



May 15, 2018

## Consolidated Financial Results for the Fiscal Year 2017 (From April 1, 2017 to March 31, 2018) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL <http://www.idemitsu.com>)

Company Code: 5019, Shares listed on: Tokyo Stock Exchange

Name of Representative: Shunichi Kito, Representative Director & Chief Executive Officer

Contact person: Koji Tokumitsu, General Manager, Investor Relations Office, Treasury Department

Telephone: +81-3-3213-9307

Scheduled date of ordinary general meeting of shareholders: June 28, 2018

Scheduled date of commencement of dividend payments: June 7, 2018

Scheduled date of filing of Securities Report: June 28, 2018

Supplemental materials for the financial results: Yes

Financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

### 1. Consolidated Financial Results for FY2017 (From April 1, 2017 to March 31, 2018)

#### (1) Consolidated operating results

(Percentages represent changes from prior year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
FY2017	3,730,690	16.9	201,323	48.9	226,316	61.7	162,307	84.1
FY2016	3,190,347	(10.6)	135,234	—	139,968	—	88,164	—

Notes: Comprehensive income FY2017 ¥180,035 million (94.0%) FY2016 ¥92,816 million —%

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	¥	¥	%	%	%
FY2017	845.17	—	22.3	8.1	5.4
FY2016	551.19	—	16.3	5.6	4.2

Reference: Equity in earnings of nonconsolidated subsidiaries and affiliates FY2017 ¥27,229 million  
FY2016 ¥7,976 million

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥million	¥million	%	¥
FY2017	2,920,265	905,929	29.7	4,177.40
FY2016	2,641,633	619,932	22.1	3,649.83

Reference: Total equity FY2017 ¥868,700 million FY2016 ¥583,800 million

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	¥million	¥million	¥million	¥million
FY2017	136,760	(89,889)	(51,915)	86,836
FY2016	53,539	(214,817)	136,143	90,093

## 2. Dividends

	Cash dividends per share					Total dividend amount	Payout ratio (Consolidated)	Dividends on equity ratio (Consolidated)
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total			
	¥	¥	¥	¥	¥	¥million	%	%
FY2016	—	25.00	—	25.00	50.00	7,997	9.1	1.5
FY2017	—	40.00	—	40.00	80.00	16,636	10.2	2.3
FY2018 (Forecast)	—	50.00	—	50.00	100.00		20.2	

Notes: “Payout ratio (Consolidated)” has been calculated by dividing total dividends of common stock by net income attributable to owners of the parent.

“Dividends on equity ratio (Consolidated)” has been calculated by dividing total dividends of common stock by an average of total equity balances at the beginning of period and at the end of period.

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

(Percentages represent changes from prior year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
FY2018	3,900,000	4.5	154,000	(23.5)	170,000	(24.9)	103,000	(36.5)	495.31

### \* Notes

(1) Changes of number of material consolidated subsidiaries during the fiscal year: **Yes**  
Excluded companies: 1 (Idemitsu Petroleum UK Ltd.)

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

(3) Number of shares issued (common stock)  
a) Number of shares issued (including treasury stock)  
As of March 31, 2018: 208,000,000 As of March 31, 2017: 160,000,000  
b) Number of shares of treasury stock  
As of March 31, 2018: 47,617 As of March 31, 2017: 47,236  
c) Weighted average number of shares outstanding during the period  
FY2017: 192,040,290 FY2016: 159,952,989

(Reference)

1. Nonconsolidated Financial Results for FY2017 (From April 1, 2017 to March 31, 2018)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥million	%	¥million	%	¥million	%	¥million	%
FY2017	2,746,981	11.9	103,794	18.4	124,505	28.4	91,270	39.8
FY2016	2,455,694	(10.1)	87,701	—	96,946	—	65,298	—

	Net income per share	Diluted net income per share
	¥	¥
FY2017	475.26	—
FY2016	408.24	—

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥million	¥million	%	¥
FY2017	2,368,631	629,904	26.6	3,029.08
FY2016	2,158,878	423,377	19.6	2,646.89

Reference: Total equity FY2017 ¥629,904 million FY2016 ¥423,377 million

\* This document is out of the scope of audit performed by certificated public accountants or audit firms.

\* The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 7 “Forecasts of consolidated financial results for FY2018” of the Appendix.

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[Appendix]

## 1. Overviews concerning Operating Results and Financial Position

### (1) Overview concerning Operating Results

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

During the fiscal year ended March 31, 2018, the Japanese economy remained strong amid improving business confidence regarding capital spending and an expansion in employment along with robust demand both at home and abroad helped by consistent economic growth in Europe and the US. Given this situation, corporate earnings remained at high levels during the period.

As for petroleum products for the domestic market during fiscal 2017, while demand for gasoline decreased slightly due to structural reasons including improved vehicle fuel efficiency, demand for middle distillates such as diesel oil expanded due to the recovery of domestic economy and an increase in demand for deliveries in small quantities with kerosene also increasing in demand due to a wave of cold weather in winter. The demand for petrochemical raw materials was higher compared with the preceding fiscal year as the result of the high operation rate of ethylene manufacturing facilities amid the strong Asian economy. In the meanwhile, heavy fuel oil for the power industry suffered a significant year on year decrease in demand, reflecting the progress in diversification of power sources such as renewable energy. As a result, the overall demand for petroleum products remained almost unchanged from the previous fiscal year.

Dubai crude oil prices remained higher than \$60/bbl after November given expectations that the OPEC oil production cut would be extended and increasing geopolitical risks in the Middle East. Consequently, the average price of Dubai crude oil for fiscal 2017 rose \$8.9/bbl from the preceding year to \$55.9/bbl.

Demand for petrochemical products during fiscal 2017 remained strong primarily in Asia, while domestic production increased from the previous fiscal year. The annual average price of naphtha, a petrochemical raw material, increased \$82/ton from the previous fiscal year to \$520/ton.

The Japanese yen to US dollar exchange rate generally remained within a stable range of between ¥110 and ¥115/\$ during the period from April through December. However, the yen strengthened against the US dollar after January, given the new US administration's tough trade demands and the tense situation in Syria. The average exchange rate for fiscal 2017 decreased by ¥2.5/\$ from the previous fiscal year to ¥111.9/\$.

#### 2) Operating results

Under these circumstances, the Idemitsu Group's net sales for fiscal 2017 were ¥3,730.7 billion, up 16.9% from the previous fiscal year, due mainly to sales growth in the petroleum products segment helped by increased import prices for crude oil.

Cost of sales was ¥3,236.8 billion, up 16.8% year on year, primarily due to the higher yen-denominated import prices of crude oil and naphtha. Selling, general and administrative expenses totaled ¥292.6 billion, up 2.9% year on year.

Operating income was ¥201.3 billion, up 48.9% from the previous fiscal year, reflecting an increase in profit for the resources business helped by rising prices of natural resources along with improved margins of petroleum products on the domestic market resulting in an increase in profit for the petroleum products segment.

