



August 14, 2019

Consolidated Financial Results for the First Quarter of Fiscal Year 2019 (From April 1, 2019 to June 30, 2019) [Japan GAAP]

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

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

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Supplementary materials for the quarterly financial results: Yes

Quarterly financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

1. Consolidated Financial Results for the First Quarter of FY2019 (From April 1, 2019 to June 30, 2019)

(1) Consolidated operating results

(Percentage figures represent changes from the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
1Q FY2019	1,476,314	46.9	33,980	(52.5)	34,632	(57.6)	35,989	(34.7)
1Q FY2018	1,004,722	20.8	71,469	106.7	81,594	108.9	55,090	117.2

Note: Comprehensive income 1Q FY2019 ¥38,225 million 10.0% 1Q FY2018 ¥34,748 million 77.6%

	Net income per share	Diluted net income per share
	¥	¥
1Q FY2019	119.28	—
1Q FY2018	264.92	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
1Q FY2019	4,071,158	1,316,951	31.1
FY2018	2,890,307	878,931	29.1

Reference: Total equity 1Q FY2019 ¥1,264,635 million FY2018 ¥842,099 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2018	—	50.00	—	50.00	100.00
FY2019	—				
FY2019 (Forecasts)		80.00	—	80.00	160.00

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

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

(Percentage figures represent changes from the previous fiscal year)

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

Note: Revisions of the forecasts of consolidated financial results since the latest announcement: None

* Notes

(1) Changes of number of material consolidated subsidiaries during the three months ended June 30, 2019: **Yes**

Newly consolidated companies: 1 (Showa Shell Sekiyu K.K.)

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

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

a) Changes in accounting policies arising from revision of accounting standards: **Yes**

b) Changes arising from other factors: **Yes**

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

d) Restatement: **None**

(4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of June 30, 2019: 301,925,518 As of March 31, 2019: 208,000,000

b) Number of shares of treasury stock

As of June 30, 2019: 191,557 As of March 31, 2019: 10,657,857

c) Weighted average number of shares outstanding during the period

Three months ended June 30, 2019: 301,730,837

Three months ended June 30, 2018: 207,952,369

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

*2 The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 5 “Explanation of Forecasts of Consolidated Financial Results for FY2019” of the Appendix.

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1. Qualitative Information on the Consolidated Operating Results for the First Quarter of FY2019

(1) Explanation of Operating Results

The overall domestic demand for main petroleum products during the first quarter of fiscal 2019 fell slightly below the previous year's level, reflecting the declining trend in demand.

Dubai crude oil prices had initially risen mainly on the back of coordinated production cut by OPEC and other oil producers, as well as increasingly tense confrontation between Iran and US/Saudi Arabia, but later turned to fall largely in the wake of growing uncertainty in the global economy mainly on the back of the US-China confrontation. Consequently, the average crude oil price from April to June 2019 was \$67.4/bbl, a decrease of \$4.7/bbl against the same period of the previous year.

The price for naphtha, a petrochemical raw material, dropped by \$53/ton against the same period last year to \$566/ton.

(Crude oil price, naphtha price and exchange rate)

	Three months ended June 30, 2018	Three months ended June 30, 2019	Change	
Dubai Crude Oil (\$/bbl)	72.1	67.4	(4.7)	(6.6)%
Naphtha (\$/ton)	619	566	(53)	(8.5)%
Exchange Rate (¥/\$)	109.1	109.9	+0.8	+0.8%

The Idemitsu Group's net sales for the first quarter of fiscal 2019 were ¥1,476.3 billion, an increase of 46.9% compared with the same period of the preceding year, due mainly to the business integration through the share exchange that the Company and Showa Shell Sekiyu K.K. ("Showa Shell") conducted on April 1, 2019.

Operating income decreased by 52.5% against the same period of the previous year to ¥34.0 billion, due mainly to lower margins on petroleum products and a decrease in the effect of inventory valuation.

Net non-operating income during the quarter totaled ¥0.7 billion, a decrease of ¥9.5 billion from the same period of last year, owing primarily to decreased equity in earnings of nonconsolidated subsidiaries and affiliates. As a result, ordinary income was ¥34.6 billion, down 57.6% compared with the same period of last year.

Net extraordinary income was ¥17.9 billion, an increase of ¥15.0 billion from the same period of the previous year, owing primarily to gain from step acquisition of Showa Shell shares.

