

Securities Code 5002

Notice of the 106th Annual General Meeting of Shareholders

Date and Time

10:00 a.m. on Wednesday,
28th March, 2018
(Registration: planned to be 9:00 a.m.)

Place

Hilton TOKYO ODAIBA
(1st Floor, Pegasus Room)
9-1, Daiba 1-chome, Minato-ku, Tokyo.

Items for Resolution

1. To approve the Appropriation of Profit for the 106th Period.
2. To approve revisions of the Company's Articles of Association.
3. To appoint eight (8) Directors of the Company.
4. To appoint one (1) Audit & Supervisory Board Member of the Company.
5. To appoint one (1) Substitute Audit & Supervisory Board Member of the Company.
6. To approve the Provision of a Bonus for Directors.

Group Management Philosophy

With our energy, we energize the future.

Five Corporate Principles

Social Responsibility

We contribute to thriving social development through the steady supply of energy that society needs.

Customer Focus

We aim at being trusted and appreciated by our customers at all times, thinking and acting from their point of view.

Innovation

Through the development of innovative solutions, we constantly challenge the improvement in the quality of our products and services.

Vitality

By combining the energy of people working together, we are able to deliver a corporate culture full of vitality and motivating job opportunities.

Sustainable Growth

For all stakeholders, we manage our company with integrity and pursue sustainable development of society and the company.

(TRANSLATION)
Securities Code 5002
March 6, 2018

To Our Shareholders

2-3-2, Daiba, Minato-ku, Tokyo
Showa Shell Sekiyu K.K.
Representative Director, President
Group Chief Executive Officer: Tsuyoshi Kameoka

Notice of the 106th Annual General Meeting of Shareholders

Dear Shareholders,

We would like to hereby inform you that the Company's 106th Annual General Meeting of Shareholders will be held as described below. You are cordially invited to attend the meeting.

If you are unable to attend the meeting, we would like to ask you to review the attached “**reference materials**” and exercise your voting right in writing or by electromagnetic means (the internet or other means). In that case, please review the “**Notes on the execution of votes**” on page 3 and exercise your voting rights by 5:30p.m. (Japan standard time) on Tuesday, 27th March, 2018.

Date and Time: 10:00 a.m. on Wednesday, 28th March, 2018
(Registration: planned to be 9:00 a.m.)
Place: Hilton TOKYO ODAIBA (1st Floor, Pegasus Room)
9-1, Daiba 1-chome, Minato-ku, Tokyo.
(The meeting will be held at different place from last year.)

AGENDA

Items to Report

1. To report on the contents of the Business Report and the Consolidated Financial Statements for the 106th Period (from 1st January to 31st December, 2017) with Audit Reports submitted by Accounting Auditors and Audit & Supervisory Board.
2. To report on the contents of the Nonconsolidated Financial Statements for the 106th Period (from 1st January to 31st December, 2017).

Items for Resolution

1. To approve the Appropriation of Profit for the 106th Period.
2. To approve revisions of the Company's Articles of Association.
3. To appoint eight (8) Directors of the Company.
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©The following are on our website (<http://www.showa-shell.co.jp/>) instead of being attached to this notice according to laws and Article 17 of the Articles of Association of the Company.

- Notes to consolidated financial statements
- Notes to non-consolidated financial statements

©If any correction becomes necessary to the reference materials for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Nonconsolidated Financial Statements after the dispatch of notice until the day before the date of the General Meeting of Shareholders, the Company will disclose the corrected items in the Company's website.

Notes on the execution of votes:

The votes can be executed by following three (3) measures. We would like to ask you to review the attached “reference materials” and exercise your voting right.

1. If you plan to attend the meeting

Please bring your mail ballot form with you and submit it at the front desk.

Date and Time: 10:00 a.m. on Wednesday, 28th March, 2018

(Registration: planned to be 9:00 a.m.)

Place: Hilton TOKYO ODAIBA (1st Floor, Pegasus Room)

9-1, Daiba 1-chome, Minato-ku, Tokyo.

2. If you plan to exercise your voting right by mail

Please send the enclosed mail ballot form with the indication of your approval or disapproval so that the mail ballot form reaches us by the day written below:

Term of validity: by 5:30 p.m. on Tuesday, 27th March 2018

3. If you plan to exercise your voting right by internet

Please access the web site (<https://www.web54.net>) with the voting code and password printed on the enclosed mail ballot form and exercise your voting right on the screen in accordance with the guidance (English NOT available).

Please refer to the “Notes on the execution of votes by internet” on the next page for the details.

Term of validity: by 5:30 p.m. on Tuesday, 27th March 2018

Notes on the handling of votes:

1. If no indication is made in the yes-no column on the mail ballot form submitted to the Company, the vote shall be deemed as in favor of the Company’s proposal.
2. If you exercise your vote both by mail and by electromagnetic means (the internet or other means), the vote exercised by electromagnetic means (the internet or other means) shall be deemed valid.
3. If you exercise your vote by electromagnetic means (the internet or other means) more than once, the last vote shall be deemed valid.

Notes on proxy appointment:

1. You may exercise your vote by appointing a proxy who is also a shareholder of the Company with the right to vote at the General Meeting of Shareholders. Please note that only one (1) person will be appointed as your proxy.
2. If you plan to exercise your vote by appointing a proxy, a document authorizing the proxy shall be submitted to the Company at the front desk.

Notes on the execution of votes by internet:

If you plan to exercise your voting right by internet, please access the web site on the computer and execute your voting right on the screen in accordance with the guidance (English NOT available).

The website: <https://www.web54.net>

Your vote by internet will be valid, if it reaches to the Company by 5:30 p.m. on Tuesday, 27th March 2018.

1. Please access (<https://www/web54.net>) and click “next”.
2. Please enter the voting code printed on the enclosed mail ballot form and click “log in”.
3. Please enter the password printed on the enclosed mail ballot form and click “next” and exercise your voting right on the screen in accordance with the guidance.