Net non-operating income was ¥25.0 billion (up 428.0% year on year), primarily helped by an increase in profit on “Equity in earnings of nonconsolidated subsidiaries and affiliates” which mainly consisted of Showa Shell Sekiyu K.K., which is included in the “Others” segment. Consequently, ordinary income was ¥226.3 billion, an increase of 61.7% from the previous fiscal year.

Net extraordinary loss was ¥14.2 billion, which was ¥2.8 billion less than that for the same period last year. This reflected loss on transition to defined contribution pension plan, partially offset by gain on sales of shares of subsidiaries and affiliates in the resources segment.

Income taxes including both current and deferred tax expenses were ¥45.4 billion (up ¥12.9 billion year on year), reflecting an increase in income before income taxes. Consequently, the effective tax rate was 21.4% mainly due to the deduction of losses recognized in past years on the shares of subsidiaries and affiliates which were qualified by the sale in FY2017.

Net income attributable to noncontrolling interests for the period was ¥4.5 billion (up 90.8% year on year), reflecting mainly an increase in profit for the resources segment.

As a result, net income attributable to owners of the parent was ¥162.3 billion (up 84.1% year on year).

### 3) Progress and results of business

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

Net sales by segment

(Unit: ¥Billion)

Segment	FY2016	FY2017	Change (Decrease)	
			Amount	%
Petroleum products	2,438.2	2,870.8	+432.6	+17.7%
Petrochemical products	461.2	500.7	+39.5	+8.6%
Resources	227.3	289.4	+62.1	+27.3%
Others	63.6	69.8	+6.2	+9.8%
<b>Total</b>	<b>3,190.3</b>	<b>3,730.7</b>	<b>+540.3</b>	<b>+16.9%</b>

Operating income by segment

(Unit: ¥Billion)

Segment	FY2016	FY2017	Change (Decrease)	
			Amount	%
Petroleum products	77.0	88.6	+11.6	+15.1%
: <i>excluding effect of inventory valuation</i>	46.0	57.5	+11.5	+25.0%
Petrochemical products	40.0	42.2	+2.3	+5.7%
Resources	16.6	66.8	+50.2	+302.3%
Others	5.1	7.3	+2.2	+43.4%
Reconciliation	(3.4)	(3.6)	(0.2)	—
Total	135.2	201.3	+66.1	+48.9%
: <i>excluding effect of inventory valuation</i>	102.1	170.2	+68.0	+66.6%

[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 actions:

(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 while still securing a stable supply of products.

In addition, the Company integrated the Chiba Refinery and Petrochemical Plant as one business unit in October 2017, working toward the construction of a more competitive production structure. At the Aichi Refinery, the Company built reformed gasoline and xylene recovery unit, seeking to achieve improvements in added value for gasoline distillate.

In the marketing and sales of petroleum products, the Company continuously reinforced its network of service stations, seeking to increase customer convenience with more than 3.5 million Idemitsu Card members as well as 200 ApolloHat service stations jointly operated with Yellow Hat Ltd.

As part of the Brighter Energy Alliance, a new business partnership with Showa Shell Sekiyu K.K., the two companies started sharing shipping facilities in October and integrated card memberships for corporate customers in April 2018, achieving consistent growth in business synergy.

As for business efforts in overseas markets, Idemitsu Q8 Petroleum LLC launched the service station business in Vietnam, which had not been previously attempted in the country by a foreign capital company. Nghi Son Refinery and Petrochemical Complex in Vietnam started shipping products in May 2018. The Company acquired the independent Australian petroleum products distributor Trinity Petroleum Services Pty Ltd., seeking to enhance the petroleum products business in growing overseas markets. The Company took steps to enhance the structure of its overseas business hubs centering on IDEMITSU INTERNATIONAL (ASIA) PTE. LTD., a subsidiary in Singapore, aiming to establish a platform for supplying and marketing fuel oil in the Pacific Rim region and other growing markets around the world.

(Lubricants business)

In fiscal 2017, the total amount of lubricants sold in Japan and abroad surpassed 1.2 million kiloliters, a new historical record high, given the sales growth in Asia and North America. 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 reinforce its production capabilities abroad.

Consequently, net sales in the petroleum products segment for fiscal 2017 increased 17.7% year on year to ¥2,870.8 billion, owing primarily to increases in import prices of crude oil. Operating income came to ¥88.6 billion, up 15.1% year on year due to the improved product margins associated with optimization of the demand-supply balance based upon the Sophisticated Methods of Energy Supply Structures and so on. The operating income included inventory valuation gains of ¥31.1 billion.

[Petrochemical products segment]

In the petrochemical products segment, the Company set as its basic strategy the further reinforcement of cost competitiveness in the basic chemicals business and the enhancement of profitability in the advanced materials and performance chemicals business, and took the following actions:

(Basic chemicals business)

In the basic chemicals business, the Company took steps toward diversification of raw materials 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 at home and abroad on the strength of polycarbonate resin (Product name: TARFLON®), production of which had been consolidated into Formosa Chemicals & Fibre Corporation ("FCFC") of Taiwan over the last year as well as syndiotactic polystyrene resin (Product name: XAREC®), for which the Company has expanded the annual production capacity of the Chiba Plant.

In the adhesive materials business, construction of a new plant is underway, in cooperation with Formosa Petrochemical Corporation ("FPCC") of Taiwan, to manufacture hydrogenated petroleum resin (Product name: I-MARV®), the demand for which is expected to grow as an excellent tackifier for hot-melt adhesives. The Company also strived 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 conducting research to find product applications other than its traditional use as an adhesive for sanitary items and a modifier for non-woven fabrics.

Consequently, net sales in the petrochemical products segment for fiscal 2017 were ¥500.7 billion, up 8.6% year-on-year, due mainly to increases in naphtha prices. Operating income was up 5.7% year-on-year to ¥42.2 billion because of such factors as the expanded margins of products like styrene monomer and an increase in sales volume.



#### [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 and production business and geothermal energy business)

The Company chose to divest assets in the UK North Sea as part of its portfolio rearrangement. Additionally, the Company has taken specific steps toward development of the gas field discovered off the coast of Vietnam.

In the existing oil fields, the Company carried out operation improvement activities in addition to stable operation and production. Consequently, it produced 37,000 crude oil-equivalent barrels per day of crude oil and natural gas in the Norwegian North Sea and the UK North Sea.

The geothermal energy business, including the binary power plant which began commercial operations in March 2017, continued to achieve consistent operation performance in the Takigami region of Oita Prefecture. Meanwhile, the Company conducted short-term flow tests for geothermal energy development to gauge the capacity of an exploratory well in the Oyasu region of Akita Prefecture. Furthermore, drilling survey projects are currently underway in the Amemasudake area in Hokkaido and the Bandai area of Fukushima Prefecture.

