

(English Translation)

Consolidated Financial Results for the Third Quarter of Fiscal Year 2018
(From 1 January to 30 September 2018)

14 November 2018

Listed Company Name: Showa Shell Sekiyu K. K. Listed Stock Exchange: Tokyo Stock Exchange 1st Section
Code Number: 5002 URL <http://www.showa-shell.co.jp/english/index.html>
Delegate: Title: Representative Director, President, Executive Officer, CEO Name: Tsuyoshi Kameoka
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Expected date of quarterly report submission: 14 November 2018
Expected date of dividend payment: -
Supporting material for quarterly results: Applicable
The briefing session of quarterly results: Applicable (For analysts and institutional investors)

(Amount unit: Millions of yen, unless otherwise stated)
(Fractions less than one million yen are rounded off.)

1. Consolidated financial results for the Third Quarter of FY2018 (From 1 January to 30 September 2018)

(Percentages represent changes from the same period of the previous year.)

(1) Consolidated financial results

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
		%		%		%		%
3Q FY2018	1,876,695	29.6	105,052	158.8	107,605	140.9	68,348	255.7
3Q FY2017	1,447,977	14.6	40,590	48.7	44,676	81.8	19,214	71.0

(Note) Comprehensive income 3Q FY2018: 70,378 million yen; (214.6 %) 3Q FY2017: 22,370 million yen; (100.6 %)

	Earnings per share	Diluted earnings per share
	Yen	Yen
3Q FY2018	181.64	-
3Q FY2017	51.02	-

(2) Consolidated financial position

	Total assets	Net assets	Net assets (excl. Non-controlling interests) to total assets
			%
3Q FY2018	1,101,732	321,341	27.3
FY2017	1,038,882	275,451	24.4

(Note) Net assets (excl. Non-controlling interests) 3Q FY2018: 300,799 million yen

FY2017: 253,364 million yen

2. Dividends

	Dividend per share					
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	End of 4th Quarter	End of fiscal year	Total
	Yen	Yen	Yen	Yen	Yen	Yen
FY2017	-	19.00	-	-	21.00	40.00
FY2018	-	21.00	-	-	-	-
FY2018 (Forecast)	-	-	-	-	85.00	106.00

(Note) Revision of dividend forecast during this quarter: None

In Accordance with the Revisions of the Company's Articles of Association approved in the 106th Annual General Meeting of Shareholders held on 28 March 2018, the record date of the year-end dividend has been changed to 31 March of each year, effective from the year-end dividend in 107th business year of the Company, which is the transitional period of the fiscal year change. In connection with the resolution of the 106th Annual General Meeting of Shareholders as of 28 March 2018 to change its accounting period, the dividend forecast for the FY2018 ending on 31 March 2019 is the dividend corresponding to that of the transitional period of 15 months.

3. Forecast of consolidated financial results for FY2018 (From 1 January 2018 to 31 March 2019)

(Percentages represent changes from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
		%		%		%		%	Yen
FY2018	3,200,000	-	158,000	-	160,000	-	100,000	-	266.79

(Note) Revision of forecast of consolidated results: None

In Accordance with the Revisions of the Company's Articles of Association approved in the 106th Annual General Meeting of Shareholders held on 28 March 2018, the 107th business year of the Company, which is the transitional period of the fiscal year change, will be for 15 months commencing on 1 January 2018 and ending on 31 March 2019. For this reason, changes from the same period of the previous year are not stated.

* Notes

- (1) Changes in scope of significant consolidated subsidiaries during the period : None
- (2) Adoption of special accounting methods for preparing quarterly consolidated financial statements : None
- (3) Changes in accounting principles, accounting estimates and restatement
- a) Changes in accounting principles due to amendment of accounting standards : None
- b) Changes in accounting principles due to the reason except a) : None
- c) Changes in accounting estimates : None
- d) Restatement : None
- (4) Number of shares issued (Common shares)

a) Number of shares issued (including treasury shares):	End of 3Q FY2018 :	376,850,400	End of FY2017 :	376,850,400
b) Number of treasury shares:	End of 3Q FY2018 :	2,677,195	End of FY2017 :	221,026
c) Average number of shares issued:	3Q FY2018 :	376,291,282	3Q FY2017 :	376,630,264

* These quarterly results are not reviewed by Certified Public Accountant or Audit Firm in the quarterly review procedure.

