(Translation)

Dear Shareholders:

Information to be Disclosed on the Internet upon Giving Notice of the 104th Ordinary General Meeting of Shareholders

Idemitsu Kosan Co.,Ltd.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Important matters forming the basis of preparation of consolidated financial statements

(1) Matters concerning the scope of consolidation

(i) Consolidated subsidiaries:

- Number of consolidated subsidiaries: 64 companies
- Names of major consolidated subsidiaries:

Idemitsu Tanker Co., Ltd.
Idemitsu Retail Marketing Co., Ltd.
Idemitsu Supervising Co., Ltd.
S.I. Energy Co., Ltd.
Idemitsu International (Asia) Pte. Ltd.
Idemitsu Apollo Corporation
Idemitsu Unitech Co., Ltd.
Idemitsu Petroleum Norge AS
Idemitsu Australia Resources Pty Ltd
Idemitsu Canada Resources Ltd.
Idemitsu Canada Corporation
SDS Biotech K.K.

(ii) Non-consolidated subsidiaries:

- Name of major non-consolidated subsidiary:

Idemitsu Lube Techno Co., Ltd.

- Reason for excluding the non-consolidated subsidiaries from the scope of consolidation:

The scale of business conducted by each of the non-consolidated subsidiaries is small, and the total assets, net sales, net income or loss (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) of each non-consolidated subsidiary do not have a material impact on the consolidated financial statements.

(iii) Company in which the Company holds a majority of voting rights but which is not treated as a subsidiary:

- Name of the company: Astomos Energy Corporation

・ Reason for not treating it as a subsidiary:

Astomos Energy Corporation has been determined to be a jointly controlled company pursuant to Article 175 of the "Implementation Guidance on the Accounting Standard for Business Combinations and the Accounting Standard for Business Divestitures" (the Accounting Standards Board of Japan ("ASBJ") Accounting Standard Implementation Guidance No. 10) and excluded from the scope of consolidation to apply the accounting method similar to the equity method.

(2) Matters concerning the application of the equity method

(i) Non-consolidated subsidiaries and affiliates to which the equity method is applied:

・ Number of non-consolidated subsidiaries or affiliates to which the equity method is applied: 30 companies

・ Names of the major companies: Astomos Energy Corporation
Idemitsu Credit Co., Ltd.
PS Japan Corporation
Prime Polymer Co., Ltd.
Nghi Son Refinery and Petrochemical LLC
Showa Shell Sekiyu K.K.

(ii) Non-consolidated subsidiaries and affiliates to which the equity method is not applied:

・ Names of the major companies, etc.: Union Sekiyu Kogyo Co., Ltd.
Kuo Horng Co., Ltd.

・ Reason for not applying the equity method to such companies:

The net income or loss (based on the Company's equity interest) and retained earnings (based on the Company's equity interest) of each company have no significant impact on the consolidated financial statements and is of no importance in general.

(iii) Special matter concerning the procedure to apply the equity method:

With regard to the equity method companies whose balance sheet dates do not correspond to the consolidated balance sheet date, the companies use the financial statements for the company's respective fiscal years.

(3) Matters concerning changes in the scope of consolidation and the scope of application of the equity method

(i) Change in the scope of consolidation:

・ Number of new consolidated subsidiaries: Two companies

・ Names of the new consolidated subsidiaries:	Elfont Pty Ltd Trinity Petroleum Services Pty Ltd Both companies are included in the scope of consolidation as a result of the Company's acquisition of the shares of such companies.
・ Number of subsidiaries excluded from the scope of consolidation:	Two companies
・ Names of the subsidiaries excluded from the scope of consolidation:	Idemitsu Cuu Long Petroleum Co., Ltd. TARRAWONGA COAL SALES PTY LTD. Idemitsu Cuu Long Petroleum Co., Ltd is excluded from the scope of consolidation, taking into consideration its importance; TARRAWONGA COAL SALES PTY LTD is excluded from the scope of consolidation as a result of the Company's sale of the shares of such company.

(ii) Change in the scope of application of the equity method:

・ Number of new equity method companies:	One company
・ Name of the new equity method company:	Futamata Wind Development Co., Ltd. Futamata Wind Development Co., Ltd. is included in the scope of the equity method company, taking into consideration its increased importance.
・ Number of companies excluded from the scope of equity method:	None.

(4) Matters concerning the fiscal years of consolidated subsidiaries

With regard to any consolidated subsidiary whose balance sheet date does not correspond to the consolidated balance sheet date, the financial statements for the fiscal year of such any consolidated subsidiary are used. However, with regard to any important transaction that took place after the end of the relevant fiscal year and prior to the consolidated balance sheet date, necessary adjustments are made for the purpose of preparation of the consolidated financial statements.