Net sales of the oil exploration & production and geothermal energy business for the period totaled ¥80.8 billion (up 9.8% year on year), reflecting higher crude oil prices. Operating income was ¥27.2 billion, up 220.6% from the same period of the preceding year.

##### (Coal business and others)

In the coal business, the Company made successful efforts to enhance competitiveness through its sole operatorship as a Japanese company. Consequently, the Company produced a record high of approximately 13.4 million tons of coals in total from its own mines in Australia and Indonesia. Furthermore, three companies, namely the Company, NYK Trading Corporation, and NYK Line, have jointly developed and started marketing “ULTY-V plus”, an optimization system to control coal boilers.

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

Net sales of the coal business and others for the period were ¥208.6 billion (up 35.7% year on year), reflecting a significant increase in coal prices for the coal business. Operating income was ¥39.6 billion, up 387.9% from the previous fiscal year.

As a result, total net sales of the resources segment up 27.3% year-on-year to ¥289.4 billion with operating income of ¥66.8 billion up 302.3% from the previous fiscal year.

#### [Other segments]

Among other segments, as for the electronic materials business, the agricultural biotechnology business, the gas 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 Shanghai in

response to customer requirements in China with its great market potential. Furthermore, with aims of facilitating the development of high-performance OLED materials, the Company concluded a basic agreement for a strategic alliance with BOE Technology Group Co., Ltd. of China. Meanwhile, the Company announced a new OLED partnership with South Korea's LG Chem, Ltd. for patent sharing in the field of OLED materials. The Company also reached an agreement with Toray Industries, Inc. for technical cooperation regarding OLED materials.

(Agricultural biotechnology business)

In the field of agriculture and greening materials, the Company is currently working on activities to expand the sales of its biopesticide to advanced producers' groups through its sales subsidiary, Idemitsu Agri co., ltd.

In the field of feed supplement, the Company moved ahead with efforts to increase the adoption of "RUMINUP<sup>®</sup>", "Crosstop<sup>®</sup>" and "Molucca", which have the effect of maintaining a normal intestinal environment in cows, chickens and pigs, mainly at large-scale farms in Japan as well as efforts to develop channels to sell these products overseas.

(Gas business)

In order to move ahead with studies on and preparation for the natural gas power generation business, the Company established Himeji Natural Gas Power Generation Co., Ltd. in April 2016 through joint capital investment with Osaka Gas Co., Ltd. on the site of the Company's former Hyogo Refinery (Himeji City, Hyogo Prefecture) and is currently implementing a commercialization study.

Petrogas Energy Corp., whose shares the Company holds through AltaGas Idemitsu Joint Venture Limited Partnership which the Company jointly established with AltaGas Ltd. of Canada, continued to endeavor to enhance exports of LPG (liquefied petroleum gas) from the Ferndale terminal (the State of Washington) on the West Coast of the US to Japan and other Asian countries.

(Renewable energy business)

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

As a result, total net sales for other segments up 9.8% year-on-year to ¥69.8 billion, with operating income of ¥7.3 billion up 43.4% from the previous fiscal year.

#### 4) Forecasts of consolidated financial results for FY2018

The Company expects net sales for FY2018 to be ¥3,900.0 billion, an increase of 4.5% compared with FY2017, due mainly to expected increase in average crude oil prices during the fiscal period.

Operating income is expected to be ¥154.0 billion (down 23.5% year on year) due to an absence

of the favorable effect of inventory valuation in the previous consolidated fiscal year along with a profit squeeze expected for petroleum products in the domestic market. Ordinary income is expected to be ¥170.0 billion, a decrease of 24.9% from the previous fiscal year. Net income attributable to owners of the parent is expected to be ¥103.0 billion, down 36.5% from the preceding year.

The above forecasts for the fiscal year ending March 31, 2019 are based on the assumptions below:

Dubai Crude Oil Price: US\$65 per bbl

Foreign Exchange Rate: ¥110 per US\$

Forecasts for FY2018 and financial results for FY2017

(Unit: ¥Billion)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent
FY2018	3,900.0	154.0	170.0	103.0
FY2017	3,730.7	201.3	226.3	162.3
Change (Decrease)	4.5 %	(23.5) %	(24.9) %	(36.5) %

The above forecasts for FY2018 are based on information available as of the date of publication of this document. The actual results may differ from the forecasts due to various factors in the future.

## (2) Overview concerning Financial Position

### 1) Analysis of financial position

#### Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2016	FY2017	Change (Decrease)
Current assets	959.8	1,223.0	+263.2
Fixed assets	1,681.9	1,697.3	+15.4
Total assets	2,641.6	2,920.3	+278.6
Current liabilities	1,145.0	1,162.7	+17.7
Non-current liabilities	876.7	851.6	(25.1)
Total liabilities	2,021.7	2,014.3	(7.4)
Total net assets	619.9	905.9	+286.0
Total liabilities and net assets	2,641.6	2,920.3	+278.6

#### a) Total assets

Total assets as of March 31, 2018 increased by ¥278.6 billion compared with the end of the previous year to ¥2,920.3 billion, mainly due to increases in accounts receivable-trade and inventory associated with the higher import prices of crude oil, and the consequence that the fiscal year-end fell on a weekend.

b) Total liabilities

Interest-bearing debt has been reduced significantly to ¥893.6 billion (down ¥158.7 billion compared with the end of the previous year) with repayments using increased free cash flow. However, the reduction in total liabilities was limited to ¥7.4 billion (year-end balance was ¥2,014.3 billion) due to increases in accounts payable-trade associated with the higher import prices of crude oil as well as the increase in gasoline tax payable associated with the consequence that the fiscal year-end fell on a weekend.

c) Total net assets

The Company achieved significant improvement in its financial position with net assets totaling ¥905.9 billion, an increase of ¥286.0 billion compared with the end of the previous fiscal year, reflecting a ¥162.3 billion net income attributable to owners of the parent along with capital as well as capital surplus increasing by ¥59.7 billion, respectively, as a result of the public share offering.

Consequently, the equity ratio as of March 31, 2018 was 29.7%, improving 7.6 points from 22.1% at the end of the preceding fiscal year.