Income tax expenses, which consist of income taxes-current and income taxes-deferred, amounted to ¥15.0 billion, a decrease of ¥12.3 billion from the same period of the previous year, due mainly to a decrease of income before income taxes.

Net income attributable to owners of the parent decreased by 34.7% compared with the same period of fiscal 2018 to ¥36.0 billion.

[Reference]

Net sales and operating income decreased by 11.3% and 70.0%, respectively for the three months ended June 30, 2019 compared with pro forma net sales and operating income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

The performance of each business segment for the three months ended June 30, 2019 is as follows:

As described in "2. (3) 5 Consolidated Segment Information", as a result of the business integration with Showa Shell, effective from the first quarter of fiscal 2019, the Company's previous three reportable segments of "Petroleum products," "Petrochemical products" and "Resources" have been reclassified to the current five reportable segments of "Petroleum," "Basic chemicals," "Functional materials," "Power and renewable energy" and "Resources."

[Petroleum segment]

Net sales in the petroleum segment were ¥1,169.5 billion, up 61.5% compared to the first quarter of the previous fiscal year. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥5.2 billion, down 85.5% year on year, primarily affected by lower product margins and a decrease in the effect of inventory valuation.

[Reference]

Net sales and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) decreased by 10.0% and 92.9%, respectively compared with pro forma net sales and segment income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

[Basic chemicals segment]

Net sales in the basic chemicals segment decreased by 7.0% year compared with the same period of the previous fiscal year to ¥113.5 billion, due largely to decreases in naphtha prices on a customs clearance basis. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥5.9 billion, down 51.4% year on year, mainly due to lower margins on styrene monomer and other products.

[Functional materials segment]

Net sales in the functional materials segment for the three months ended June 30, 2019 were ¥97.1 billion, up 14.6% from the same period of fiscal 2018. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥6.4 billion, down 20.0% from the same period of the prior year, due mainly to a decrease in equity in earnings of nonconsolidated subsidiaries and affiliates.

[Reference]

Net sales and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) decreased by 9.2% and 29.8%, respectively compared with pro forma net sales and segment income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

[Power and renewable energy segment]

Net sales in the power and renewable energy segment for the three months ended June 30, 2019 were ¥29.3 billion, up 501.8% from the same period of fiscal 2018. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥0.8 billion, up 176.7% from the same period of the prior year.

[Reference]

Net sales decreased by 15.4% and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) increased by 88.3% compared with pro forma net sales and segment income for the same period of the previous fiscal year assuming that the Company consolidated 100% of Showa Shell's operating results.

[Resources segment]

(Oil exploration and production and geothermal energy business)

Net sales of the oil exploration and production business and the geothermal energy business for the three months ended June 30, 2019 were ¥15.3 billion, down 24.6% from the corresponding period of the previous year, due mainly to the effect of reduced crude oil price. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥6.7 billion, down 25.3% from the same period of the preceding year.

(Coal business and others)

Net sales of the coal business and others for the three months ended June 30, 2019 were ¥51.1 billion, up 6.8% compared with the same period of last year. Segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥9.5 billion, down 13.0% compared with the same period of the preceding year, due mainly to the effect of reduced sales volumes owing to the sale of the Company's interest in the Tarawonga Coal Mine.

As a result, total net sales of the resources segment were ¥66.4 billion, down 2.6% and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥16.2 billion, down 18.6% from the same period of the preceding year.

[Other segments]

Net sales of the other segments for the three months ended June 30, 2019 were ¥0.5 billion, down 20.4% and segment income (operating income + equity in earnings (losses) of nonconsolidated subsidiaries and affiliates) was ¥0.0 billion, down 99.3% compared with the same period of the preceding year.

(2) Explanation of Financial Position
Summarized Consolidated Balance Sheets

(Unit: ¥Billion)

	FY2018	1 st Quarter of FY2019	Change
Current assets	1,225.4	1,711.6	+486.2
Fixed assets	1,664.9	2,359.6	+694.7
Total assets	2,890.3	4,071.2	+1,180.9
Current liabilities	1,195.8	1,700.0	+504.2
Non-current liabilities	815.6	1,054.2	+238.6
Total liabilities	2,011.4	2,754.2	+742.8
Total net assets	878.9	1,317.0	+438.0
Total liabilities and net assets	2,890.3	4,071.2	+1,180.9

1) Total assets

Total assets as of June 30, 2019 increased by ¥1,180.9 billion from the end of the previous fiscal year to ¥4,071.2 billion.