(5) Notes on accounting policies

(i) Basis and method of valuation of major assets:

(a) Basis and method of valuation of securities:

Bonds to be held to maturity: At amortized cost (straight-line method)

Subsidiaries' stock and affiliates' stock:
At cost, determined by the moving average method

Other securities:

- Those with market value: At market value, which is determined by the average of the closing market prices for one month prior to the close of the fiscal year. Revaluation differences are all transferred directly to net assets.
  Acquisition costs, which shall be compared with market value, are determined by the moving average method, in principle.

- Those without market value: At cost, determined by the moving average method

(b) Basis and method of evaluation of inventories:

At cost, determined by the gross average method, in principle

The balance sheet values are calculated by the write-down method based on declined margins.

(c) Basis and method of evaluation of derivatives:

At market value

(ii) Method of depreciation of important depreciable assets:

(a)	Tangible fixed assets (excluding lease assets):	By the straight-line method, in principle
(b)	Intangible fixed assets (excluding lease assets):	By the straight-line method, in principle; provided, however, that software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).
(c)	Lease assets:	By the straight-line method on the assumption that the lease period is the useful life of the property and the residual value is zero. In addition, finance lease transactions which do not transfer ownership, for which the commencement date of the transactions was March 31, 2008 or theretofore, an accounting method similar to the method for ordinary lease transactions is applied.

(iii) Basis for accounting for important allowances and reserves:

(a)	Allowance for doubtful accounts:	To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.
(b)	Allowance for bonuses:	To meet the payment of bonuses to employees, the Company sets aside the portion for the consolidated fiscal year under review of an estimated amount of bonuses to be paid in the future.
(c)	Reserve for repair works:	To meet the payment for repair expenses in the future, the Company sets aside the portion for the consolidated fiscal year under review of an amount of expenses of inspection and repair to be defrayed in respect of the oil tanks and machinery and equipment and vessels that require periodic repairs in the future.

(iv) Method of important hedge accounting

(a) Method of hedge accounting: Deferral hedge accounting is applicable.

(b) Hedging instruments and hedged items:

Hedging instruments:	Forward exchange contracts, foreign currency debts payable, currency option transactions, crude oil and petroleum products swap transactions, futures transactions, interest rate swaps, interest rate and currency swaps, and option transactions.
Hedged items:	Foreign currency receivables and payables, foreign currency investment securities, crude oil and petroleum products, equity interests in overseas subsidiaries and debts payable.

(c) Hedging policy: The Company and some of its consolidated subsidiaries, in accordance with their respective rules, carry out hedge transactions within the scope of actual requirements to hedge risk of price changes, interest rate and currency fluctuations with regard to the hedged items.

(d) Method of evaluating the effectiveness of a hedge:

The method of evaluating the effectiveness of a hedge is to confirm the compliance of the hedging instruments with the hedged items. No evaluation is made as to the effectiveness of any transaction in which important conditions are common for the hedged assets and liabilities or scheduled transactions and price changes or cash flow changes are assumed in advance to be offset upon the commencement of the hedging and continue to be offset thereafter.

(v) Amortization of goodwill:

Goodwill is amortized using the straight-line method over the estimated useful life of goodwill (five years to 20 years).

(vi) Other important matters forming the basis of preparation of consolidated financial statements:

(a) Basis of translation of assets and liabilities denominated in foreign currencies into the Japanese currency:

Foreign currency receivables and payables are translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet date and translation differences are treated as gains and losses. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot rate prevailing on the consolidated balance sheet date. Income and expenses are translated into Japanese yen at the average rate for the period and translation differences are included in translation adjustments and noncontrolling interests under the net assets section on the consolidated balance sheet.

(b) Basis of accounting for liability for employees' retirement benefits:

To meet the payment of retirement benefits to employees, the Company provides an amount obtained by deducting the amount of plan assets from retirement benefit obligations, based on their respective estimated amounts as of the end of the consolidated fiscal year under review, as a liability for employees' retirement benefits. Actuarial differences are treated as expenses, based on the straight line method for a specific period of years (ten years) not exceeding the average remaining years of service of employees, from the consolidated fiscal year next following the consolidated fiscal year when such differences occur. Prior year service liabilities are treated as expenses in a lump sum during the consolidated fiscal year when such liabilities occur.

Unrecognized actuarial differences, after adjusting for taxes, are recognized as a retirement benefit liability adjustment under accumulated other comprehensive income in the net assets section.

(c) Accounting treatment of deferred assets:

Bond issuance expenses and stock issuance expenses are all treated as expenses upon payment thereof.

(d) Accounting treatment of consumption taxes, etc.:

Consumption taxes and local consumption taxes are excluded from each account subject to such taxes.