2) Analysis of cash flows

Summarized Consolidated Statements of Cash Flows

	(Unit: ¥Billion)	
	FY2016	FY2017
Cash flows from operating activities	53.5	136.8
Cash flows from investing activities	(214.8)	(89.9)
Cash flows from financing activities	136.1	(51.9)
Effect of exchange rate change on cash and cash equivalents	(3.6)	0.8
Net increase (decrease) in cash and cash equivalents	(28.7)	(4.3)
Cash and cash equivalents at the beginning of period	118.8	90.1
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	1.0
Cash and cash equivalents at the end of period	90.1	86.8

Cash and cash equivalents (“funds”) as of March 31, 2018 were ¥86.8 billion, a decrease of ¥3.3 billion compared with the end of the preceding fiscal year. Major factors for this decrease are as follows:

a) Cash flows from operating activities

Net cash provided operating activities amounted to ¥136.8 billion, reflecting the higher operating incomes mainly generated by the resources segment and the petroleum products segment, which was partially offset by an increase in required working capital caused by higher import prices of crude oil along with the annual settlement date that happened to fall on a weekend this year.

b) Cash flows from investing activities

Net cash used in investing activities amounted to ¥89.9 billion, reflecting the acquisition of tangible fixed assets of ¥58.1 billion as part of the capital-spending program and a ¥22.2 billion increase in long-term loans receivable.

c) Cash flows from financing activities

Financing activities use of ¥51.9 billion was for the net repayment of interest-bearing debt of ¥154.3 billion and dividends to shareholders of ¥12.3 billion, partially offset by ¥118.6 billion of net proceeds from the new share offering.

(3) Basic Policy on Distribution of Profits/Dividends for FY2017 and FY2018

The Company considers the return of profits to shareholders as one of the most important matters and intends to pay stable dividends to shareholders, taking into consideration the strategic investment to enhance existing businesses and to develop future business operations, the improvement of the corporate financial structure, and the business performance. With respect to the year-end dividends for fiscal 2017, the Company determined to pay a dividend of ¥40 per share. As a result, annual dividends for the fiscal year ended March 31, 2018 are ¥80 per share.

In addition, the Company plans to raise annual dividends by ¥20 per share to ¥100 per share for next fiscal year.

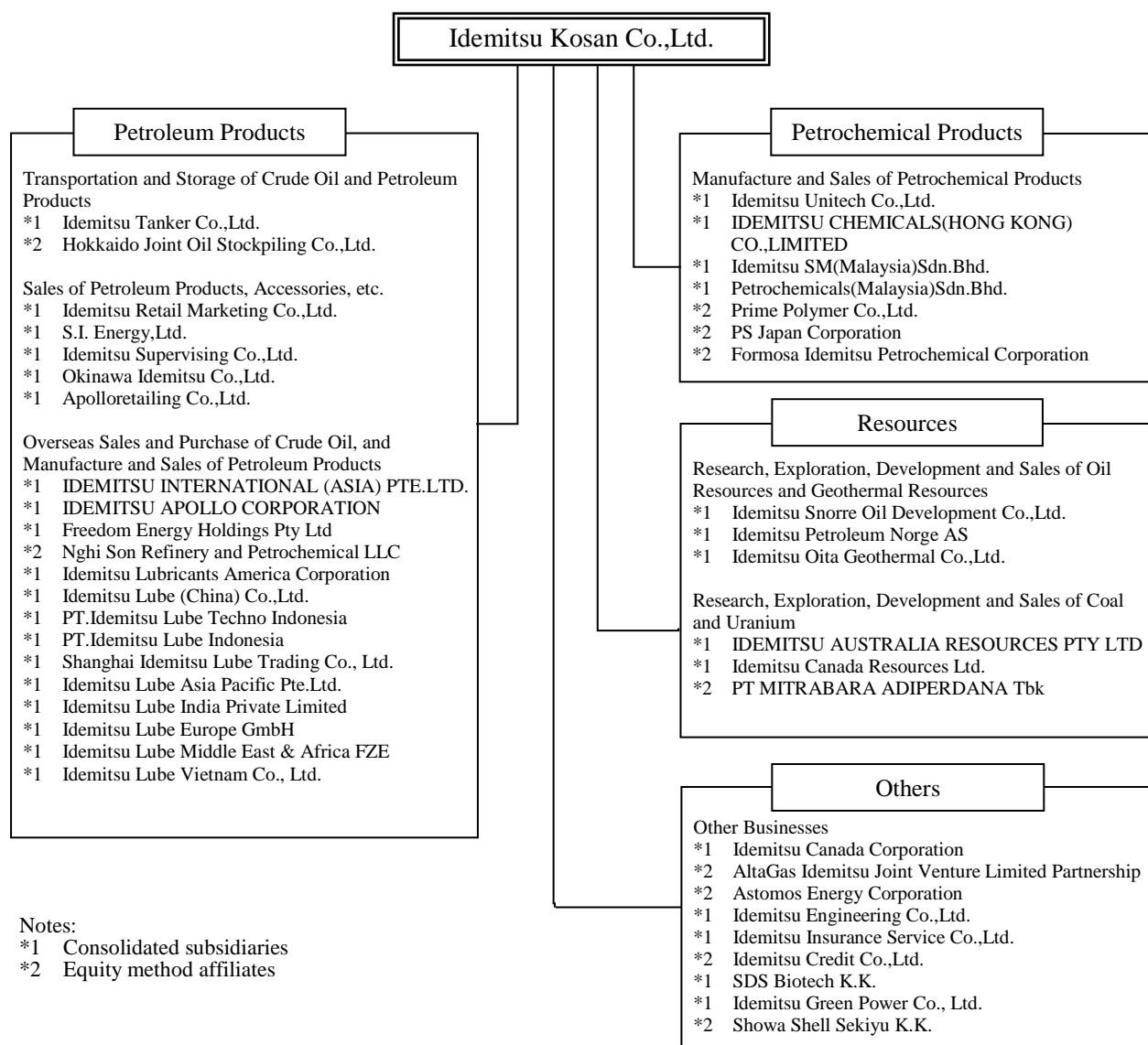
The Company will launch the fifth consolidated medium-term management plan for the next three years beginning with fiscal 2018, seeking to enhance the return of profits to shareholders with a step-by-step approach in view of profitability and free cash flow while maintaining the basic policy of paying stable dividends.

## 2. Description of Idemitsu Group

The principle businesses of the Company, its subsidiaries (92 companies) and its affiliates (48 companies) and their principal businesses are as follows:

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

The following is the illustration of the Idemitsu group:



### **3. Principal Policy for Selecting Financial Reporting Framework**

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



## 4. Consolidated Financial Statements and Major Notes

### (1) Consolidated Balance Sheets

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
<b>Assets</b>		
Current assets:		
Cash and deposits	91,423	88,424
Notes and accounts receivable, trade	327,402	486,185
Inventories	430,861	535,636
Deferred tax assets	16,763	14,730
Other	95,948	98,422
Less: Allowance for doubtful accounts	(2,629)	(432)
Total current assets	959,770	1,222,966
Fixed assets:		
Property, plant and equipment:		
Buildings and structures, net	182,869	183,269
Machinery, equipment and vehicles, net	203,493	185,959
Land	584,350	579,743
Construction in progress	7,808	13,057
Other, net	43,564	44,753
Total property, plant and equipment	1,022,086	1,006,782
Intangible fixed assets:		
Goodwill	7,623	6,723
Other	14,501	14,045
Total intangible fixed assets	22,124	20,768
Investments and other assets:		
Investment securities	414,455	422,436
Investments in capital of subsidiaries and affiliates	23,180	25,479
Long-term loans receivable	36,666	56,348
Assets for employees' retirement benefits	362	344
Deferred tax assets	57,188	50,066
Oil field premium assets	30,617	33,081
Other	75,638	82,054
Less: Allowance for doubtful accounts	(457)	(64)
Total investments and other assets	637,652	669,746
Total fixed assets	1,681,863	1,697,298
Total assets	2,641,633	2,920,265