* Explanation regarding appropriate use of the business forecast, other special instructions

The business forecast above is based on the information available as of the date of the press release of the documents, and includes various risks and uncertainties. Actual results could differ from the business forecast due to changes in economic conditions, market trends, exchange rate and other factors. Please refer to "1. (3) Qualitative information concerning the forecast of consolidated financial results" in [Supporting material] on page 3.

[Supporting material]

Contents

1. Qualitative information concerning quarterly consolidated financial statements	P.2
(1) Qualitative information concerning quarterly consolidated financial results	P.2
(2) Qualitative information concerning quarterly consolidated financial position	P.3
(3) Qualitative information concerning the forecast of consolidated financial results	P.3
2. Quarterly consolidated financial statements and Notes	P.4
(1) Quarterly consolidated balance sheet	P.4
(2) Quarterly consolidated statement of income and Quarterly consolidated statement of comprehensive income	P.6
(3) Notes to quarterly consolidated financial statements	P.8
(Note for premises of going concern)	P.8
(Note in case of significant changes in shareholders' equity)	P.8
(Changes in scope of significant consolidated subsidiaries during the period)	P.8
(Adoption of special accounting methods for preparing quarterly consolidated financial statements)	P.8
(Changes in accounting principles, accounting estimates and restatement)	P.8
(Segment information)	P.9
(Significant subsequent events)	P.10

1. Qualitative information concerning quarterly consolidated financial statements

(1) Qualitative information concerning quarterly consolidated financial results

During the first nine months of the fiscal year under review, Showa Shell Sekiyu Group (“the Group”) reported consolidated net sales of 1,876.6 billion yen, an increase of 29.6 % compared to the same period a year ago, consolidated operating income of 105.0 billion yen, an increase of 64.4 billion yen compared to the same period a year ago, and consolidated ordinary income of 107.6 billion yen, an increase of 62.9 billion yen compared to the same period a year ago. Those increases in profit are mainly attributable to improved margins on petroleum products in the domestic market. The relevant consolidated ordinary income excluding the impact of the inventory valuation was 81.0 billion yen, an increase of 43.6 billion yen compared to the same period a year ago.

(Crude oil prices and foreign exchange rate)

	Dubai crude oil price (USD/Barrel)	Exchange rate (JPY/USD)
3Q of FY2017 (From 1 January to 30 September 2017)	51.1	111.9
3Q of FY2018 (From 1 January to 30 September 2018)	70.1	109.6
Difference	19.0	(2.3)

(Note) These are the average figures during the period.

The business results by segment are as follows:

[Oil Business]

During the first nine months of the fiscal year under review, operating income for the oil business, excluding the impact of inventory valuation, reflected the improvement in the balance of supply and demand for oil products in the Japanese market achieved with the completion of the Secondary Sophistication Act. on 31 March 2017. Quarterly results have exceeded 20.0 billion yen for the fourth consecutive quarter since the fourth quarter of fiscal year 2017.

The group refinery operating rate exceeded both the industry average and the same period last year, during which the Yokkaichi Refinery underwent large-scale regular maintenance. Total domestic sales volume for gasoline, diesel oil, kerosene and the rest of the four main fuel types decreased compared to the same period last year, while the retail sales volume surpassed the previous year in the retail segment where we are continuing to implement a differentiation strategy for products and services at service stations.

Mixed Xylene and other petrochemicals recorded substantial growth in sales volume, owing to the contribution of Yokkaichi Refinery’s toluene disproportionation process (TDP) facilities which commenced commercial operations in June 2016, and comparison with last year, when the Yokkaichi Refinery ceased operation to undergo large-scale regular maintenance. Exports of gasoline and middle distillates (diesel oil in particular) recorded strong growth compared to last fiscal year, due to the regular maintenance at Yokkaichi Refinery mentioned above. Firm market conditions in Asia, mainly for middle distillates, also underpinned the growth and the Group adopted flexible stance on exporting products while keeping an eye on the supply-demand trend in the Japanese market.

