the maximum amount

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

Directors, etc. will be given grant points, which are calculated by multiplying basic points (as described below) by the performance-linked coefficient (also as described below). Basic points are calculated using the following formula predetermined by official position at a certain time every year during the trust period, while the performance-linked coefficient varies, depending on the degree of achievement for selected performance measurements, such as consolidated operating income and net income attributable to owners of the parent, etc. for each fiscal year (The degree of achievement for each measurement is evaluated by using such measurement on the basis of excluding the impact from inventory valuation gain/loss).

(Formula for the basic points)

Basic amount by official position / Average closing price (rounded off to the closest whole number) of the Company's stock at the Tokyo Stock Exchange as of July 2019 (*1)(*2)

*1 If the trust period is extended, it shall be the month preceding the month in which the fiscal year to which the extension date belongs starts.

*2 In calculating basic points for the Directors, etc. in the fiscal year 2018, the average closing price of the Company's stock at the Tokyo Stock Exchange as of July 2018 was applied. However, in calculating basic points for the Directors, etc. from fiscal year 2019, the above-mentioned formula will apply from the perspective of appropriateness of the incentive under the New System.

(Formula for the grant points)

Basic points × Performance-linked coefficient

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

The maximum total number of points to be given to Directors, etc. during the trust period of the Trust will be 200,000 points per year. With respect to the number of shares of the Company's stock to be acquired by the Trust for making Delivery, etc. to Directors, etc. during the trust period, the maximum shall be the number of shares equivalent to the maximum total number of points to be given to Directors, etc. per year (200,000 points) multiplied by three, i.e. the number of years in the trust period (600,000 shares). However, the maximum for the initial trust period shall be the number of shares equivalent to the number multiplied by four, i.e. the number of years in the initial trust period (800,000 shares). This upper limit of the number of shares is set up in light of the maximum total amount of trust money mentioned in (2) above and with reference to current stock prices, etc.

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

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

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

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

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

(6) Other matters of the Plan

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

(Reference)

Please refer to the timely disclosure titled "Announcement on the Partial Revision of the Performance-linked Stock Compensation Plan and Additional Contribution to the Trust" dated May 15, 2019, and "Announcement on the Introduction of a Performance-linked Stock Compensation Plan" dated May 15, 2018 regarding the details of the Plan.

- END -