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable, trade	331,602	429,550
Short-term loans payable	357,566	142,873
Commercial paper	104,005	138,001
Current portion of bonds payable	10,000	25,000
Accounts payable, other	231,990	295,421
Income taxes payable	14,529	27,542
Deferred tax liabilities	328	1,110
Provision for bonuses	8,247	8,111
Other	86,708	95,106
Total current liabilities	1,144,978	1,162,717
Non-current liabilities:		
Bonds payable	55,000	40,000
Long-term loans payable	524,115	546,171
Deferred tax liabilities	9,968	10,933
Deferred tax liability related to land revaluation	93,951	87,972
Liability for employees' retirement benefits	15,093	13,972
Reserve for repair work	28,357	27,112
Asset retirement obligations	78,132	49,178
Oil field premium liabilities	38,114	39,274
Other	33,988	37,002
Total non-current liabilities	876,722	851,617
Total liabilities	2,021,700	2,014,335
<b>Net assets</b>		
Shareholders' equity:		
Common stock	108,606	168,351
Capital surplus	71,131	130,875
Retained earnings	249,549	403,745
Treasury stock	(131)	(133)
Total shareholders' equity	429,156	702,839
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	7,617	10,105
Deferred gains (losses) on hedging activities, net	(7,713)	(4,083)
Surplus from land revaluation	155,541	158,171
Foreign currency translation adjustments	318	919
Defined retirement benefit plans	(1,119)	748
Total accumulated other comprehensive income	154,644	165,861
Noncontrolling interests	36,132	37,228
Total net assets	619,932	905,929
Total liabilities and net assets	2,641,633	2,920,265

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

## 1) Consolidated Statements of Income

(Unit: ¥Million)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net sales	3,190,347	3,730,690
Cost of sales	2,770,857	3,236,808
Gross profit	419,489	493,882
Selling, general and administrative expenses	284,254	292,559
Operating income	135,234	201,323
Non-operating income:		
Interest income	2,555	4,624
Dividend income	5,338	2,796
Subsidy income	870	2,764
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	7,976	27,229
Other	2,390	2,922
Total non-operating income	19,131	40,338
Non-operating expenses:		
Interest expense	9,258	9,655
Loss on foreign exchange, net	1,047	—
Other	4,092	5,689
Total non-operating expenses	14,397	15,345
Ordinary income	139,968	226,316
Extraordinary income:		
Gain on sales of fixed assets	1,504	1,711
Gain on sales of investment securities	1,320	414
Gain on sales of shares of subsidiaries and affiliates	39	12,136
Other	3	34
Total extraordinary income	2,868	14,297
Extraordinary loss:		
Impairment loss on fixed assets	10,897	8,727
Loss on sales of fixed assets	212	276
Loss on disposals of fixed assets	6,178	3,104
Loss on transition to defined contribution pension plan	—	13,810
Other	2,539	2,529
Total extraordinary loss	19,827	28,448
Income before income taxes	123,008	212,165
Income taxes-current	27,393	42,712
Income taxes-deferred	5,091	2,644
Total income taxes	32,484	45,357
Net income	90,524	166,807
Net income attributable to noncontrolling interests	2,359	4,500
Net income attributable to owners of the parent	88,164	162,307

## 2) Consolidated Statements of Comprehensive Income

(Unit: ¥Million)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net income	90,524	166,807
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	3,097	1,773
Deferred gains (losses) on hedging activities, net	3,659	4,363
Surplus from land revaluation	1,670	4,953
Foreign currency translation adjustments	(7,603)	3,014
Defined retirement benefit plans	3,557	1,743
Share of other comprehensive income in equity method subsidiaries and affiliates	(2,088)	(2,621)
Total other comprehensive income	2,292	13,227
Comprehensive income	92,816	180,035
Comprehensive income attributable to:		
Owners of the parent	91,156	175,190
Noncontrolling interests	1,660	4,845

(3) Consolidated Statements of Changes in Net Assets  
 FY2016 (From April 1, 2016 to March 31, 2017)

(Unit: ¥Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	108,606	71,131	168,990	(130)	348,597
Changes of items during the period:					
Dividends from surplus			(7,997)		(7,997)
Net income attributable to owners of the parent			88,164		88,164
Change in scope of consolidation					—
Acquisitions of treasury stock				(0)	(0)
Adjustment due to sales and revaluation of land			392		392
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	80,559	(0)	80,558
Balance at the end of current period	108,606	71,131	249,549	(131)	429,156

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedging activities, net	Surplus from land revaluation	Foreign currency translation adjustments	Defined retirement benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	4,527	(12,854)	154,263	10,764	(4,656)	152,045	37,018	537,660
Changes of items during the period:								
Dividends from surplus								(7,997)
Net income attributable to owners of the parent								88,164
Change in scope of consolidation								—
Acquisitions of treasury stock								(0)
Adjustment due to sales and revaluation of land			(392)			(392)		—
Net changes of items other than shareholders' equity	3,089	5,140	1,670	(10,446)	3,537	2,991	(885)	2,105
Total changes of items during the period	3,089	5,140	1,277	(10,446)	3,537	2,599	(885)	82,272
Balance at the end of current period	7,617	(7,713)	155,541	318	(1,119)	154,644	36,132	619,932

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

(Unit: ¥Million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	108,606	71,131	249,549	(131)	429,156
Changes of items during the period:					
Issuance of new shares	59,744	59,744			119,489
Dividends from surplus			(12,316)		(12,316)
Net income attributable to owners of the parent			162,307		162,307
Change in scope of consolidation			1,881		1,881
Acquisitions of treasury stock				(1)	(1)
Adjustment due to sales and revaluation of land			2,324		2,324
Net changes of items other than shareholders' equity					
Total changes of items during the period	59,744	59,744	154,195	(1)	273,683
Balance at the end of current period	168,351	140,875	403,745	(133)	702,839