As a result of the above factors, the oil business reported net sales of 1,789.2 billion yen (an increase of 30.8% year on year) and operating income of 105.9 billion yen (an increase of 60.3 billion yen year on year). The relevant operating income excluding the impact of inventory valuation reached 79.4 billion yen (an increase of 41.0 billion yen year on year).

[Energy Solutions Business]

In the solar business, we have been working on the improvement of solar module output and further material cost reduction at Kunitomi Plant where we have consolidated production since the end of 2017. In order to increase our sales, we secure delivery of our products in the projects approved in the FIT (Feed-in Tariff) program, increase our share in the domestic residential market, promote new sales methods in the low-voltage market and the commercial market, and enhance the strategies of our products and services. Especially for the sales in the domestic residential market, we made the announcement, in July 2018, regarding the supply of our modules for “Solar ENEKARI”, the new model of the solar power generation system with zero initial investment, produced by TEPCO HomeTech, Inc.

The electric power business contributed to the stable generation of profit by maintaining the stable, high operating rate at the Group’s power plants. We expanded the sales areas in September 2017 and began selling to the Tohoku, Chubu, Chugoku and Kyushu areas in stages, in addition to Tokyo Electric Power Company’s

existing supply area. We also began sales in the Kansai and Shikoku areas in March 2018, and are now actively selling to areas that cover 92% of total demand in Japan. We are expecting a substantial increase in revenue over last year due to the conversion of the majority of the electric power generation at the Mizue Power Station of Toa Oil Co., Ltd. to a retail operation from June 2018.

As a result of the above factors, the energy solutions business reported net sales of 81.3 billion yen (an increase of 11.0% year on year) and operating loss of 1.9 billion yen (an increase of 4.0 billion yen year on year).

[Other Business]

The other business reported net sales of 6.1 billion yen and operating income of 1.0 billion yen.

(2) Qualitative information concerning quarterly consolidated financial position

Consolidated total assets reached 1,101.7 billion yen at the end of the third quarter, an increase of 62.8 billion yen from the end of the previous year.

Consolidated total liabilities were 780.3 billion yen, an increase of 16.9 billion yen compared to the end of the previous year. Short- and long-term interest-bearing liabilities (borrowing, CP and bonds) were 126.4 billion yen, an increase of 9.0 billion yen from the end of the previous year.

Net assets were 321.3 billion yen, an increase of 45.8 billion yen from the end of the previous year. This was mainly due to increasing factors such as an increase in net profit exceeded decreasing factors such as the distribution of retained earnings and share repurchase.

As a result, capital adequacy ratio stands at 27.3% at the end of the third quarter.

(3) Qualitative information concerning the forecast of consolidated financial results

The 106th Annual General Meeting of Shareholders as of 28 March 2018 approved a change of accounting period. In connection with the approval, the fiscal year of the Company shall commence on 1 April and end on 31 March of each year, and the 107th business year of the Company, which is the transitional period of the fiscal year change, will be for 15 months commencing on 1 January 2018 and ending on 31 March 2019

The business forecasts for full year of 2018, which was published on 9 August 2018, are not revised.

The business forecasts are based on information available at the time these materials were published and actual results may differ from the forecast due to various events that may occur in the future.

2. Quarterly consolidated financial statements and Notes

(1) Quarterly consolidated balance sheet

(Unit: Millions of yen)