Notes on the execution of votes by the platform:

When institutional investors have made prior application for use of a platform operated by ICJ, Inc., for electronic votes, they may, as an alternative to exercising voting rights over the Internet as detailed above, use the platform as another way of electronically exercising voting rights at the Company’s Annual General Meeting of Shareholders.

Attachment

Business Report (January 1, 2017 to December 31, 2017)

We present the following summary of the Group's business operations for the 106th term, the period from January 1, 2017 to December 31, 2017.

1. Overview of the Group's position

(1) Progress and Results of the Business

Business environment

During the fiscal year under review, Japan's economy maintained an ongoing trend of gradual recovery as effects of the Abe administration's economic policies, referred to as "Abenomics," in conjunction with rising corporate earnings largely brought about by recovering exports, production and capital investment accompanying a rebound in economies overseas.

In the crude oil market, the Dubai crude oil price had been hovering in the lower US\$50/bbl range from the start of the year as a result of agreement reached in December 2016 among member nations of OPEC (Organization of Petroleum Exporting Countries) and non-OPEC oil producing countries with respect to cutting production for the first time in 15 years. Subsequently in mid-year the price dropped to the lower US\$40/bbl range amid increased shale oil production in the United States. From that point heading toward the year-end the price remained steady at levels above US\$60/bbl amid factors emerging from the summer onward, particularly with respect to a situation marked by an increasing proportion of OPEC member nations complying with the production cuts, steady demand primarily in the United States and Asia, and a decision made to extend the agreement to cut production until the end of 2018.

In the foreign exchange markets, despite the USD/JPY rate having started the year at around ¥116 to the dollar, the yen then appreciated to the lower ¥110 to the dollar range by the end of January affected by the market reaction in association with the start of new U.S. presidency, and subsequently traded in the range from ¥109 to below ¥115 to ultimately end the year at around ¥112 to the dollar. These exchange rate trends were fueled by factors that included mounting geopolitical risk involving North Korea and speculation that the United States and the European Union may be rolling back their monetary easing policies.

Operating results

Regarding the operating results for this year, the Showa Shell Group reported consolidated net sales of ¥2,045.9 billion, an increase of 18.5% year on year.

The Group reported an operating income of ¥78.4 billion, an increase of ¥32.0 billion from the previous fiscal year, and an ordinary income of ¥92.9 billion, an increase of ¥45.1 billion year on

year. This was mainly attributable to increased inventory valuation gains brought about by the higher crude oil price, along with improvement in oil refining margins amid moves to normalize supply capacity largely through industry-wide initiatives with respect to phase 2 of refining restructuring under Japan's Act on the Promotion of Use of Nonfossil Energy Sources and Effective Use of Fossil Energy Materials by Energy Suppliers (the "Secondary Sophistication Act"). CCS ordinary income (current cost of supply basis, excluding the impact of inventory valuation) totalled ¥68.5 billion, an increase of ¥31.8 billion from the previous fiscal year.

The Group reported net extraordinary loss of ¥23.6 billion with extraordinary losses such as impairment loss and loss from securities revaluation exceeding extraordinary income such as gain on sales of noncurrent assets and subsidy. Income before income taxes and non-controlling interests was ¥69.3 billion, an increase of ¥28.6 billion year on year. As a result, net income attributable to owners of the parent after income taxes-current, income taxes-deferred and net income attributable to non-controlling interests amounted to ¥42.7 billion, an increase of ¥25.8 compared with the previous fiscal year.

Cash flows

Operating activities provided net cash of ¥47.3 billion (compared with ¥80.9 billion net cash provided in the previous fiscal year). This mainly reflects a situation where factors contributing to increases in cash, such as net income before income taxes and non-controlling interests and depreciation and amortization, outweigh factors contributing to decreases in cash, such as increases in notes and accounts receivable-trade and inventories. Investing activities used net cash of ¥9.6 billion (compared with ¥16.5 billion net cash used in the previous fiscal year). This mainly reflects a situation where factors contributing to decreases in cash, such as purchase of property, plants and equipment, outweigh factors contributing to increases in cash, such as income from the business transfer. Free cash flow, which is the total of cash flows from operating activities and cash flows from investing activities, was positive ¥37.7 billion. Financing activities used net cash of ¥38.0 billion (compared with ¥33.7 billion net cash used in the previous fiscal year), mainly reflecting a decline in interest-bearing liabilities and cash dividends paid. As of the end of the fiscal year, interest-bearing liabilities totalled ¥117.4 billion, a decrease of ¥20.2 billion compared with the end of the previous fiscal year.

Progress and business results by segment

Conditions in each of the Group's business segments were as follows.

[Oil Business]

In crude oil procurement, we worked to ensure optimal procurement for the Group's refineries, taking into account circumstances in the crude oil market. Specifically, this involved continuing to maintain our relationships with Kingdom of Saudi Arabia and other Middle East oil producers, while engaging in flexible procurement from Russia, South America and countries outside the Middle East, and taking steps to diversify our crude oil suppliers.

In production and supply, we placed top priority on ensuring safe and stable operations at our refineries while also striving to achieve optimal production levels at all of the Group's refineries in order to maximize profits by taking an agile approach in responding to trends in demand both in Japan and overseas and addressing changes in the market for our products. During the fiscal year under review, we flexibly handled product exports taking advantage of opportunities to generate revenue, yet experienced a substantial decrease year on year with respect to export volume of fuels such as gasoline, diesel and jet fuel. The decrease was partially attributable to having performed large-scale scheduled maintenance and repair work for the first time in four years at the Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd., the Group's largest refinery, and also attributable to our having begun supplying oil products and semi-finished oil products to Cosmo Oil Co., Ltd. starting from the end of March.