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

## (4) Consolidated Statements of Cash Flows

(Unit: ¥Million)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities:		
Income before income taxes	123,008	212,165
Depreciation and amortization	70,200	67,907
Impairment loss on fixed assets	10,897	8,727
Amortization of goodwill	1,115	1,006
Increase (decrease) in liability for employees' retirement benefits	(2,715)	786
Increase (decrease) in reserve for repair work	(82)	(1,245)
Interest and dividend income	(7,893)	(7,421)
Interest expense	9,258	9,655
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net	(7,976)	(27,229)
(Gain) loss on sales of fixed assets, net	(1,292)	(1,434)
(Gain) loss on sales of shares of subsidiaries and affiliates	(39)	(11,066)
Loss on transition to defined contribution pension plan	—	13,810
(Increase) decrease in notes and accounts receivable, trade	(70,211)	(160,141)
(Increase) decrease in inventories	(70,623)	(105,561)
Increase (decrease) in notes and accounts payable, trade	42,412	97,586
(Increase) decrease in accounts receivable, other	(9,842)	(3,736)
Increase (decrease) in accounts payable, other	(25,212)	61,366
Other, net	1,371	3,884
Subtotal	62,372	159,059
Interest and dividends received	14,766	21,662
Interest paid	(9,367)	(9,693)
Income taxes paid	(14,231)	(34,268)
Net cash provided by (used in) operating activities	53,539	136,760
Cash flows from investing activities:		
Purchases of tangible fixed assets	(41,454)	(58,079)
Proceeds from sales of tangible fixed assets	3,128	7,048
Purchases of intangible fixed assets	(1,968)	(1,163)
Acquisitions of investment securities	(162,009)	(1,756)
Proceeds from sales and redemption of securities	3,925	—
Proceeds from sales of shares of nonconsolidated subsidiaries and affiliates	49	—
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(11,912)
Disbursements for long-term loans	(17,329)	(22,190)
Proceeds from collection of long-term loans receivable	1,887	1,235
(Increase) decrease in short-term loans receivable, net	2,293	(1,081)
Payments for investments in capital of subsidiaries and affiliates	(1,655)	(1,455)
Other, net	(1,682)	(534)
Net cash provided by (used in) investing activities	(214,817)	(89,889)

(Unit: ¥Million)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable, net	104,408	(192,068)
Increase (decrease) in commercial paper, net	104,005	33,996
Proceeds from long-term loans payable	45,745	74,257
Repayments of long-term loans payable	(107,554)	(70,521)
Proceeds from issuance of bonds	—	10,000
Redemption of bonds	—	(10,000)
Proceeds from issuance of common shares	—	118,624
Purchases of treasury stock	(0)	(1)
Cash dividends paid	(7,997)	(12,316)
Cash dividends paid to noncontrolling interests	(2,546)	(3,747)
Other, net	84	(136)
Net cash provided by (used in) financing activities	136,143	(51,915)
Effect of exchange rate change on cash and cash equivalents	(3,559)	791
Net increase (decrease) in cash and cash equivalents	(28,693)	(4,253)
Cash and cash equivalents at the beginning of period	118,787	90,093
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	996
Cash and cash equivalents at the end of period	90,093	86,836



(5) Notes to Consolidated Financial Statements

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

None

(Change in Presentation Methods)

Consolidated Statements of Cash Flows

“Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net” included in “Other” under “Cash flows from operating activities” in the prior fiscal year has been presented as a separate account in FY2017 due to its increased financial materiality. To reflect this change in presentation, the reclassification has been made for the Consolidated Statement of Cash Flows for the previous fiscal year.

As a result, ¥7,976 million included in “Other” under “Cash flows from operating activities” in the prior fiscal year has been reclassified as “Equity in (earnings) losses of nonconsolidated subsidiaries and affiliates, net” in the Consolidated Statement of Cash Flows for the prior fiscal year provided herein.

## (Notes to Consolidated Balance Sheets)

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
1. Assets pledged as collateral	345,319	346,015

In addition to the above, the Company pledged investment securities in Nghi Son Refinery and Petrochemical LLC (“NSRP”) amounting to ¥82,672 million as of March 31, 2018 (¥88,798 million as of March 31, 2017) and long-term loans receivable from NSRP amounting to ¥52,751 million as of March 31, 2018 (¥31,892 million as of March 31, 2017) as collateral for NSRP’s borrowings from financial institutions.

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
2. Contingent liabilities:		
Guaranty liabilities and items of similar nature	8,787	10,962
Construction completion guarantee	148,961	164,576
Total	157,749	175,539
3. Accumulated depreciation for property, plant and equipment	2,204,925	2,145,422

## 4. Revaluation of land

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

## (a) Method of revaluation

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

## (b) Date of revaluation: March 31, 2002

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

(Unit: ¥Million)

FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
(147,016)	(144,275)

(Notes to Consolidated Statements of Comprehensive Income)

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

	(Unit: ¥Million)	
	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Unrealized gains (losses) on available-for-sale securities:		
Amount arising during the period	5,683	2,917
Reclassification adjustments to profit or loss	(1,232)	(414)
Amount before income tax effect	4,451	2,502
Income tax effect	(1,353)	(729)
Total	3,097	1,773
Deferred gains (losses) on hedging activities, net:		
Amount arising during the period	2,604	2,939
Reclassification adjustments to profit or loss	2,628	3,207
Amount before income tax effect	5,232	6,147
Income tax effect	(1,572)	(1,783)
Total	3,659	4,363
Surplus from land revaluation:		
Income tax effect	1,670	4,953
Foreign currency translation adjustments:		
Amount arising during the period	(7,603)	8,035
Reclassification adjustments to profit or loss	—	(5,021)
Amount before income tax effect	(7,603)	3,014
Income tax effect	—	—
Total	(7,603)	3,014
Defined retirement benefit plans:		
Amount arising during the period	3,222	557
Reclassification adjustments to profit or loss	2,039	1,787
Amount before income tax effect	5,261	2,345
Income tax effect	(1,704)	(602)
Total	3,557	1,743
Share of other comprehensive income in equity method subsidiaries and affiliates:		
Amount arising during the period	(2,497)	(1,118)
Reclassification adjustments to profit or loss	408	(1,502)
Total	(2,088)	(2,621)
Total other comprehensive income	2,292	13,227

(Notes to Consolidated Statements of Changes in Net Assets)  
FY2016 (From April 1, 2016 to March 31, 2017)

1. Issued shares

	Number of shares at the beginning of current period	Increase	Decrease	Number of shares at the end of current period
Common stock	160,000,000	—	—	160,000,000

2. Treasury stock

	Number of shares at the beginning of current period	Increase	Decrease	Number of shares at the end of current period
Common stock (*)	46,956	280	—	47,236

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

3. Dividends

(a) Dividends paid

Resolution	Class of shares	Total dividends paid (¥Million)	Dividends per share (¥)	Record date	Effective date
Board of directors' meeting on May 10, 2016	Common stock	3,998	25.00	March 31, 2016	June 7, 2016
Board of directors' meeting on November 1, 2016	Common stock	3,998	25.00	September 30, 2016	December 7, 2016

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

Resolution	Class of shares	Total dividends paid (¥Million)	Source of dividends	Dividends per share (¥)	Record date	Effective date
Board of directors' meeting on May 15, 2017	Common stock	3,998	Retained earnings	25.00	March 31, 2017	June 8, 2017