	Previous year end As of 31 December 2017	Current 3rd quarter end As of 30 September 2018
Assets		
Current assets		
Cash and deposits	50,380	60,386
Notes and accounts receivable-trade	280,557	290,759
Merchandise and finished goods	98,938	117,919
Work in process	1,610	1,848
Raw materials and supplies	128,438	146,849
Other	36,463	43,950
Allowance for doubtful accounts	(881)	(896)
Total current assets	<u>595,507</u>	<u>660,816</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	81,102	79,297
Machinery, equipment and vehicles, net	82,263	73,695
Land	139,601	140,995
Other, net	22,068	25,211
Total property, plant and equipment	<u>325,035</u>	<u>319,199</u>
Intangible assets	9,642	9,009
Investments and other assets		
Other	108,905	112,824
Allowance for doubtful accounts	(208)	(118)
Total investments and other assets	<u>108,697</u>	<u>112,706</u>
Total noncurrent assets	<u>443,374</u>	<u>440,915</u>
Total assets	<u>1,038,882</u>	<u>1,101,732</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	276,597	286,726
Short-term loans payable	23,715	29,775
Current portion of bonds payable	-	10,000
Current portion of long-term loans payable	30,625	14,080
Accounts payable-other	164,665	153,159
Income taxes payable	12,737	26,977
Provision for damages to the submarine pipeline	5,502	518
Provision for bonuses	2,275	3,445
Other	52,074	51,120
Total current liabilities	<u>568,193</u>	<u>575,803</u>
Noncurrent liabilities		
Bonds payable	10,000	-
Long-term loans payable	53,116	72,640
Provision for special repairs	14,601	18,575
Liability for retirement benefits	87,801	85,266
Other	29,716	28,104
Total noncurrent liabilities	<u>195,237</u>	<u>204,587</u>
Total liabilities	<u>763,430</u>	<u>780,390</u>

(Unit: Millions of yen)

	Previous year end As of 31 December 2017	Current 3rd quarter end As of 30 September 2018
Net assets		
Shareholders' equity		
Capital stock	34,197	34,197
Capital surplus	22,123	21,803
Retained earnings	202,083	254,611
Treasury stock	(188)	(5,643)
Total shareholders' equity	<u>258,216</u>	<u>304,969</u>
Accumulated other comprehensive income		
Unrealized holding gain (loss) on securities	4,627	4,229
Unrealized gain (loss) from hedging instruments	(312)	(122)
Foreign currency translation adjustment	(62)	(32)
Retirement benefits liability adjustment	(9,105)	(8,243)
Total accumulated other comprehensive income	<u>(4,852)</u>	<u>(4,170)</u>
Non-controlling interests	<u>22,087</u>	<u>20,542</u>
Total net assets	<u>275,451</u>	<u>321,341</u>
Total liabilities and net assets	<u>1,038,882</u>	<u>1,101,732</u>

(2) Quarterly consolidated statement of income and Quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income
The Third Quarter

(Unit: Millions of yen)

	3rd quarter of FY2017 (From 1 January to 30 September 2017)	3rd quarter of FY2018 (From 1 January to 30 September 2018)
Net sales	1,447,977	1,876,695
Cost of sales	1,333,733	1,694,015
Gross profit	114,243	182,679
Selling, general and administrative expenses		
Freightage related expenses	26,734	30,480
Personnel expenses	17,263	17,791
Other	29,655	29,354
Total selling, general and administrative expenses	73,653	77,627
Operating income	40,590	105,052
Non-operating income		
Interest income	171	173
Dividends income	967	846
Equity in earnings of affiliates	3,855	2,169
Foreign exchange gains	-	301
Other	1,409	1,342
Total non-operating income	6,404	4,832
Non-operating expenses		
Interest expenses	795	631
Sales discounts	837	969
Foreign exchange losses	63	-
Other	621	678
Total non-operating expenses	2,318	2,279
Ordinary income	44,676	107,605
Extraordinary income		
Gain on sales of noncurrent assets	1,102	962
Subsidy	2,514	2,641
Compensation income	1,800	-
Gain on transfer from business divesture	-	2,292
Other	677	330
Total extraordinary income	6,095	6,226
Extraordinary losses		
Loss on disposal of noncurrent assets	2,317	1,750
Impairment loss	552	7,630
Loss on valuation of investments in securities	6,570	303
Loss on damages to the submarine pipeline	4,764	3
Other	4,285	898
Total extraordinary losses	18,490	10,586
Income before income taxes and non-controlling interests	32,281	103,245
Income taxes-current	6,866	33,615
Income taxes-deferred	5,112	(36)
Total income taxes	11,979	33,579
Net income	20,302	69,665
Net income attributable to non-controlling interests	1,087	1,317
Net income attributable to owners of the parent	19,214	68,348

Quarterly consolidated statement of comprehensive income
The Third Quarter

(Unit: Millions of yen)