2) Total liabilities

Total liabilities as of June 30, 2019 increased by ¥742.8 billion from the end of the previous fiscal year to ¥2,754.2 billion.

3) Total net assets

Total net assets as of June 30, 2019 were ¥1,317.0 billion, an increase of ¥438.0 billion from the end of the preceding fiscal year, due mainly to an increase in capital surplus of ¥341.1 billion associated with the share exchange on April 1, 2019 and disposal of treasury stock.

(3) Explanation of Forecasts of Consolidated Financial Results for FY2019

There was no change in the forecasts of the consolidated financial results for the year ending March 31, 2020 released on May 15, 2019.

2. Consolidated Financial Statements for the First Quarter of FY2019 and Major Notes

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2018 (As of March 31, 2019)	1 st Quarter of FY2019 (As of June 30, 2019)
Assets		
Current assets:		
Cash and deposits	91,850	117,816
Notes and accounts receivable, trade	453,316	632,567
Inventories	586,561	794,111
Other	94,801	169,837
Less: Allowance for doubtful accounts	(1,101)	(2,732)
Total current assets	1,225,427	1,711,600
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	182,800	257,092
Land	576,288	811,878
Other, net	232,939	371,756
Total property, plant and equipment	992,028	1,440,727
Intangible fixed assets:		
Goodwill	7,214	176,279
Other	17,536	164,233
Total intangible fixed assets	24,750	340,512
Investments and other assets:		
Investment securities	400,847	294,143
Other	247,948	284,968
Less: Allowance for doubtful accounts	(696)	(794)
Total investments and other assets	648,100	578,317
Total fixed assets	1,664,879	2,359,557
Total assets	2,890,307	4,071,158
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	399,176	576,882
Short-term loans payable	154,715	301,338
Commercial paper	204,000	220,000
Current portion of bonds payable	10,000	20,000
Accounts payable, other	305,563	395,095
Income taxes payable	30,634	36,106
Provision for bonuses	8,169	3,639
Other	83,541	146,920
Total current liabilities	1,195,800	1,699,982
Non-current liabilities:		
Bonds payable	50,000	50,000
Long-term loans payable	531,168	562,644
Liability for employees' retirement benefits	11,996	79,413
Reserve for repair work	38,267	65,059
Asset retirement obligations	51,620	59,075
Other	132,522	238,029
Total non-current liabilities	815,575	1,054,223
Total liabilities	2,011,376	2,754,206

(Unit: ¥Million)

	FY2018 (As of March 31, 2019)	1 st Quarter of FY2019 (As of June 30, 2019)
Net assets		
Shareholders' equity:		
Common stock	168,351	168,351
Capital surplus	130,876	471,989
Retained earnings	466,750	492,685
Treasury stock	(56,022)	(929)
Total shareholders' equity	709,955	1,132,097
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	5,734	4,274
Deferred gains (losses) on hedging activities, net	(6,730)	(7,642)
Surplus from land revaluation	155,535	155,408
Foreign currency translation adjustments	(21,330)	(19,162)
Defined retirement benefit plans	(1,064)	(339)
Total accumulated other comprehensive income	132,144	132,537
Noncontrolling interests	36,831	52,316
Total net assets	878,931	1,316,951
Total liabilities and net assets	2,890,307	4,071,158

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	1 st Quarter of FY2018 (From April 1, 2018 to June 30, 2018)	1 st Quarter of FY2019 (From April 1, 2019 to June 30, 2019)
Net sales	1,004,722	1,476,314
Cost of sales	862,591	1,345,096
Gross profit	142,130	131,217
Selling, general and administrative expenses	70,661	97,236
Operating income	71,469	33,980
Non-operating income:		
Interest income	1,412	2,177
Dividend income	2,038	2,079
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	9,370	—
Gain on foreign exchange, net	—	803
Other	442	1,180
Total non-operating income	13,263	6,240
Non-operating expenses:		
Interest expense	2,095	3,000
Equity in losses of nonconsolidated subsidiaries and affiliates, net	—	1,260
Loss on foreign exchange, net	514	—
Other	528	1,327
Total non-operating expenses	3,138	5,588
Ordinary income	81,594	34,632
Extraordinary income:		
Gain on sales of fixed assets	206	1,932
Gain on sale of affiliate stock	187	—
Gain on dissolution of oil field premium contract	6,251	—
Gain from step acquisition	—	17,215
Other	8	1,355
Total extraordinary income	6,654	20,503
Extraordinary losses:		
Impairment loss on fixed assets	3,003	25
Loss on sales of fixed assets	24	26
Loss on disposals of fixed assets	228	1,555
Loss on reduction of fixed assets	—	935
Other	475	62
Total extraordinary losses	3,730	2,605
Income before income taxes	84,517	52,531
Income taxes	27,323	15,004
Net income	57,194	37,526
Net income attributable to noncontrolling interests	2,103	1,536
Net income attributable to owners of the parent	55,090	35,989