In domestic fuel sales, we continued to face a scenario of falling demand brought about by structural factors encompassing the aging of Japan's population and falling birth rates, widespread uptake of fuel-efficient vehicles, and a trend of companies shifting to use natural gas as a fuel for industrial applications. Under such circumstances, in order to achieve our objective of enhancing profitability in the Oil business, we tirelessly carrying measures to improve customer satisfaction, which intended to act as core strategies of "differentiating our products and services". These sales measures include those involving our "Shell V-Power" high-performance premium gasoline, the "Shell Ponta Credit Card" which enables cardholders to accumulate benefits in addition to those of the Ponta cross-industry joint reward points service which boasts one of the largest membership bases in Japan, the "Shell EasyPay" quick fueling and payment system, and a campaign involving the first nationwide tie-up with McDonald's Company (Japan), Ltd. As a result, the Company's aggregate fuel oil sales volume which includes gasoline, kerosene, diesel oil and heavy fuel oil, as well as other products, was on par with the level achieved in the previous fiscal year amid solid sales performance relative to the pace of decline in domestic demand.

In addition, we furthermore pursued opportunities involving synergies between our Oil business and electric power business during the fiscal year under review, and accordingly in September began successively expanding the geographic area of coverage with respect to our "electricity plan with gasoline price discount program (Drivers' Plan)," which is an electric power pricing plan targeting general households with drivers who make use of service stations, while at the same time carrying out new membership campaigns. Widespread expansion of our distinctive and differentiated electric power pricing plans has resulted in them gaining a very favorable reputation among our numerous customers.

With respect to our value-added products other than fuel, we have been intend to create and improve further additional value by responding to the social needs and by precisely coping with the customer demands by enhancing the lineups of the original products which are of high quality and

function. In lubricants, we have been redoubling our efforts to market products that provide substantial added value, differentiated in terms of reducing environmental loads. For instance, we have released our new “Shell Rimula R5 LE 10W-30 (CK-4)” high-performance and environmentally-friendly diesel engine oil which is a high-performance product that reduces maintenance hassles and costs, and additionally released “Shell Helix HX8 AJ-E 0W-16” gasoline engine oil for hybrid vehicles, formulated on the basis of advanced technologies enabling it to combine outstanding engine protection and improved fuel economy. In asphalt, we have also been focusing our efforts on sales of high-value-added products that help make the notion of a sustainable recycling-oriented society a reality, by leveraging our strengths as Japan’s only integrated asphalt manufacturer. For instance, we have been focusing our efforts on marketing products such as our “Meibright A” asphalt offering outstanding performance in terms of durability and safety for colored pavement that beautifully harmonizes with surrounding landscapes, and at the same time we have released our new “Reprovital 200” asphalt restoration additive that restores properties old and deteriorated asphalt while enabling repeated recycling of such materials.

In November, the Company’s lubricants business was transferred to Shell Lubricants Japan K.K., which has been established as a wholly-owned subsidiary of the Company. The new company is diligently promoting business under the new framework with the aim of enabling the business to continue to grow with customers, as well as to establish a robust business structure where customers can enjoy stable and ongoing supplies of the Company’s lubricant products. The company also has the aim of facilitating maintenance and expansion of the current supply of highly regarded products and services provided to customers in global markets by continuing to maintain and build on collaborative business relationships with the Shell Group both in Japan and overseas.

In the petrochemical business, the market for the Company’s main product, mixed xylene, was sluggish in comparison with the previous fiscal year due to effects of new and additional petrochemical plants having been built in the Asian and Middle Eastern region. However, the market for benzene and propylene was firm, underpinned by robust demand primarily in the Asian region. Despite limited operation of Yokkaichi Refinery’s toluene disproportionation process facilities which commenced commercial operations in June 2016 with the aim of increasing our production of mixed xylene and benzene, sales volume of petrochemical products remained on par with that of the previous fiscal year largely as a result of our having maximized production of benzene and propylene at other Group refineries.

In the field of research and development, we engaged in joint research with Tohoku University that succeeded in producing hexene which can be used as a gasoline component, from non-edible biomass material. Given that hexene can be converted into hydrocarbons suitable for use as jet fuel, going forward we intend to extend such efforts to manufacturing and development of jet fuel components. As for biofuels, it appears that use of such sources of energy does not to cause changes

in amounts of carbon dioxide in the atmosphere because carbon dioxide that is absorbed during the growth process of plants harvested for biofuels offsets carbon dioxide generated when such fuel is combusted. As such, next-generation biofuels produced from cellulosic biomass such as that from trees and grasses holds great promise with respect to the notion that growing such plant matter potentially would not vie with food production. Going forward, we will continue promoting research and development into processes centered on catalysts for manufacturing next-generation biofuels, with our sights set on our future as an energy company.

As a result, the Oil business reported net sales of ¥1,921.3 billion, an increase of 20.4% year on year, and operating income of ¥84.8 billion, an increase of ¥30.9 billion. CCS consolidated operating income (current cost of supply basis, excluding the impact of inventory valuation) amounting to ¥63.2 billion, an increase of ¥20.5 billion compared with the previous fiscal year.

[Energy Solutions Business]

In the solar business, we have been developing business through Solar Frontier K.K., a wholly-owned subsidiary. In that regard, we have been promoting a new business strategy that involves focusing business resources on the Japanese market where higher added value is anticipated, in light of the severe competitive environment prevailing in overseas markets.

In the domestic market, although sales prices of solar modules have continued on a downward trajectory due to ongoing decreases in electricity purchase prices under the renewable energy feed-in tariff scheme, we have been actively engaging in sales activities on the basis of our new business strategy, particularly given that we anticipate growth in demand for solar power generation for own use (*1) mainly with respect to residential applications where profitability in comparison with overseas markets remains high. As for sales of solar modules to the residential market, in July sales were launched of the new “SmaCIS” strategic product which makes it possible to achieve greater solar panel coverage by enabling panels to be mounted in a manner that conforms to the shape of roofing on detached homes in Japan, and also makes it possible to substantially reduce installation times using new types of mounts and installation methods. Meanwhile in September, we began taking orders for the “SFK Series” of solar modules featuring outstanding performance in terms of water drainage and design, and offering greater electric output at a lighter weight in comparison with conventional solar module products. With respect to sales of solar modules to the non-residential market, we widely extended our sales activities in terms of promoting the appeal of quality and made-in-Japan reliability of CIS-based thin-film solar cells (*2). Meanwhile in May, we began taking orders for monitoring systems newly developed for low-pressure solar power plants. Moreover, we started our initiative to incorporate the demands in the solar power generation for own use in the non-residential market by giving proposals to the market. As a result of these initiatives, solar module sales volume in the domestic market during the fiscal year under review exceeded

previous fiscal year levels.