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

1. Issued shares

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

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

2. Treasury stock

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

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

### 3. Dividends

#### (a) Dividends paid

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

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

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

#### (Notes to Consolidated Statements of Cash Flows)

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

(Unit:¥Million)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Cash and deposits	91,423	88,424
Time deposits with original maturities of longer than three months	(1,330)	(1,587)
Cash and cash equivalents	90,093	86,836

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

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

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

(Unit: Million)

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

(Segment and Related Information)

Segment Information

1. Description of reportable segments

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

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

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

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

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

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

FY2016 (From April 1, 2016 to March 31, 2017)

(Unit: ¥Million)

	Reportable segments				Others (*1)	Total	Reconciliation (*2, 4, 5, 6)	Consolidated (*3)
	Petroleum products	Petro- chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	2,438,225	461,212	227,303	3,126,741	63,605	3,190,347	—	3,190,347
Inter-segment	5,587	3,656	112	9,356	538	9,895	(9,895)	—
Total	2,443,813	464,869	227,415	3,136,098	64,144	3,200,243	(9,895)	3,190,347
Operating income	76,999	39,956	16,608	133,564	5,058	138,623	(3,388)	135,234
Segment assets	1,559,783	422,268	399,144	2,381,197	296,481	2,677,678	(36,045)	2,641,633
Other items:								
Depreciation and amortization	26,746	8,561	33,266	68,574	1,031	69,606	594	70,200
Amortization of goodwill	661	34	—	695	419	1,115	—	1,115
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(2,468)	8,947	637	7,115	904	8,019	(43)	7,976
Impairment loss on fixed assets	2,778	843	6,499	10,120	776	10,897	—	10,897
Investment in equity method nonconsolidated subsidiaries and affiliates	98,785	47,400	5,328	151,513	220,698	372,212	—	372,212
Unamortized balance of goodwill	6,174	217	—	6,391	1,231	7,623	—	7,623
Increase of property, plant, equipment and intangible fixed assets	22,184	9,152	12,945	44,283	1,296	45,579	523	46,102

Notes:

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

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

(Unit: ¥Million)

	Reportable segments				Others (*1)	Total	Reconciliation (*2, 4, 5, 6)	Consolidated (*3)
	Petroleum products	Petro- chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	2,870,802	500,664	289,386	3,660,853	69,837	3,730,690	—	3,730,690
Inter-segment	7,920	4,033	1,001	12,955	824	13,780	(13,780)	—
Total	2,878,723	504,698	290,388	3,673,809	70,662	3,744,471	(13,780)	3,730,690
Operating income	88,639	42,231	66,815	197,687	7,253	204,941	(3,617)	201,323
Segment assets	1,807,490	446,977	421,792	2,676,260	311,602	2,987,862	(67,597)	2,920,265
Other items:								
Depreciation and amortization	27,603	8,897	29,783	66,284	1,071	67,356	551	67,907
Amortization of goodwill	682	34	—	716	290	1,006	—	1,006
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(2,650)	9,313	1,713	8,376	18,799	27,175	54	27,229
Impairment loss on fixed assets	1,663	59	7,004	8,727	—	8,727	—	8,727
Investment in equity method nonconsolidated subsidiaries and affiliates	92,820	48,501	5,950	147,272	233,800	381,072	—	381,072
Unamortized balance of goodwill	5,598	182	—	5,781	942	6,723	—	6,723
Increase of property, plant, equipment and intangible fixed assets	34,503	6,873	15,110	56,487	2,444	58,931	447	59,378

Notes:

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



## Related Information

### FY2016 (From April 1, 2016 to March 31, 2017)

#### (a) Information for each product and service

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

#### (b) Geographic segment information

##### (1) Sales

(Unit: ¥Million)

Japan	Asia and Oceania	North America	Europe	Others	Total
2,403,764	499,497	168,910	92,891	25,283	3,190,347

##### (Notes)

1. Areas are segmented based on their geographical proximity.

2. The principal areas included in each region are as follows:

Asia and Oceania : China, Australia, South Korea, Singapore, etc.

North America : USA and Canada

Europe : UK, Norway, etc.

Others : South America, etc.

##### (2) Property, plant and equipment

(Unit: ¥Million)

Japan	Asia and Oceania	Europe	Others	Total
819,321	114,854	60,075	27,835	1,022,086

##### (Notes)

1. Areas are segmented based on their geographical proximity.

2. The principal areas included in each region are as follows:

Asia and Oceania : Australia, Malaysia, South Korea, Indonesia, etc.

Europe : UK, Norway, etc.

Others : USA, Canada, etc.

##### (3) Principal customer information

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

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

#### (a) Information for each product and service

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

#### (b) Geographic segment information

##### (1) Sales

(Unit: ¥Million)

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

(Notes)

1. Areas are segmented based on their geographical proximity.
2. The principal areas included in each region are as follows:  
Asia and Oceania : China, Australia, South Korea, Singapore, etc.  
North America : USA and Canada  
Europe : UK, Norway, etc.  
Others : South America, etc.

## (2) Property, plant and equipment

(Unit: ¥Million)

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

(Notes)

1. Areas are segmented based on their geographical proximity.
2. The principal areas included in each region are as follows:  
Asia and Oceania : Australia, Malaysia, South Korea, Indonesia, etc.  
Europe : Norway, etc.  
Others : USA, Canada, etc.

## (3) Principal customer information

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

### Information Regarding Impairment Loss on Fixed Assets by Reportable Segment

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

### Information Regarding Amortization and Unamortized Balances of Goodwill by Reportable Segment

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

### Information Regarding Negative Goodwill Gain by Reportable Segment

No negative goodwill was recognized during the periods.

### (Other Notes to Consolidated Financial Statements)

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

These notes will become available on EDINET on-line disclosure as the Company plans to file the Securities Report on June 28, 2018.

(Per Share Information)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net assets per share	¥3,649.83	¥4,177.40
Net income per share	¥551.19	¥845.17

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

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

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net income per share:		
Net income attributable to owners of the parent (¥million)	88,164	162,307
Amount not attributable to common stock (¥million)	—	—
Net income attributable to common stock (¥million)	88,164	162,307
Weighted-average common shares outstanding during the period (thousands of shares)	159,952	192,040
Summary of information for potential dilutive securities not included in the basis for calculating diluted net income per share	—	—

(Significant Subsequent Events)