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	1 st Quarter of FY2018 (From April 1, 2018 to June 30, 2018)	1 st Quarter of FY2019 (From April 1, 2019 to June 30, 2019)
Net income	57,194	37,526
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	(265)	(1,443)
Deferred gains on hedging activities, net	(1,481)	77
Foreign currency translation adjustments	(15,400)	2,204
Defined retirement benefit plans	139	(71)
Share of other comprehensive income in equity method affiliates	(5,438)	(68)
Total other comprehensive income	(22,446)	698
Comprehensive income	34,748	38,225
Comprehensive income attributable to:		
Owners of the parent	33,039	36,509
Noncontrolling interests	1,708	1,715

(3) Notes to the Consolidated Quarterly Financial Statements

1) Notes on the Assumption of a Going Concern

None

2) Notes on Significant Changes in Shareholders' Equity

On April 1, 2019, the Company and Showa Shell conducted the share exchange in which the Company became a wholly owning parent company and Showa Shell became a wholly owned subsidiary. As a result, capital surplus increased by ¥341,115 million and treasury stock decreased by ¥55,127 million.

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

Income taxes are calculated by multiplying the income before income taxes for the three months ended June 30, 2019 by the estimated effective tax rate that is reasonably estimated for income before income taxes for the fiscal year that includes the current quarter.

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

4) Change in Accounting Policies

(a) Change in valuation method of available-for-sale securities with fair value

The Company previously used the average market price for the month that includes the reporting date when applying the fair value method to measure its equity instruments classified as available-for-sale securities. Effective April 1, 2019, the Company made change to the fair value method and implemented the use of the market price at each reporting date, which is the required method in principle when applying the fair value method.

This change was made to provide more relevant information regarding the Company's financial position upon the business integration with Showa Shell. Since the effect from this accounting policy change was not material, the new accounting policy was not applied retrospectively.

(b) Application of IFRS 16 "Leases"

Effective April 1, 2019, most non-US overseas subsidiaries of the Idemitsu Group adopted IFRS 16 "Leases." As a result, lessees under lease agreements recognize the assets and liabilities arising from all leases on the balance sheet in principle. The application of this accounting standard did not have material effect on the financial statements.

5) Consolidated Segment Information

First Quarter of FY2018 (From April 1, 2018 to June 30, 2018)

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

(Unit: ¥Million)

	Reportable segment						Others	Total	Reconciliation	Consolidated
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total				
Net sales:										
Net sales to outside customers	724,302	122,068	84,745	4,870	68,128	1,004,116	606	1,004,722	—	1,004,722
Inter-segment	3,230	193	4,768	148	174	8,514	374	8,889	(8,889)	—
Total sales	727,532	122,261	89,514	5,019	68,303	1,012,631	981	1,013,612	(8,889)	1,004,722
Operating income	36,859	11,243	5,371	285	19,173	72,934	129	73,063	(1,594)	71,469
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(848)	843	2,666	19	659	3,339	6,385	9,724	(354)	9,370
Segment income	36,011	12,087	8,037	304	19,833	76,273	6,514	82,788	(1,948)	80,839

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., insurance businesses and intra-group service businesses.
2. The amount of reconciliation for the segment income mainly represents research and development costs, which do not belong to reportable segments.
3. The segment income of the reportable segments is reconciled to the amount of operating income and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated quarterly statement of income.

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

There is no significant item during the period.