In overseas markets, solar module sales volume for the overseas market abroad during the fiscal year under review underperformed those made in the previous fiscal year, as a result of sales being held down given a deteriorating competitive environment.

We also continued to promote development of our BOT (build-own-transfer) business which generates substantial added value by engaging in integrated operations covering all areas from project development and design through to financing, system construction, operation and power wholesaling, and during the fiscal year under review we sold projects approximately 180 MW total generation capacity in Japan and overseas, and consequently ensured gains on sales that were higher than those achieved in the previous fiscal year.

As for solar module production, we have been pushing forward in carrying out drastic structural reform of our production systems in order to further reduce production costs. As such, at the end of September we briefly suspended production at the Tohoku Plant (Miyagi Prefecture, nominal annual production capacity: 150 MW), and began preparing for commercial production of next-generation strategic products. Meanwhile at the end of December, we suspended production at the Miyazaki Plant (Miyazaki-shi, Miyazaki Prefecture, nominal annual production capacity: 60 MW), and consolidated all production within our main Kunitomi Plant (Kunitomi-cho, Higashi-Morokata-gun, Miyazaki Prefecture, nominal annual production capacity: 900 MW).

In the field of research and development, we have continued to improve solar module output. In that regard, in January we achieved a world record energy conversion efficiency of 19.2% for thin-film solar cells overall with respect to CIS-based thin-film solar cell sub-modules (30 cm²). Meanwhile in November we achieved a world record energy conversion efficiency of 22.9% for thin-film solar cells overall with respect to CIS-based thin-film solar cells (approx. 1 cm²), as a result of our joint research with the New Energy and Industrial Technology Development Organization (NEDO).

As a result of these initiatives, our solar business is gaining ground with respect to its operating results, in that its operating loss for the fiscal year under review decreased in comparison with that of the previous fiscal year.

In the electric power business, we have been working to further expand sales of low-voltage electricity for households and corporate customers. To that end, since September we have been successively entering the respective Tohoku, Chubu, Chugoku and Kyushu region electric power supply areas, and have been deploying sales efforts in a total of five electric power supply areas, with the inclusion of Tokyo Electric Power Company's supply area which we have been serving thus far. The Company's electric power plans feature the option of enabling customers to choose gasoline payments and electricity rates that are tailored to their lifestyles. As such, we have received high marks from our customers with respect to our two plan formats, consisting of our "electricity plan

with gasoline price discount program (Drivers' Plan)" targeting drivers who use service stations, and our "electricity plan with an advantage in night time as well as in day time (Home Plan)" as a favorable electricity option for households without vehicles. With respect to our extra-high voltage and high-voltage electricity sales for corporate customers, in September we entered the Kansai Electric Power Company's supply area, which is in addition to the five aforementioned electric power areas. Moreover, we have been working to ensure a more consistent earnings platform by carrying out various measures geared to building an optimal sales portfolio that involves sales through multiple channels such as retail and wholesale, while also maintaining stable and efficient operation of our own power plants. As a result of these initiatives, operating income for the fiscal year under review increased in comparison with the previous fiscal year.

As a result of these initiatives, the Energy Solutions business reported net sales of ¥114.5 billion, a decrease of 5.6% from the previous fiscal year, and an operating loss of ¥7.8 billion, an increase of ¥1.3 billion compared with the previous fiscal year.

*1 Solar power generation for own use

: This is a solar power generation whose purpose is not for sale to electricity companies at low prices, but for own use to save utility cost at home or plant etc., as well as to prepare for power outages in the wake of disasters.

*2 CIS-based thin-film solar cells

: CIS thin-film solar cells are next-generation solar modules containing the key materials of copper, indium and selenium, made using the Group's unique manufacturing technology. These CIS solar cells generate high electricity generation volume under real-world conditions, have outstanding design characteristics, and are kind on the environment, as they do not contain cadmium.

[Other Business]

The Other business covers construction work, the sale of automobile accessories, leasing of Company-owned office buildings and other businesses. In the fiscal year under review, the segment reported net sales of ¥10.0 billion, an increase of 9.0% year on year, and an operating income of ¥1.4 billion, a decrease of ¥0.2 billion.

Procurement activities

During the fiscal period under review, the crude oil price, which had been at the lower US\$50/bbl range at the beginning of the year, rose to the lower US\$60/bbl range by year-end, after having gone through a phase beginning in the summer months, which resulted in higher raw materials costs. In addition, we continued to operate in a seller's market with respect to procurement involving construction and services, due to factors such as demand from post-disaster reconstruction and

demand with respect to the upcoming Tokyo Olympic and Paralympic Games. Operating in that environment, the Group has been taking steps to cut costs further by means that include engaging in activities to bring about improvement in our “procurement QCD (Quality, Cost and Delivery),” improving our ratio of procurement made through competitive bidding, and turning to reverse auctions whereby a buyer sets terms and conditions of a prospective transaction, to which multiple suppliers engage in an online bidding process that involves competing with respect to offering the best price.

Health, Safety, Security, and the Environment (HSSE) Initiatives

We put the highest priority on compliance and health, safety, security and environmental (HSSE) initiatives, working to ensure they are implemented across the entire Group.