(6) Change in accounting policies

Not applicable

(7) Change in presentation methods

(Application of Partial Amendments of Accounting Standard for Tax Effect Accounting)

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

(8) Change in accounting estimates

Not applicable

2. Notes to the consolidated balance sheet

(1) Assets pledged and corresponding liabilities

Assets pledged

(i)	Factory foundation mortgage:	
	Land	¥337,963 million
(ii)	Other pledges:	
	Investment securities	¥6,138 million
	Total	¥344,102 million

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

Liabilities with assets pledged

Factory foundation mortgage:	
Accounts payable-other	¥61,081 million
Total	¥61,081 million

The accounts payable-other were related to payment of gasoline tax.

In addition to the above, although the factory foundation was subjected to a revolving mortgage related to bank transactions, there were no substantial liabilities with assets pledged.

(2) Accumulated depreciation of tangible fixed assets ¥2,152,954 million

(3) Contingent liabilities

Guarantee of obligations	¥8,877 million
Management directive memorandums	¥38 million
Construction completion guarantee	¥174,334 million
Total	¥183,249 million

(4) Land revaluation

In accordance with the Land Revaluation Act (Act No. 34, promulgated on March 31, 1998) of Japan and the Act to Amend Part of the Land Revaluation Act (Act No. 19, promulgated on March 31, 2001) of Japan, the Company's land used for business is revaluated and an amount equivalent to taxes on the difference on revaluation is included in liabilities as "deferred tax liabilities upon revaluation" and the difference on revaluation minus the amount of such taxes is included in net assets as "revaluation difference of land".

(i) Method of revaluation:

Land revaluation is made in accordance with the method of calculation by making reasonable adjustments to the assessed value of fixed assets as set forth in Article 2, item 3 of the Ordinance to Implement the Land Revaluation Act (Cabinet Order No. 119, promulgated on March 31, 1998; the "Ordinance"), the method of calculation by making reasonable adjustments to the land values that form the basis of land tax calculations as set forth in Article 2, item 4 of the Ordinance, and appraisals by real estate appraisers as set forth in Article 2, item 5 of the Ordinance.

(ii) Revaluation date: March 31, 2002

(iii) Difference of the market value at the end of the consolidated fiscal year under review of the land revaluated and the book value thereof after such revaluation:

(¥140,345 million)

3. Notes to the consolidated statements of income

(1) Gain on dissolution of oil field premium contract

With regard to premiums payable to the assigner of the Snorre mining lot pursuant to the agreement entered into upon the purchase of the mining lot, the Company has been estimating an amount to be payable in the future based on the crude oil reserves and crude oil futures prices to recognize an amount after deductions as oil field premium liabilities and the same amount as oil field premium assets simultaneously. Oil field premium assets were depreciated in proportion to the yield and oil field premium liabilities were accrued in the actual amount of payment.
The difference due to the reduction of oil field premium assets (fixed assets) and oil field premium liabilities (fixed liabilities) as a result of the dissolution of the oil field premium contract is recorded as extraordinary income.

(2) Penalty for LPG business

Pursuant to the Company's business integration with Showa Shell Sekiyu K.K. ("Showa Shell"), Showa Shell entered into an agreement with the shareholders of its affiliate, GYXIS CORPORATION, concerning treatment of the penalty relating to the shareholders agreement. The portion of such penalty to be borne by the Company is recorded as extraordinary loss.

4. Notes to the consolidated statement of shareholders' equity, etc.

(1) Matters concerning the total number of issued shares

Class of shares	Number of shares as of April 1, 2017	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2018
Shares of common stock	208,000 thousand shares	-	-	208,000 thousand shares

(2) Matters concerning the number of shares of treasury stock

Class of shares	Number of shares as of April 1, 2017	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2018
Shares of common stock	47 thousand shares	10,610 thousand shares	0 thousand shares	10,657 thousand shares

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

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

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

(3) Matters concerning the distribution of retained earnings

(i) Amount of payment for dividends, etc.:

Matters concerning the dividends determined by resolution at the meeting of the Board of Directors held on May 15, 2018:

- Aggregate amount of dividends ¥8,318 million
- Amount of dividend per share ¥40
- Record date March 31, 2018
- Effective date June 7, 2018

Matters concerning the dividends determined by resolution at the meeting of the Board of Directors held on November 14, 2018:

- Aggregate amount of dividends ¥10,142 million
- Amount of dividend per share ¥50
- Record date September 30, 2018
- Effective date December 7, 2018

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

(ii) Dividends for which the record date falls during the consolidated fiscal year under review but the effective date falls during the next consolidated fiscal year:

The following matters were determined by resolution at the meeting of the Board of Directors held on May 15, 2019:

- Aggregate amount of dividends ¥9,875 million
- Amount of dividend per share ¥50
- Record date March 31, 2019
- Effective date June 6, 2019

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

5. Notes on financial instruments

(1) Matters relating to the status of financial instruments

The Group raises required funds (principally by bank loans and the issuance of bonds) according to plant and equipment plans. The Group invests temporary surplus funds in high-security deposits and others and raises short-term operating funds through bank loans and commercial papers.