	3rd quarter of FY2017 (From 1 January to 30 September 2017)	3rd quarter of FY2018 (From 1 January to 30 September 2018)
Net income	20,302	69,665
Other comprehensive income		
Unrealized holding gain (loss) on securities	950	(389)
Unrealized gain (loss) from hedging instruments	587	169
Foreign currency translation adjustment	(503)	29
Remeasurements of defined benefit plans	782	743
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	250	160
Total other comprehensive income	2,067	713
Comprehensive income	22,370	70,378
Comprehensive income attributable to:		
Owners of the parent	21,232	69,030
Non-controlling interests	1,137	1,348

(3) Notes to quarterly consolidated financial statements

(Notes for premises of going concern)

Not applicable

(Notes in case of significant changes in shareholders' equity)

The Company repurchased 2,455,000 shares based on the resolution of the Board of Directors' meeting, held on 9 August 2018. As a result, treasury stocks were 5,643 million yen, an increase of 5,453 million yen at the end of third quarter end.

(Changes in scope of significant consolidated subsidiaries during the period)

Not applicable

(Adoption of special accounting methods for preparing quarterly consolidated financial statements)

Not applicable

(Changes in accounting principles, accounting estimates and restatement)

Not applicable

(Segment Information)**I. 3rd quarter of FY2017 (From 1 January to 30 September 2017)**

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consolidated
Net sales							
Sales to customers	1,368,131	73,272	1,441,403	6,573	1,447,977	-	1,447,977
Inter-segment sales and transfers	4,200	2,117	6,318	5,778	12,096	(12,096)	-
Total	1,372,331	75,390	1,447,722	12,352	1,460,074	(12,096)	1,447,977
Operating Income/(losses)	45,625	(5,961)	39,664	917	40,582	7	40,590

- Notes: 1. "Others" is a business segment that is not considered a reportable segment. It includes leases of properties, construction works, sales and leases of automobile accessories and others.
2. "Adjustment" of "Operating Income/(losses)" of 7 million yen is treated as intersegment eliminations.
3. "Operating Income/(loss)" is reconciled to operating income in the accompanying quarterly consolidated statements of income.

II. 3rd quarter of FY2018 (From 1 January to 30 September 2018)

(Unit: Millions of yen)

	Oil Business	Energy Solutions Business	Subtotal	Others	Total	Adjustment	Consolidated
Net sales							
Sales to customers	1,789,208	81,310	1,870,518	6,176	1,876,695	-	1,876,695
Inter-segment sales and transfers	2,514	2,055	4,569	5,196	9,766	(9,766)	-
Total	1,791,722	83,365	1,875,088	11,373	1,886,461	(9,766)	1,876,695
Operating Income/(losses)	105,953	(1,921)	104,031	1,028	105,060	(8)	105,052

- Notes: 1. "Others" is a business segment that is not considered a reportable segment. It includes leases of properties, construction works, sales and leases of automobile accessories and others.
2. "Adjustment" of "Operating Income/(losses)" of (8) million yen is treated as intersegment eliminations.
3. "Operating Income/(loss)" is reconciled to operating income in the accompanying quarterly consolidated statements of income.

(Significant subsequent events)

Business Integration with Idemitsu Kosan Co., Ltd.

Showa Shell Sekiyu K.K. (the “Company”) and Idemitsu Kosan Co., Ltd. (“Idemitsu Kosan”) (collectively, the “Companies”) have continued discussions toward executing the share exchange agreement, regarding the business integration (the “Business Integration”) agreed by the Companies based on the Business Integration Agreement dated 10 July 2018. On 16 October 2018, the Companies respectively held Boards of Directors’ meetings, which resolved to execute an agreement (the “Share Exchange Agreement”) regarding the share exchange (the “Share Exchange”) in which Idemitsu Kosan will become a wholly owning parent company and the Company will become a wholly owned subsidiary company, subject to the approvals from the Companies’ shareholders’ meetings and the relevant authorities, and executed the Share Exchange Agreement.

1. Outline of the Business Integration

(1) Purpose of the Business Integration

The Company and Idemitsu Kosan intend to reinforce the enterprise value of the Companies by implementing the Business Integration through the Share Exchange, (i) in the short term, by maximizing synergies and aiming to create an entity with industry-leading competitiveness, and (ii) in the medium to long-term, by evolving into a resilient corporate entity through promoting the optimization of their business structure and of their environment, society and governance initiatives.