In terms of health-related initiatives during the fiscal year under review, in addition to carrying out regular medical examinations, we also implemented a new health promotion plan, which in part consisted of a core workout exercise program. With respect to prevention of mental health issues, we carried out a program that involves checking people’s stress levels, and also had clinical psychologists carry out interviews and workshops. In safety initiatives, we drew up our new “Safety and Compliance Rules” as a safety rule that cope with the unsafe day-to-day work practices inconspicuously being carried out in the workplace, with the aim of achieving our goal of having zero accidents across all Group companies and business sites. Also, in order to further strengthen the Group’s safety framework, we had all executives visit field sites and held practical safety education sessions at the Group’s refineries. In crisis management, we held drills simulating first response to an unforeseen disaster, carried out on a non-working day with no advance notice given as to the date of the drill. In addition, we carried out comprehensive disaster drills premised on a scenario of an earthquake having directly struck the Tokyo metropolitan area in order to affirm the coordination taking place between the Kinki region alternative emergency response headquarters and the head office. In environmental initiatives, we worked to ensure strict compliance with all environmental laws and regulations, and also promoted efforts to reuse industrial water in the Group’s refineries on the basis of our “medium-term environmental action plan”, which involved maintaining high rates of water circulation with the aim of helping to bring about a sustainable water environment. We also drew up our “action plan on climate change” to help us fulfill our responsibilities to society regarding environmental conservation.

Diversity and Inclusiveness (D&I) Initiatives

The Group has long positioned Diversity and Inclusiveness (D&I) as a priority management strategy, and has been aiming to strike a balance between achieving corporate growth and enabling our individual employees to attain self-actualization. To such ends we have been hiring employees

irrespective of their nationality, gender or disability status, and have also been encouraging respect for diverse values on the basis of numerous programs and initiatives in that regard.

During the fiscal year under review, we have been redoubling our efforts with respect to our “Showa Shell Women’s Network” which was launched in 2015 with the aim of further promoting empowerment of our female employees, and have formed our “team for cultivating a D&I culture” as an initiative carried out under the third phase of the Showa Shell Women’s Network, based on the notion that our greater inclusiveness will act as a wellspring for generating new solutions unique to the Group. Through these initiatives, we have been working to further instill and implement D&I practices among our entire workforce, with a focus that extends beyond conspicuous attributes of individuals to also include an emphasis on diversity with respect to their inconspicuous attributes encompassing their experiences and strengths. Moreover, having established our new “Takumi Network” which consists of our long-serving employees, we have been forging ahead in handing down the knowledge or skills of those employees to the other employees and creating a corporate culture that enables those employees to take on active roles. D&I initiatives have been extending beyond the confines of the Group, and the Company has been actively taking part in networking opportunities particularly through employee networking events with other companies in Japan and overseas. Going forward, we will accelerate the speed of our D&I initiatives to foster a company culture in which every employee can exert their full potential to contribute to the company.

SDGs Initiatives

The Group has established a cross organizational team in order to further promote our business activities based on the SDGs (*1). For creating a sustainable society, we have brainstormed to find out the challenges in our businesses that would give impacts to the economy, environment and society, and prioritized on the initiatives we would have to be taken to respond to the challenges. Moreover, we aim to improve our corporate value through providing our products, services and solutions, as well as to contribute to solve solutions for all stakeholders.

*1 SDGs

: SDGs is the acronym for “Sustainable Development Goals”. There are 17 goals and 169 concrete targets to be achieved globally by 2030 in order to create a sustainable world. SDGs cover internationally important social issues such as poverty, climate change and peace in the wide range of fields including economy, environment and society.

Business Integration with Idemitsu Kosan Co., Ltd.

The Company announced at the end of July 2015 that it had entered full-scale discussions with Idemitsu Kosan Co., Ltd. with the basic aim of achieving business integration (the “Business Integration”) based on a spirit of equal partnership. In November 2015, the two companies concluded a memorandum of understanding for the Business Integration. The Company and Idemitsu Kosan Co., Ltd. Have an important social responsibility as energy companies to provide a stable supply of oil products. Meanwhile, the domestic oil industry is facing structural issues of

waning domestic demand and an oversupply of refinery facilities. Under these conditions, the two companies are advancing discussions on the Business Integration, aiming to bring their respective strengths to bear and combine their management resources to realize the highest profitability in the industry by outstripping other companies in terms of efficiency, and to become “an industry-leading player with an unparalleled competitive position.”

The Business Integration is behind schedule in terms of initial plans at this point in time due to a progress of discussions with some stakeholders etc. However, our objective to carry out the Business Integration remains unchanged, and as such we will forge ahead in pursuing discussions with Idemitsu Kosan Co., Ltd. in order to realize those objectives.

The Business Collaboration with Idemitsu Kosan Co., Ltd.: Brighter Energy Alliance

With respect to our integration with Idemitsu Kosan Co., Ltd., we strive to enhance the corporate value of both companies, thereby making the most effective use possible of the time running up to when we make the integration of our businesses a reality. To such ends, we signed an agreement in May regarding formation of the Brighter Energy Alliance to enhance and promote business collaboration between the two companies, and have otherwise been actively considering measures geared to leveraging synergies inherent in respective areas of business that overlap (the crude & marine, refining, demand-supply, logistics, sales, and corporate sectors).

Specifically, we have been moving forward with efforts that include the mutually supplying oil products and semi-finished oil products and a partially initiating operations of optimized production planning model which is being integrated at seven refineries of the two companies. Moreover, we have been making progress on jointly allocating VLCCs (very large crude carriers), jointly purchasing materials, and mutually utilizing fuel oil shipping terminals.

As a result of these efforts, we now anticipate achievement early on of our objective cited for deriving synergies from the alliance amounting to 25 billion yen in three years. Furthermore, we are now setting our sights on achieving synergies amounting to 30 billion yen in three years.

In order to maintain harmony within the organization and among our personnel, we have started holding workshops designed to facilitate mutual understanding with respect to differences, particularly in terms of corporate cultures and approaches to work. Nearly 1,700 employees have attended those workshops so far. In addition, we have been developing an environment where employees are apt to consider potential synergies on a daily basis, to which end we have been sending employees from one company to the other in order to work on a secondment basis.

Going forward, we will keep promoting various initiatives such as those that involve integrating offices of some divisions and departments, carried out with the aim of achieving synergies from the alliance.