The Group utilizes derivatives to mitigate risk relating to its actual requirements and engages in no speculative transaction.

To reduce clients' credit risks relating to notes and accounts receivable-trade, the Group has stipulated its credit management rules and credit sales management rules. With regard to investment securities, which are principally stocks of client companies with which the Group has business ties, the market prices of listed stocks are recognized for each quarter and with regard to unlisted stocks, the financial positions of the issuers are recognized for each fiscal year.

With regard to foreign currency accounts payable-trade relating to imports of raw materials, the Group utilizes forward exchange contracts to reduce foreign currency risk.

To avert interest-rate risk relating to long-term loans payable, the Group engages in interest rate swaps and fixes interest expenses. In addition, to reduce market risk relating to crude oil and petroleum products, the Group engages in product swap transactions and future transactions.

The Group engages in derivatives all in accordance with the policy approved for each fiscal year based on its internal trading rules and within actual requirements.

(2) Matters concerning current values, etc. of financial instruments

The following chart shows the consolidated balance sheet amounts of financial instruments as of March 31, 2019, along with their current values and the variances:

(million yen)

	Consolidated balance sheet amount	Current value	Variance
(1) Cash and deposit	91,850	91,850	―
(2) Notes and accounts receivable-trade	453,316	453,316	―
(3) Investment securities	34,979	37,706	2,726
(4) Long-term loans receivable	74,816	74,183	(633)
Total assets	654,963	657,056	2,092
(1) Notes and accounts payable-trade	399,176	399,176	―
(2) Short-term borrowings	154,715	154,715	―
(3) Commercial papers	204,000	204,000	―
(4) Current portion of bonds payable	10,000	10,000	―
(5) Bonds	50,000	50,476	476
(6) Long-term debt	531,168	534,733	3,565
Total liabilities	1,349,060	1,353,102	4,041
Derivatives (*)	(2,532)	(2,532)	―

(*) Net receivables and payables resulting from derivatives transactions are presented on net base. The total net payables are presented in parentheses.

(Note) Matters concerning the calculation method of the current values of financial instruments, as well as securities and derivatives:

Assets:

(1) Cash and deposit

The book value is used for deposits, as the current value is nearly equal to the book value as a result of their short terms.

(2) Notes and accounts receivable-trade

The book value is used for these items, as the current value is nearly equal to the book value as a result of their short settlement periods.

(3) Investment securities

With regard to investment securities with market value, the current value of stocks is determined by the price thereof traded on an exchange. For bonds, the value is determined by the price announced by the Company's financial institutions. Unlisted shares (¥365,867 million) that have no market price are not included in the above table as determining the market value is recognized as being extremely difficult.

(4) Long-term loans receivable

The current value is calculated from the present value of the future cash flow discounted at a rate supposing a similar loan is newly extended.

Liabilities:

(1) Notes and accounts payable-trade, (2) Short-term borrowings, (3) Commercial papers, and (4) Current portion of bonds payable

The book value is used for these items, as the current value is nearly equal to the book value as a result of their short settlement periods.

(5) Bonds

The current value is based on the market price.

(6) Long-term debt

The current value is calculated from the present value of the total principal and interest discounted at a rate supposing similar borrowings are newly conducted.

Derivatives:

The current value is calculated based on the forward exchange rate, the futures price and the price and other information shown by the Company's counterparties.

6. Notes on real estate for lease, etc.

(1) Matters relating to the status of real estate for lease, etc.

The Company and some of its subsidiaries possess office buildings for lease, oil storage tanks, commercial establishments, etc. (including land) in Tokyo, Osaka and other areas in Japan and overseas. For the consolidated fiscal year under review, with regard to real estate for lease, etc., income on lease was ¥694 million (lease income and lease expenses are accounted for in net sales and selling, general and administrative expenses, respectively, in principle), loss on disposal and sales of fixed assets was ¥1,301 million (accounted for in extraordinary income/expenses) and impairment loss on fixed assets was ¥227 million (accounted for in extraordinary expenses).

(2) Matters concerning current values, etc. of real estate for lease, etc.

(million yen)

Consolidated balance sheet amount	Current value
100,857	86,283

(Note 1) The consolidated balance sheet amount is an amount obtained by deducting from the acquisition cost the accumulated depreciation of tangible fixed assets and the accumulated loss on impairment.

(Note 2) The current value as at the close of the consolidated fiscal year under review is an amount (including any adjustment made using indexes, etc.) calculated by the Company principally in accordance with its "Real Estate Appraisal Standards".