(2) Method for the Business Integration

The Companies will implement a share exchange on 1 April 2019 (scheduled) in which Idemitsu Kosan will distribute its shares to shareholders of the Company and acquire all of the issued shares of the Company, subject to the approvals from the Companies’ extraordinary shareholders’ meetings scheduled to be held on 18 December 2018 and the relevant authorities.

(3) Schedule for the Business Integration

Execution of the Business Integration Agreement	10 July 2018
Resolution of Board of Directors’ meetings of the Companies concerning approval of the execution of the Share Exchange Agreement	16 October 2018
Execution of the Share Exchange Agreement (agreement on the share exchange ratio)	16 October 2018
Public notice of the record date of the Companies’ extraordinary shareholders’ meetings	17 October 2018
Record date of the Companies’ extraordinary shareholders’ meetings	1 November 2018
The Companies’ extraordinary shareholders’ meetings	18 December 2018 (scheduled)
Last trading date (the Company)	26 March 2019 (scheduled)
Date of delisting (the Company)	27 March 2019 (scheduled)
Effective date of the Share Exchange	1 April 2019 (scheduled)

(Note) If it is necessary to amend the schedule because of notifications to the relevant authorities, etc. such as the procedures required by the relevant foreign competition authorities, registrations, acquisition of permissions/approvals, or other preparations for the Business Integration, or for other reasons, the Companies will announce the amended schedule upon mutual discussions and agreement.

(4) Details of allocation in the Share Exchange (the share exchange ratio)

	Idemitsu Kosan	The Company
Share exchange ratio	1	0.41

(Note 1) Share allocation ratio

0.41 shares of Idemitsu Kosan common stock will be allocated for every one share of the Company common stock. If there are any material changes in the financial conditions or business performance of the Company or Idemitsu Kosan, or such changes become evident, the Companies may amend the above share exchange ratio through mutual discussions.

(Note 2) Number of shares to be allocated through the Share Exchange

At the time of the Share Exchange, Idemitsu Kosan will allocate and deliver 105 million shares (planned) of common stock to the shareholders of the Company (meaning shareholders after the cancellation of the Company's treasury shares described below, and excluding the Company and Idemitsu Kosan) as of the time immediately before Idemitsu Kosan acquires all of the issued shares of the Company through the Share Exchange (the "Reference Time"). Idemitsu Kosan will, at the allotment and delivery of its shares, appropriate the treasury shares it holds, although the number of treasury shares to be appropriated has not been decided to date.

The Company will at the Reference Time cancel all treasury shares it holds as of the Reference Time (including shares to be acquired by the Company in response to dissenting shareholders' demands in relation to the Share Exchange to purchase their shares as stipulated in Article 785, paragraph 1 of the Companies Act) upon a resolution of the Company's Board of Directors' meeting to be held by the day immediately preceding the effective date of the Share Exchange (the "Effective Date"). The number of shares to be allocated and delivered through the Share Exchange may change due to change of the number of the Company's treasury shares and for other reasons.

Idemitsu Kosan held the Board of Directors' meeting on 10 July 2018, which resolved the share repurchase. In accordance with the resolution of the Board of Directors' meeting, Idemitsu Kosan repurchased 10,439,700 shares for 54,999 million yen until 9 November 2018, and completed the acquisition of treasury stocks on that day.

(Note 3) Treatment of shares constituting less than one unit

It is expected that some shareholders will hold shares constituting less than one unit (100 shares) of Idemitsu Kosan stock as a result of the Share Exchange. Such shareholders will not be able to sell such shares constituting less than one unit of Idemitsu Kosan on any financial instruments exchange markets.

Shareholders who will hold shares constituting less than one unit of Idemitsu Kosan may use the following systems on and after the Effective Date.

- i. System to demand purchase of shares constituting less than one unit (sale of shares constituting less than one unit)

Shareholders who will hold shares constituting less than one unit of Idemitsu Kosan stock may demand that Idemitsu Kosan purchase their shares constituting less than one unit pursuant to Article 192, paragraph 1 of the Companies Act.