First Quarter of FY2019 (From April 1, 2019 to June 30, 2019)

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

(Unit: ¥Million)

	Reportable segment						Others	Total	Reconciliation	Consolidated
	Petroleum	Basic chemicals	Functional materials	Power and renewable energy	Resources	Total				
Net sales:										
Net sales to outside customers	1,169,545	113,504	97,080	29,311	66,389	1,475,831	482	1,476,314	—	1,476,314
Inter-segment	7,481	6,869	6,073	180	234	20,839	234	21,074	(21,074)	—
Total sales	1,177,026	120,374	103,153	29,492	66,623	1,496,671	717	1,497,388	(21,074)	1,476,314
Operating income	7,917	5,514	6,055	837	16,016	36,341	46	36,388	(2,407)	33,980
Equity in earnings (losses) of nonconsolidated subsidiaries and affiliates	(2,705)	355	371	4	137	(1,836)	—	(1,836)	575	(1,260)
Segment income	5,211	5,869	6,427	842	16,154	34,505	46	34,551	(1,832)	32,719

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including insurance businesses and intra-group service businesses.
2. The amount of reconciliation for the segment income mainly represents research and development costs, which do not belong to reportable segments.
3. The segment income of the reportable segments is reconciled to the amount of operating income and equity in earnings (losses) of nonconsolidated subsidiaries and affiliates in the consolidated quarterly statement of income.

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

(Significant change in goodwill)

As a result of acquiring all shares of Showa Shell on April 1, 2019, the amount of goodwill increased by ¥128,551 million and ¥42,850 million in the “Petroleum” segment and the “Power and renewable energy” segment, respectively.

Refer to “6) Business Combination” for details.

(c) Matters related to changes in reportable segments etc.

As a result of the business integration with Showa Shell, effective from the first quarter of fiscal 2019, the Company’s previous three reportable segments of “Petroleum products,” “Petrochemical products” and “Resources” have been reclassified to the current five reportable segments of “Petroleum,” “Basic chemicals,” “Functional materials,” “Power and renewable energy” and “Resources.”

Major businesses in each segment are shown in the following table.

Reportable segment	Major businesses
Petroleum	Production, sales, import/export, trading, etc. of refined petroleum products
Basic chemicals	Production, sales, etc. of olefin/aroma products
Functional materials	Lubricants, performance chemicals, electronic materials, high functional asphalt, agricultural biotechnology products business, etc.
Power and renewable energy	Power generation (thermal power, solar power, wind power, etc.), sales of electricity and solar cell business
Resources	Exploration, development, production and sales of crude oil and other energy resources such as coals

Segment information for the previous period has been reclassified and disclosed to conform to the segmentation adopted during the current fiscal year.

(d) Significant changes in segment assets

Primarily due to the business integration with Showa Shell, the total assets of the Idemitsu Group increased by ¥1,180,850 million from the end of the previous fiscal year to ¥4,071,158 million. The increase is mainly in the “Petroleum” segment.

6) Business Combination through Acquisition

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

(Business combination through acquisition)

(a) Outline of the business combination

a) Name and business Description of the acquiree

Name of the acquiree: Showa Shell Sekiyu K.K.

Business description: refining and sales of petroleum products, etc.

b) Primary reasons for the business combination

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

c) Date of the business combination

April 1, 2019

d) Legal form of the business combination

Share exchange in which the Company becomes a wholly owning parent company and Showa Shell becomes a wholly owned subsidiary

e) Company name after the business combination

No change was made.

f) Percentage of voting equity interests acquired

Percentage immediately before the business combination: 31.62%

Additional percentage acquired on the acquisition date: 68.38%

Percentage after the acquisition: 100.0%

g) Primary rationale for determining the acquirer

The Company’s acquisition of all shares of Showa Shell in exchange for the Company’s shares

(b) Period of the acquiree’s operating results included in the consolidated quarterly statement of income

April 1, 2019 through June 30, 2019

(c) Matters concerning calculation of acquisition cost

a) Breakdown of acquisition cost of acquiree and consideration transferred

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

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

i. Share exchange ratio

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

ii. Rationale for the share exchange ratio

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

iii. Number of shares issued

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

As part of the shares issued above, the Company reissued and allocated 10,486,357 shares of its common stock that were previously repurchased and held by the Company.

c) Description and amount of acquisition-related costs

Advisory costs, etc.: ¥804 million

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

Gain from step acquisition: ¥17,215 million

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

a) Amount of goodwill recognized: ¥171,402 million

b) Factors that make up the goodwill

The goodwill is made up with excess earnings arising primarily from expected synergies from collaboration in each business area between the Company and Showa Shell.

c) Amortization method and amortization period: straight line method over 20 years

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

	(Unit: ¥Million)
Current assets	594,095
Fixed assets	<u>659,965</u>
Total assets	<u>1,254,060</u>
Current liabilities	585,437
Non-current liabilities	<u>244,147</u>
Total liabilities	<u>829,584</u>

7) Significant Subsequent Events

None