7. Notes on the information per share

(1)	Net assets per share (yen):	4,267.21
(2)	Net income per share (yen):	401.63

(Note 1) Diluted net income per share is not calculated for the consolidated fiscal year under review because no dilutive shares exist.

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

8. Notes on significant subsequent events

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

(Business combination through acquisition)

1. Outline of the business combination

(1) Name and business description of the acquiree
Name of the acquiree: Showa Shell Sekiyu K.K.
Business description: refining and sale of petroleum products, etc.

(2) Primary reasons for the business combination
The Company and Showa Shell intend to reinforce their enterprise value, in the short term, by maximizing synergies and aiming to create an entity with industry-leading competitiveness, and in the mid- to long-term, by evolving into a resilient corporate entity through promoting the optimization of their business structure and their environment, society and governance initiatives.

(3) Date of the business combination
April 1, 2019

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

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

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

(7) Primary rationale for determining the acquirer
The Company's acquisition of all shares of Showa Shell in exchange for the Company's shares

2. Matters concerning calculation of acquisition cost

(1) Breakdown of acquisition cost of acquiree and consideration transferred

	(Unit: ¥Million)
Consideration transferred: Fair value of the common stock held by the Company immediately before the business combination as of the date of business combination	183,231
Consideration transferred: Fair value of the Company's shares transferred on the date of the business combination	396,243
Acquisition cost	579,474

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

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

ii. Rationale for the share exchange ratio
The Company and Showa Shell had carefully negotiated and discussed the share exchange ratio, referring to the share exchange ratio calculated by third party financial advisors appointed by each company, using the respective share prices as the main criterion, and based on the results of due diligence reviews mutually carried out by the both companies and the benefit of their shareholders, etc. As a result, the both companies came to an agreement and concluded that the share exchange ratio described in i. above was appropriate.

iii. Number of shares issued
The Company's common stock: 104,411,875 shares
Upon share allotment issue, the Company applied 10,486,357 shares of the treasury shares held by the Company.

(3) Description and amount of acquisition-related costs
The Company is currently in the process of finalizing the acquisition-related costs.

(4) Difference of the acquisition cost of the acquiree from the aggregate amount of each of acquisition cost arising from the transactions resulting in the acquisition
Gain from step acquisition: ¥17,215 million

3. Amount, amortization method and amortization period of goodwill and factors that make up the goodwill recognized
The Company is currently in the process of finalizing the goodwill.

4. Amount of assets acquired and liabilities assumed and their major components on the date of business combination
The Company is currently in the process of determining an amount of assets acquired and liabilities assumed and their major components on the date of business combination.

9. Notes on asset retirement obligations

Asset retirement obligations recorded on the consolidated balance sheet:

(1) Summary of the asset retirement obligations:

Restitution obligations in connection with real estate lease agreements with regard to land for facilities of service stations, expenses of removal of oil and coal production facilities upon termination of production or mining rights and other items are reasonably estimated and recorded as asset retirement obligations.

(2) Method of calculation of the amounts of the asset retirement obligations:

The periods projected prior to defrayment are based on, with regard to service stations, the useful lives of principal facilities thereof and with regard to oil development, coal, etc., mining lives from the commencement of operations. Applicable discount rates range from 0.7% to 5.0%.

(3) Changes in the total amount of the asset retirement obligations during the consolidated fiscal year under review:

(million yen)

Balance at beginning of year	51,437
Increased amount in connection with the acquisition of tangible fixed assets	56
Adjustments by lapse of time	1,845
Decreased amount as a result of asset retirement obligations	(2,328)
Increased (decreased) amount as a result of changes in estimates (see Note 1)	8,418
Other increased (decreased) amount (see Note 2)	(5,552)
Balance at end of year	53,878

(Note 1) During the consolidated fiscal year under review, the Company changed estimates because it became clear that the expenses to be incurred upon termination of production or mining rights by some overseas consolidated subsidiaries would increase or decrease. The increased (decreased) amount comprises an increase of ¥8,652 million and a decrease of ¥233 million due to the abovementioned reason.

(Note 2) "Other increased (decreased) amount" was generated principally by the increased (decreased) amount due to foreign exchange fluctuations.

10. Other notes

(Additional information)

(Performance-linked Stock Compensation Plan)
Since this consolidated fiscal year, the Company has introduced 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 mid- to long-term performance and corporate value.

Accounting treatment regarding the Plan shall be according to the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No. 30, March 26, 2015)

(1) Outline of the transaction

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 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 predetermined by official position at a certain time every year during the trust period, by the performance-linked coefficient which varies depending on the degree of achievement for performance measurements of each fiscal year.

After the retirement of Directors, etc., cumulative grant points are calculated, and Delivery, etc. of Company's Shares, etc. equivalent to the cumulative points will be made.