- ii. System to further purchase shares constituting less than one unit (purchase shares required to constitute one unit)

Shareholders who will hold shares constituting less than one unit of Idemitsu Kosan stock may purchase from Idemitsu Kosan the number of shares required, together with the number of shares constituting less than one unit they hold, to constitute one unit (100 shares) pursuant to Article 194, paragraph 1 of the Companies Act and the relevant provision of Idemitsu Kosan's articles of incorporation.

(Note 4) Treatment of any fractional shares

For the current shareholders of the Company who will receive a fraction less than one share of Idemitsu Kosan stock upon the Share Exchange, Idemitsu Kosan will pay cash to each such shareholder for the value of such fractional shares pursuant to Article 234 of the Companies Act and other relevant laws and regulations.

(5) Voting rights of shareholders of the Company to whom Idemitsu Kosan's common stock will be allotted and delivered at the Share Exchange

Idemitsu Kosan's Board of Directors' meeting will resolve, by the Effective Date, to grant to shareholders of the Company to whom Idemitsu Kosan's common stock will be allotted and delivered at the Share Exchange, voting rights in relation to such Idemitsu Kosan's common stock which will be able to be exercised at its annual shareholders' meeting to be held in June 2019 pursuant to Article 124, paragraph 4 of the Companies Act, subject to a condition precedent that (i) the amendment to the Company's articles of incorporation, announced on 16 October 2018, in which the provision regarding the record date to exercise voting rights is deleted, becomes effective, and (ii) the Share Exchange becomes effective.

2. Basis for the Calculation of the Share Exchange Ratio of the Share Exchange

(1) Basis and reasons for the share exchange ratio

The Company and Idemitsu Kosan 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 Companies and the profit of the Companies' shareholders, etc. After prudent and thorough discussions, the Companies have come to an agreement and concluded that the share exchange ratio described in 1. (4) above is appropriate.

(2) Matters related to the calculation

Names of the financial advisors and their relationships with the Companies

In order to ensure the fairness of the share exchange ratio of the Share Exchange for each company's shareholders, each company appointed third party financial advisors for the calculation of the ratio. The Company retained Lazard Frères K.K. and Mizuho Securities Co., Ltd. ("Mizuho Securities"), and Idemitsu Kosan retained JPMorgan Securities Japan Co., Ltd., Goldman Sachs Japan Co., Ltd., and Daiwa Securities Co. Ltd. Although the Company and Idemitsu Kosan have obtained loans from a bank in Mizuho Securities' group, Mizuho Securities and its group banks have developed and implemented appropriate conflict of interest management systems in accordance with the applicable laws. As the Company determined that appropriate measures to prevent inappropriate practices had been implemented in connection with the calculation of the share exchange ratio, the Company retained Mizuho Securities as a third party financial advisor. None of the other third party financial advisors of the Company or Idemitsu Kosan has any material interest to be noted in connection with the Share Exchange.

3. Corporate name, Principal office, Names of Representative Directors, Capital, Net assets, Total assets and Description of business of the wholly owning parent company through the Share Exchange

Corporate name	Idemitsu Kosan Co., Ltd. (Trade Name: Idemitsu Showa Shell (planned))
Principal office	3-1-1 Marunouchi, Chiyoda-ku, Tokyo
Names of Representative Directors (planned)	<ul style="list-style-type: none"> ▪Chairman and Representative Director Takashi Tsukioka (currently, Chairman and Representative Director of Idemitsu Kosan Co., Ltd.) ▪Vice Chairman and Representative Director, Executive Officer Tsuyoshi Kameoka (currently, Representative Director, President, Executive Officer, CEO of Showa Shell Sekiyu K.K.) ▪Representative Director and Chief Executive Officer Shunichi Kito (currently, Representative Director and Chief Executive Officer of Idemitsu Kosan Co., Ltd.) ▪Representative Director Tomonori Okada (currently, Representative Director, Vice President, Executive Officer of Showa Shell Sekiyu K.K.)
Capital	168,351 million yen
Net assets	Not yet determined
Total Assets	Not yet determined
Description of business	<ul style="list-style-type: none"> ▪Petroleum refining and manufacture and sale of oil products. ▪Manufacture and sale of petrochemical products ▪Development, production, and sale of petroleum and coal resources ▪Development, manufacture, and sale of electronic materials and agricultural chemicals, etc.