(2) Issues to Be Addressed

Medium-Term Business Strategy

Within fiscal 2016, we largely finished carrying out the plans of action listed in the “Medium-Term Business Action Plan (fiscal 2013 to fiscal 2017),” released in fiscal 2013 (*1), and consequently we drew up our new “Medium-Term Business Strategy (fiscal 2017 to fiscal 2021).”

Looking toward our business integration with Idemitsu Kosan Co., Ltd, the Medium-Term Business Strategy seeks to further enhance our competitive strengths by drawing up the Company’s own business strategy as an individual company, and accordingly aims to bring about new forms of growth. To such ends, the Medium-Term Business Strategy cites the three basic policies of: 1) enhancing the competitive strengths of the domestic mainstay businesses, 2) developing and promoting new business models, and 3) expanding business territory primarily in Asia-Pacific and the Middle East.

We aim to further enhance our profitability by taking action in accordance with these basic policies. In the Oil business, our aims to this end will entail enhancing our competitive strengths by developing next-generation service stations as well as further increasing the added value of our products and services, engaging in research and development, and consequently finding commercial applications, geared to helping bring about a sustainable society, and entering markets overseas through alliances with strategic partners. In the Energy Solutions business, this will involve efforts with respect to the solar business and the electric power business. Accordingly, in the solar business we will work toward generating positive earnings early on by further improving cost competitiveness and focusing on sales to the residential market, and will also take steps to tap new markets by launching strategic next-generation products. Meanwhile, in the electric power business we will work toward diversifying and upgrading power sources and further expanding our customer platform in Japan’s retail electricity business.

As noted above, we are promoting the Brighter Energy Alliance which enhances and promotes business collaboration with Idemitsu Kosan Co., Ltd., and accordingly aiming to generate maximum synergies across a wide range of fields including those involving procurement and transportation of crude oil, refining, demand-supply, logistics, and mutually utilizing oil terminals.

Through such initiatives, we will secure firm competitive strengths and a resilient earnings structure, and will steadily carry out our Medium-Term Business Strategy with a sense of speed, with the aim of realizing our Group Management Philosophy of “with our energy, we energize the future.”

As we have noted above, we are currently advancing discussions with Idemitsu Kosan Co., Ltd. towards realizing the business integration. We will separately draw up the medium-term strategy of the newly integrated company after having completed integrating the business, and notify our shareholders in that regard.

Issues to be addressed in fiscal 2018

The following section presents the issues of the Group by business segment and the actions to be taken to address these issues.

[Oil Business]

In the Oil business, given that compliance with the Secondary Sophistication Act have been ensured, supply capacity in Japan is becoming normalized and oil product margins have been firm. Nevertheless, we still need to shore up profitability in our domestic mainstay businesses domestically, amid an ongoing scenario of structural issues in the form of declining domestic demand for oil products due to factors that include the aging of Japan's population and falling birth rates, widespread uptake of fuel-efficient vehicles, and momentum toward greater energy conservation. To that end, in accordance with our three basic polices listed in the Medium-Term Business Strategy, we will further enhance our competitive strengths with respect to the overall supply chain spanning from crude oil procurement to delivery, and we will take steps to create new services with respect to service stations centered on the development of a "one-to-one marketing" approach where services are proposed upon surmising the needs of each and every service station customer. Meanwhile, in the lubricants and asphalt business, we will forge ahead with respect to further increasing sales of our environmentally-friendly, high-value-added products, while also maximizing production centered on stable operations of Yokkaichi Refinery's toluene disproportionation process facilities. Furthermore, our long-term initiatives geared to building a new earnings platform will involve promoting efforts for research and development and commercialization with sights set on helping bring about a sustainable society through biofuels and artificial photosynthetic technologies (*2), while also taking steps to expand into businesses in geographic regions primarily in the Asia-Pacific and the Middle East in the areas of refining, supply, logistics and sales, drawing on knowledge we have accumulated in our domestic business.

[Energy Solutions Business]

In the solar business, we continue to face a challenging competitive environment. Nevertheless, we anticipate that there will be relatively consistent demand particularly with respect to residential applications in the Japanese market, against a backdrop of endeavors such as the Net Zero Energy House (ZEH) support project which is promoted by Japan's Ministry of Economy, Trade and Industry (METI). As such, we will continue focusing our efforts on selling "SmaCIS" and "SFK Series" offerings, while also developing and setting the stage for production of our new-type ultra-light solar module (*3) slated for release in 2019, and concurrently pushing forward with efforts to swiftly achieve positive earnings by improving cost competitiveness through initiatives that involve consolidating manufacturing plants and further reducing selling, general and administrative expenses.

In the electric power business, domestic power demand has been tapering off amid factors that include the aging of Japan's population and falling birth rates, and momentum toward greater energy conservation. However, we feel that the deregulation of Japan's electric power market suggests

sufficient room for growth ahead for competitive operators that maintain their own sources of power, such as the Company. Therefore, we will take steps to generate consistent earnings by diversifying and upgrading power sources as well as by expanding our customer platform in Japan's retail electricity business.

Drawing on the knowledge we have accumulated in the BOT (build-own-transfer) business and electric power business, we will also tap demand in electricity markets overseas which are expected to keep achieving firm growth going forward. This will involve taking part in IPP business (*4) overseas with the aim of that becoming a new engine for building an earnings platform, and taking steps to expand into businesses in geographic regions primarily in the Asia-Pacific and the Middle East.

As described above, we will concentrate all of our efforts on challenges in respective fields of business, while forging ahead in making our utmost leap forward as an "industry-leading player with an unparalleled competitive position" and a "Japan-originated new energy company," by fortifying the Brighter Energy Alliance with Idemitsu Kosan Co., Ltd., and also promoting collaboration with Saudi Aramco.

*1 Matters in the sentence of the section "(2) Issues to Be Addressed" have been presented on the basis of the Western calendar, upon promulgation in June 2017 of the Special Measures Law on the Imperial Household Law Concerning the Abdication of His Majesty the Emperor and Other Matters.

*2 Artificial photosynthetic technologies

: Artificial photosynthetic technologies are used for the synthesis of useful substances such as methane, ethylene and other hydrocarbons and alcohols, from water and carbon dioxide, using sunlight.