(2) Company's shares remaining in the Trust

The Company's shares remaining in the Trust are recorded as treasury shares in the net assets, with book value (excluding the amount of incidental expenses) in the Trust. The book value of treasury shares as of the end of this consolidated fiscal year is 890 million yen, and the number of treasury shares is 170,000 shares.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Matters concerning significant accounting policies

(1) Basis and method of valuation of assets

(i) Basis and method of valuation of securities:

(a)	Bonds to be held to maturity:	At amortized cost (straight-line method)
(b)	Capital stocks of affiliates:	At cost, determined by the moving average method
(c)	Other securities:	
	Those with market value:	At market value, which is determined by the average of the closing market prices for one month prior to the close of the fiscal year. Revaluation differences are all transferred directly to net assets. Acquisition costs, which shall be compared with market value, are determined by the moving average method.
	Those without market value:	At cost, determined by the moving average method

(ii) Basis and method of evaluation of inventories:

Merchandise and finished goods, and raw material and supplies:	At cost, determined by the gross average method, in principle (the balance sheet values are calculated by the write-down method based on declined margins).

(iii) Basis and method of evaluation of derivatives:

At market value

(2) Method of depreciation of fixed assets

(i) Tangible fixed assets (excluding lease assets):	By the straight-line method
(ii) Intangible fixed assets (excluding lease assets):	By the straight-line method; provided, however, that software for internal use is amortized by the straight-line method on the estimated useful life of internal use (five years).
(iii) Lease assets:	By the straight-line method on the assumption that the lease period is the useful

life of the property and the residual value is zero.

In addition, finance lease transactions which do not transfer ownership, for which the commencement date of the transactions was March 31, 2008 or theretofore, an accounting method similar to the method for ordinary lease transactions is applied.

(3) Basis for accounting for allowances and reserves

(i) Allowance for doubtful accounts: To meet losses from loan default, the Company sets aside an estimated uncollectible amount, by taking into consideration the actual loss rate in respect of general credits and the individual possibilities of collection in respect of specific claims, such as probable non-performing credits.

(ii) Allowance for bonuses: To meet the payment of bonuses to employees, the Company sets aside the portion for the fiscal year under review of an estimated amount of bonuses to be paid in the future.

(iii) Retirement allowances for employees: To meet the payment of retirement benefits to employees, the Company provides an amount estimated to accrue at the close of the fiscal year under review, based on the estimated retirement benefit obligations and pension plan assets as of the close of each such fiscal year.

Actuarial differences are treated as expenses, based on the straight line method for a specific period of years (ten years) not exceeding the average remaining years of service of employees, from the fiscal year next following the fiscal year when such differences occur. Prior year service liabilities are treated as expenses in a lump sum during the fiscal year when such liabilities occur.

(iv) Reserve for repair works: To meet the payment for repair expenses in the future, the Company sets aside the portion for the fiscal year under review of an amount of expenses of inspection and repair to be defrayed in respect of the oil tanks and

machinery and equipment that require periodic repairs in the future.

(4) Method of hedge accounting

(i) Method of hedge accounting: Deferral hedge accounting is applicable.

(ii) Hedge instruments and hedged items:

Hedge instruments: Forward exchange contracts, currency option transactions, foreign currency debts payable, futures transactions, crude oil and petroleum products swap transactions, interest rate swaps, interest rate and currency swaps, and option transactions.

Hedged items: Foreign currency receivables and payables, foreign currency investment securities, equity interests in overseas subsidiaries, crude oil and petroleum products and debts payable.

(iii) Hedging policy: The Company, in accordance with its rules, carries out hedge transactions within the scope of actual requirements to hedge risk of price changes, interest rate and currency fluctuations with regard to the hedged items. Trading volumes in interest rate swaps and forward exchange contracts are limited within actual requirements.

(iv) Method of evaluating the effectiveness of a hedge:

The method of evaluating the effectiveness of a hedge is to confirm the compliance of the hedging instruments with the hedged items. No evaluation is made as to the effectiveness of any transaction in which important conditions are common for the hedged assets and liabilities or scheduled transactions and price changes or cash flow changes are assumed in advance to be offset upon the commencement of the hedging and continue to be offset thereafter.

(5) Other important matters forming the basis of preparation of financial statements

(i) Accounting treatment of deferred assets:

Bond issuance expenses and stock issuance expenses are all treated as expenses upon payment thereof.

(ii) Accounting treatment of consumption taxes, etc.:

Consumption taxes and local consumption taxes are excluded from each account subject to such taxes.