None

## 5. Nonconsolidated Financial Statements

### (1) Nonconsolidated Balance Sheets

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
<b>Assets</b>		
Current assets:		
Cash and deposits	13,764	18,785
Notes receivable, trade	110	207
Accounts receivable, trade	247,398	373,369
Merchandise and finished goods	197,007	258,505
Raw material and supplies	173,242	200,190
Prepaid expenses	2,858	3,007
Short-term loans receivable	30,663	27,944
Deferred tax assets	13,698	12,602
Other	61,250	69,667
Less: Allowance for doubtful accounts	(2,699)	(797)
Total current assets	737,295	963,483
Fixed assets:		
Property, plant and equipment:		
Buildings, net	48,688	47,917
Structures, net	62,181	62,137
Oil tanks, net	24,440	23,151
Machinery and equipment, net	80,745	79,390
Vehicles, net	666	1,618
Tools, furniture and fixtures, net	5,674	5,379
Land	582,862	576,965
Construction in progress	3,459	8,055
Total property, plant and equipment	808,718	804,615
Intangible fixed assets:		
Leasehold rights	8,280	8,285
Software	2,600	2,647
Other	285	394
Total intangible fixed assets	11,166	11,327
Investments and other assets:		
Investment securities	35,254	36,780
Investments in subsidiaries and affiliates	465,669	451,062
Long-term loans receivable	7,475	14,196
Deferred tax assets	46,653	41,051
Other	47,093	46,168
Less: Allowance for doubtful accounts	(447)	(54)
Total investments and other assets	601,698	589,205
Total fixed assets	1,421,583	1,405,147
Total assets	2,158,878	2,368,631

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	FY2017 (As of March 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable, trade	271,479	341,189
Short-term loans payable	335,870	123,578
Commercial paper	104,005	138,001
Current portion of bonds payable	10,000	25,000
Accounts payable, other	227,439	290,982
Accrued expenses	2,505	2,543
Income taxes payable	9,869	—
Advances received	21,521	22,422
Deposits received	56,756	92,168
Provision for bonuses	6,278	6,150
Other	13,615	22,331
<b>Total current liabilities</b>	<b>1,059,341</b>	<b>1,064,368</b>
<b>Non-current liabilities:</b>		
Bonds payable	55,000	40,000
Long-term loans payable	461,349	479,122
Deferred tax liability related to land revaluation	93,951	87,972
Provision for retirement benefits	11,119	12,316
Reserve for repair work	27,106	25,227
Other	27,631	29,719
<b>Total non-current liabilities</b>	<b>676,159</b>	<b>674,357</b>
<b>Total liabilities</b>	<b>1,735,500</b>	<b>1,738,726</b>
<b>Net assets</b>		
<b>Shareholders' equity:</b>		
Common stock	108,606	168,351
<b>Capital surplus</b>		
Legal capital surplus	57,245	116,990
Other capital surplus	10,354	10,354
<b>Total capital surplus</b>	<b>67,599</b>	<b>127,344</b>
<b>Retained earnings</b>		
Legal retained earnings	1,081	1,081
<b>Other retained earnings</b>		
Reserve for special depreciation	1,254	941
Reserve for overseas investment loss	424	736
Reserve for advanced depreciation of fixed assets	33,449	32,448
Retained earnings brought forward	51,932	134,210
<b>Total retained earnings</b>	<b>88,140</b>	<b>169,417</b>
Treasury stock	(131)	(133)
<b>Total shareholders' equity</b>	<b>264,215</b>	<b>464,980</b>
<b>Valuation and translation adjustments:</b>		
Unrealized gains (losses) on available-for-sale securities	6,445	7,901
Deferred gains (losses) on hedging activities, net	(2,824)	(1,148)
Surplus from land revaluation	155,541	158,171
<b>Total valuation and translation adjustments</b>	<b>159,162</b>	<b>164,924</b>
<b>Total net assets</b>	<b>423,377</b>	<b>629,904</b>
<b>Total liabilities and net assets</b>	<b>2,158,878</b>	<b>2,368,631</b>

## (2) Nonconsolidated Income Statements

(Unit: ¥Million)

	FY2016 (From April 1, 2016 to March 31, 2017)	FY2017 (From April 1, 2017 to March 31, 2018)
Net sales	2,455,694	2,746,981
Cost of sales	2,162,302	2,432,652
Gross profit	293,391	314,329
Selling, general and administrative expenses	205,689	210,534
Operating income	87,701	103,794
Non-operating income:		
Interest income	661	773
Dividend income	18,150	27,658
Subsidy income	870	2,764
Other	1,072	728
Total non-operating income	20,754	31,924
Non-operating expenses:		
Interest expense	6,517	6,046
Loss on foreign exchange, net	1,092	53
Other	3,899	5,113
Total non-operating expenses	11,509	11,213
Ordinary income	96,946	124,505
Extraordinary income:		
Gain on sales of fixed assets	1,402	1,683
Gain on sales of investment securities	1,320	414
Gain on sales of shares of subsidiaries and affiliates	39	3,385
Total extraordinary income	2,763	5,483
Extraordinary loss:		
Loss on impairment of fixed assets	3,616	1,713
Loss on sales of fixed assets	122	268
Loss on disposals of fixed assets	6,013	3,043
Impairment loss on investments in subsidiaries and affiliates	—	12,388
Loss on transition to defined contribution pension plan	—	13,810
Other	2,123	1,155
Total extraordinary loss	11,875	32,379
Income before income taxes	87,834	97,608
Income taxes-current	9,519	1,994
Income taxes-deferred	13,016	4,344
Total income taxes	22,535	6,338
Net income	65,298	91,270

(3) Nonconsolidated Statements of Changes in Net Assets  
FY2016 (From April 1, 2016 to March 31, 2017)

(Unit: ¥Million)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
					Reserve for special depreciation	Reserve for overseas investment loss	Reserve for advanced depreciation of fixed assets	Retained earnings brought forward		
Balance at the beginning of current period	108,606	57,245	10,354	67,599	1,081	1,566	448	35,099	(7,748)	30,447
Changes of items during the period										
Dividends from surplus									(7,997)	(7,997)
Net income									65,298	65,298
Acquisitions of treasury stock										
Provision of other retained earnings								992	(992)	—
Reversal of other retained earnings						(312)	(24)	(2,642)	2,980	—
Adjustment due to sales and revaluation of land									392	392
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	(312)	(24)	(1,650)	59,680	57,693
Balance at the end of period	108,606	57,245	10,354	67,599	1,081	1,254	424	33,449	51,932	88,140

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedging activities, net	Surplus from land revaluation	Total valuation and translation adjustments	
Balance at the beginning of current period	(130)	206,523	3,376	(6,062)	154,263	151,578	358,101
Changes of items during the period							
Dividends from surplus		(7,997)					(7,997)
Net income		65,298					65,298
Acquisitions of treasury stock	(0)	(0)					(0)
Provision of other retained earnings		—					—
Reversal of other retained earnings		—					—
Adjustment due to sales and revaluation of land		392			(392)	(392)	—
Net changes of items other than shareholders' equity			3,068	3,237	1,670	7,976	7,976
Total changes of items during the period	(0)	57,692	3,068	3,237	1,277	7,583	65,276
Balance at the end of period	(131)	264,215	6,445	(2,824)	155,541	159,162	423,377

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

(Unit: ¥Million)

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

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