*3 New-type ultralight solar module

: The new-type ultralight solar modules are extremely lightweight, thin and unbreakable. They hold promise in terms of potentially developing new applications that have not been possible using conventional solar modules, particularly with respect to installing such units on building walls and vehicles.

*4 IPP Business

: IPP is an acronym for "independent power producer", and refers a business operator who sells electric power generated using power generation facilities owned by the entity.

In conclusion, the Showa Shell Group declares that it will put the highest priority on compliance as well as on health, safety, security and environmental (HSSE) initiatives, as the basis of all business activities, and will accordingly work to ensure that such initiatives are implemented across the entire Group.

For the Showa Shell Group, compliance means more than just complying with laws and regulations. In all our business activities, we keep in mind integrity, fairness, and empathy towards others based on society’s accepted values and ethics. In order to fulfill our social responsibility and generate sustainable growth, we think it is vital to maintain consistent compliance activities across the Group based on uniform standards.

Going forward, we will continue to promote and ensure awareness of our “Code of Conduct” and “Basic Policy for Health, Safety, Security and Environment (HSSE)” across the entire Group.

The Group has established its Group Management Philosophy, “With our energy, we energize the future,” which was chosen because it paints a clear and practical picture of where the Group should be headed and its values that ought to persist going forward. Moreover, the philosophy is accompanied by the five corporate principles of: Social Responsibility, Customer Focus, Innovation, Vitality, and Sustainable Growth. Accordingly, we will strive to meet the expectations of our shareholders by ensuring that each and every individual employee understands and embodies the philosophy and five principles.

We look forward to your continued support and encouragement with respect to the Group’s business activities.

(3) Main Businesses of the Company (As of December 31, 2017)

Segment	Main Business
Oil Business	Manufacturing, Processing, Transportation, Storage, Sales and Export/Import of Petroleum Products , City Gas
Energy Solutions Business	Solar Cell and Electric Power Generation
Other Business	Construction, Automobile Supplies Sales, Lease of Real Estate Properties and others

(4) Production and Sales of the Group and the Company

1) Sales of the Group

The results of the sales of the Group during this period are described below:

Segment	105th Period (Last Period) (M Yen)	106th Period (This Period) (M Yen)	Increase/ Decrease over last year (%)
Oil Business	1,595,529	1,921,302	+20.4
Energy Solutions Business	121,300	114,554	-5.6
Other Business	9,245	10,078	+9.0
Total	1,726,075	2,045,936	+18.5

Note 1: The above amounts do not include consumption taxes.

- 2: The amounts for Sales in each Segment consist of the sales proceeds from unaffiliated customers.

2) Manufacturing, Purchases and Sales of the Company

The volume manufactured and purchased as well as the sales quantity of petroleum products of the Company during this period are described below:

Item		105th Period (Last Period) (1,000kl)	106th Period (This Period) (1,000kl)	Increase/ Decrease over last year (%)
Manufactured & Purchased Quantities	Manufactured	16,053	16,132	+0.5
	Purchased	10,317	11,160	+8.2
	Total	26,370	27,292	+3.5
Sales Quantities	Gasoline	9,324	9,148	-1.9
	Kerosene & Gas Oil	10,512	10,875	+3.5
	Fuel Oil	3,431	3,471	+1.2
	Others	3,274	3,785	+15.6
	Total	26,540	27,279	+2.8

Note 1: "Manufactured Quantity" represents the volume of products which the Company had the Group refineries and others manufacture in commission.

- 2: "Other Sales" includes LPG, naphtha, lubricants and asphalt, etc.

(5) Capital Investment in Plants and Equipment of the Group

The total investment in plants and equipment during the period was approximately 19.9 billion yen, and the principal investments are described below:

Segment	Item	Principal investments
Oil Business	Manufacturing	Maintenance, environmental and safety, energy-saving, added-value improvement measures for refineries
	Sales facilities	Maintenance, environmental and safety measures for existing service stations, Construction of self-service facilities
	Distribution	Maintenance for depots
Energy Solutions Business	Manufacturing	Maintenance for Solar cell manufacturing facilities
	Research	Repairs of solar cell research facilities

(6) Fund Raising

The Company's funding requirement is financed by cash on hand, borrowings, commercial paper and bonds, not by capital increase.

The balance of each fund-raising instrument at the end of the period was as follows:

Item	105th Period (Last Period) M Yen	106th Period (This period) M Yen
Short-term borrowings	34,292	23,715
Long-term borrowings to be repaid within a year	8,660	30,625
Bond to be repaid within a year	10,000	-
Long-term borrowings	74,741	53,116
Bonds	10,000	10,000
Total	137,693	117,456

Note : Commercial paper issued during the period had been redeemed at the end of the period.

(7) Changes in the Business Results of the Group

The results of the Group for the period under review and the three previous periods are set out below:

Division	2014 103rd Period	2015 104th Period	2016 105th Period	2017 106th Period (This Period)
Sales proceeds (M Yen)	2,997,984	2,177,625	1,726,075	2,045,936
Ordinary profit or Ordinary loss (△)(M Yen)	△16,723	△13,282	47,840	92,973
Net profit or net loss (△) after tax attributable to owners of parent (M Yen)	△9,703	△27,467	16,919	42,751
Net profit or net loss (△) per share (Yen)	△25.76	△72.93	44.92	113.51
Total assets (M Yen)	1,176,282	957,665	976,134	1,038,882

Note: Net Profit per share or net loss per share is calculated based on the average number of issued shares during the relevant period, from which the number of treasury shares is excluded.