(6) Change in accounting policies

Not applicable

(7) Changes in presentation methods

(Application of Partial Amendments of Accounting Standard for Tax Effect Accounting)

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

2. Notes to the non-consolidated balance sheet

(1) Assets pledged and corresponding liabilities

Assets pledged

(i)	Factory foundation mortgage:	
	Land	¥337,963 million
(ii)	Other pledges:	¥4,258 million
	Investment securities	
	Investments in shares of affiliates	¥3,000 million
	Total	¥345,221 million

In addition to the above, the Company pledged investment securities (investments in shares of affiliates) in Nghi Son Refinery and Petrochemical LLC ("NSRP"), amounting to ¥90,645 million, as collateral for NSRP's borrowings from financial institutions.

Liabilities with assets pledged

Factory foundation mortgage:	
Accounts payable-other	¥61,081 million
Total	¥61,081 million

The accounts payable-other were related to payment of gasoline tax.

In addition to the above, although the factory foundation was subjected to a revolving mortgage related to bank transactions, there were no substantial liabilities with assets pledged.

(2) Accumulated depreciation of tangible fixed assets: ¥1,713,756 million

(3) Contingent liabilities:

Guarantee of obligations	¥166,645 million
Management directive memorandums	¥38 million
Construction completion guarantee	¥174,334 million
Total	¥341,018 million

(4) Receivables from affiliates and payables to affiliates:

(i)	Short-term receivables from affiliates:	¥175,353 million
(ii)	Long-term receivables from affiliates:	¥12,891 million
(iii)	Short-term payables to affiliates:	¥158,609 million
(iv)	Long-term payables to affiliates:	¥834 million

(5) Land revaluation

In accordance with the Land Revaluation Act (Act No. 34, promulgated on March 31, 1998) of Japan and the Act to Amend Part of the Land Revaluation Act (Act No. 19, promulgated on March 31, 2001) of Japan, the Company's land used for business is revaluated and an amount equivalent to taxes on the difference on revaluation is included in liabilities as "deferred tax liabilities upon revaluation" and the difference on revaluation minus the amount of such taxes is included in net assets as "revaluation difference of land".

(i) Method of revaluation:

Land revaluation is made in accordance with the method of calculation by making reasonable adjustments to the assessed value of fixed assets as set forth in Article 2, item 3 of the Ordinance to Implement the Land Revaluation Act (Cabinet Order No. 119, promulgated on March 31, 1998; the "Ordinance"), the method of calculation by making reasonable adjustments to the land values that form the basis of land tax calculations as set forth in Article 2, item 4 of the Ordinance, and appraisals by real estate appraisers as set forth in Article 2, item 5 of the Ordinance.

(ii) Revaluation date: March 31, 2002

(iii) Difference of the market value at the end of the fiscal year under review of the land revaluated and the book value thereof after such revaluation:

(¥140,345 million)

3. Notes to the non-consolidated statement of income

(1) Transactions with affiliates:

(i) Sales: ¥842,787 million

(ii) Purchases: ¥474,874 million

(iii) Transactions other than ordinary business: ¥32,672 million

(2) Loss on penalty for LPG business

Pursuant to the Company's business integration with Showa Shell Sekiyu K.K. ("Showa Shell"), Showa Shell entered into an agreement with the shareholders of its affiliate, GYXIS CORPORATION, concerning treatment of penalty relating to the shareholders agreement. The portion of such penalty to be borne by the Company is recorded as extraordinary loss.

4. Notes to the non-consolidated statement of shareholders' equity, etc.

Matters concerning the number of shares of treasury stock:

Class of shares	Number of shares as of April 1, 2018	Increase in the number of shares during the year	Decrease in the number of shares during the year	Number of shares as of March 31, 2019
Shares of common stock	47 thousand shares	10,610 thousand shares	0 thousand shares	10,657 thousand shares

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

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

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

5. Notes on tax effect accounting

Principal components of deferred tax assets and deferred tax liabilities:

(Deferred tax assets)	(million yen)
Tax loss carry forwards	31,853
Reserve for repair works	11,353
Tax effect on investments	8,333
Impairment loss on fixed assets	7,038
Retirement allowances for employees	4,938
Loss on penalty for LPG business	3,927
Accounts payable upon transition to defined contribution pension plan	2,966
Estimated sales prices	2,503
Software	2,363
Allowance for bonuses	1,911
Deferred loss on hedges	1,733
Unrealized holding gains on other securities	53
Others	4,148
Subtotal of deferred tax assets	83,124
Valuation reserve	(12,899)
Total deferred tax assets	70,224
(Deferred tax liabilities)	
Reserve for deferred income tax on fixed assets	(14,557)
Unrealized holding gains (loss) on other securities	(2,179)
Deferred gains (loss) on hedges	(640)
Reserve for special depreciation	(276)
Reserve for loss on overseas investment	(133)
Total deferred tax liabilities	(17,788)
Net deferred tax assets	52,436

6. Notes on the fixed assets used by lease

The notes are omitted because they are insignificant.

7. Notes on transactions with related parties

Attribute	Trade name	Capital stock (million yen)	Principal business	Ratio of voting rights owned by the Company (owned in the Company)(%)	Relationship	Transaction	Transaction amount (million yen)	Account item	End-of-year balance (million yen)
Subsidiary	Idemitsu Australia Resources Pty Ltd.	A$106,698 thousand	Investigation, exploration, development and sale of coals	100.0	None	Guarantee of obligations (Note 1)	52,851	-	-
Subsidiary	Idemitsu International (Asia) Pte. Ltd.	US$245,156 thousand	Import, export and trading of crude oil, petroleum products, etc.	100.0	None	Accommodation of surplus funds (Note 2)	90,257	Deposit	45,849
						Guarantee of obligations (Note 3)	78,259	-	-
Affiliate	Idemitsu Credit Co., Ltd.	1,950	Credit card and credit guarantee business	50.0	None	Collection of trade receivables (Note 4)	1,125,435 (Note 5)	Accounts receivable - other	49,205
Affiliate	Prime Polymer Co., Ltd.	20,000	Production and sale of chemical products, etc.	35.0	None	Sale of petrochemical products, etc. (Note 6)	93,549	Accounts receivable - trade	24,013
Affiliate	Nghi Son Refinery and Petrochemical LLC	US$2,362,723 thousand	Oil refinery and production and sale of petrochemical products	35.1	None	Construction completion guarantee (Note 7)	174,334 (Note 8)	-	-
Affiliate	Showa Shell Sekiyu K.K.	34,197	Refining and sales of petroleum products, etc.	31.6	None	Payment of penalty (Note 9)	12,826	Accounts payable - other	12,826

(Note 1) The Company guarantees obligations principally for bank loans.
(Note 2) The Company determines whether to accommodate its surplus funds taking into consideration market interest rates.
(Note 3) The Company guarantees obligations principally for purchasing goods.

(Note 4) The Company receives from Idemitsu Credit Co., Ltd. part of the trade receivables of petroleum products, etc. for exclusive distributors (after offsets by such exclusive distributors against credit receivables from Idemitsu Credit Co., Ltd.).
(Note 5) The transaction amount represents the total annual collection amount.
(Note 6) The Company determines whether to sell its products, etc. taking into consideration market prices, etc.
(Note 7) The Company has provided a construction completion guarantee for the project finance in connection with the project of constructing the Nghi Son Refinery and Petrochemical Complex. In addition, the Company pledged investment securities (investments in shares of affiliates) in Nghi Son Refinery and Petrochemical LLC ("NSRP"), amounting to ¥90,645 million, as collateral for NSRP's borrowings from financial institutions.
(Note 8) The transaction amount represents the portion of the guarantee amount provided by the Company.
(Note 9) Of the penalty relating to the shareholders agreement to be paid by Showa Shell Sekiyu K.K., the portion that is to be borne by the Company is recorded as extraordinary loss.

8. Notes on the information per share

(1)	Net assets per share (yen):	2,987.92
(2)	Net income per share (yen):	196.54

9. Notes on significant subsequent events

On April 1, 2019, the Company and Showa Shell Sekiyu K.K. ("Showa Shell") conducted a share exchange in which the Company became a wholly owning parent company and Showa Shell became a wholly owned subsidiary, following the approvals of 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.

(Business combination through acquisition)

For details, please refer to the NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Notes on significant subsequent events.

(Transactions under common control, etc.)

1. Outline of the transaction

(1) Name and business description of the splitting company
Name of the company: Showa Shell Sekiyu K.K.
Business description: Refining and sales of petroleum products, etc.

(2) Date of the business combination
July 1, 2019 (scheduled)

(3) Legal form of the business combination
Simplified absorption-type company split, in which the Company will be a succeeding company and Showa Shell will be a splitting company.

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

(5) Purpose of the business combination
To proceed with the business integration between both companies, and to create even more synergies, by transferring the assets, liabilities, and rights and obligations which belong to Showa Shell's entire business, that are provided in the Absorption-type Company Split Agreement, to the Company

through the Absorption-type Company Split, and integrating their organizations and businesses.

2. Outline of the accounting method to be applied

The transaction will be processed as a transaction under the common control in accordance with ASBJ Statement No. 21, Accounting Standard for Business Combinations (September 13, 2013) and ASBJ Guidance No. 10, Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (September 13, 2013). In addition, the values of the assets acquired and liabilities assumed as a result of the absorption-type company split are currently being calculated.

10. Other notes

(Additional information)

(Performance-linked Stock Compensation Plan)

The notes regarding the Performance-linked Stock Compensation Plan are omitted because the same content can be found in the NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, "10. Other notes."

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