(8) Relationships with Important Subsidiaries and Affiliates (As of December 31, 2017)

Important Subsidiaries

Company Name	Capital	Ratio of Capital Held by the Company	Main Business
Solar Frontier K.K.	5,000M Yen	100.0%	Manufacturing and Sales of Solar Cell Modules
Showa Shell Sempaku K.K.	450M Yen	100.0%	Overseas Shipping & Transportation; Vessel Chartering
K.K. Rising Sun	200M Yen	100.0%	Automobile Supplies Sales, Leasing, Insurance Agency
Shoseki Engineering K.K.	100M Yen	100.0%	Design, Construction and Inspection of Industrial Facilities
Shell Lubricants Japan. K.K.	310M Yen	100.0%	Manufacturing and Sales of Lubricants
Nihon Grease K.K.	100M Yen	99.2%	Manufacturing and Sales of Grease and Lubricant Oil
Wakamatsu Gas K.K.	470M Yen	97.8%	City Gas Business and Sales of Petroleum Products
Showa Yokkaichi Sekiyu K.K.	4,000M Yen	75.0%	Manufacturing of Petroleum Products
Toa Sekiyu K.K.	8,415M Yen	50.1%	Manufacturing of Petroleum Products

Affiliated Companies

Company Name	Capital	% of our Company's shares	Main Business
K.K. Enessance Holdings	115M Yen	45.7%	Management of LPG Sales Subsidiaries
Seibu Sekiyu K.K.	8,000M Yen	38.0%	Manufacturing of Petroleum Products
Marubeni Energy K.K.	2,350M Yen	33.4%	Sales of Petroleum Products
K.K. Ohgishima Power	5,350M Yen	25.0%	Commissioned Power Generation
Gyxis Corporation	11,000M Yen	20.0%	Manufacture, Storage, Transport, Sale and Import/Export of LPG

(9) Acquisition of the Stock of Other Corporations and Other Restructuring Activities

The Company has succeeded its lubricant business to Shell Lubricants Japan K.K., a wholly-owned subsidiary of the Company, through a company split (absorption-type) effective on November 1, 2017.

The Company has concluded the Absorption-type Company Split Agreement with Gyxis Corporation, an affiliated of the Company, effective on December 19, 2017, to succeed Gyxis's business in relation to the operation of Hekinan LPG Terminal to the Company as of July 1, 2017.

Moreover, the Company has succeeded a part of its solar cell business managed by Solar Frontier K.K., a wholly-owned subsidiary of the Company, to RS Renewables K.K., a wholly-owned subsidiary of the Company, through a company split (incorporation-type) effective on January 5, 2018.

(10) Primary Place of Business and Plants (As of December 31, 2017)

Head Office		3-2, Daiba 2-chome, Minato-ku, Tokyo (Daiba Frontier Building)
Oil Business	Branch Offices	Hokkaido Branch (Sapporo-shi) Tohoku Branch (Sendai-shi) Shutoken Branch (Minato-ku, Tokyo) Kanto Branch (Minato-ku, Tokyo) Chubu Branch (Nagoya-shi) Kinki Branch (Osaka-shi) Chugoku Branch (Hiroshima-shi) Kyushu Branch (Fukuoka-shi)
	Laboratory	Central Laboratory (Aikawa-machi, Aikou-gun, Kanagawa Prefecture) Shell Lubricants Japan. K.K., Technical Research Institute (Aikawa-machi, Aikou-gun, Kanagawa Prefecture)
	Refineries	Showa Yokkaichi Sekiyu K.K., Yokkaichi Refinery (Yokkaichi-shi, Mie Prefecture) Toa Sekiyu K.K., Keihin Refinery (Kawasaki-shi) Seibu Sekiyu K.K., Yamaguchi Refinery (Sanyo-onoda-shi, Yamaguchi Prefecture)
	Import Terminal	Niigata Import Terminal (Niigata-shi)
	Lubricant Plants	Shell Lubricants Japan. K.K., Yokohama Installation (Yokohama-shi) Shell Lubricants Japan. K.K., Kobe Installation (Kobe-shi)
	Grease Plants	Nihon Grease K.K., Yokohama Plant (Yokohama-shi) Nihon Grease K.K., Kobe Plant (Kobe-shi)
	Energy Solutions Business	Solar Cell Manufacturing Plants
Laboratory		Atsugi Research Center (Atsugi-shi, Kanagawa Prefecture)

(11) Employment Situation of the Group and the Company (As of December 31, 2017)

a) The Group's Employment Situation

Number of Employees	Change from Previous Period
4,465	- 46

b) The Company's Employment Situation

Number of Employees		Change from Previous Period	Average Age	Average Length of Service
Male	538	- 57	45.6	20.8Years
Female	184	- 8	41.5	18.3Years
Total	722	- 65	44.6	20.1Years

Note 1: Temporary employees and seconded personnel to other companies are excluded.

2: Seconded personnel (108 persons) to the Company are included in the Number of Employees and Average Age.

(12) Main Creditors of the Group (As of December 31, 2017)

Creditor	Amount of Loan
Development Bank of Japan	50,000 M Yen
Japan Oil, Gas and Metals National Corporation	20,565 M Yen
Syndicate loan (Note 1)	10,000 M Yen
K.K. Mizuho Bank	9,000 M Yen
K.K. Bank of Tokyo-Mitsubishi UFJ	6,000 M Yen
Syndicate loan (Note 2)	4,000 M Yen
Sumitomo Mitsui Trust & Banking K.K.	2,000 M Yen
Mizuho Trust & Banking K.K.	1,000 M Yen
Mitsubishi UFJ Trust Bank K.K.	1,000 M Yen

Note 1: Syndicate loan is a loan from several financial institutions with the Development Bank of Japan as its arranger.

2: Syndicate loan is a loan from several financial institutions with the K.K. Sumitomo Mitsui Banking as its arranger.

2. Shares of the Company (As of December 31, 2017)

(1) Total Numbers of Shares Authorized	440,000,000
(2) Numbers of Shares Issued	376,850,400
(Number of Treasury Shares	169,327)
(3) Number of Shares per Unit	100
(4) Breakdown of Shareholders	

Classification	Number of Shareholders		Number of Shares Held (Thousands)	
	As of Dec. 31, 2016	As of Dec. 31, 2017	As of Dec. 31, 2016	As of Dec. 31, 2017
Individuals, and others	43,597 97.41%	35,295 96.87%	42,504.2 11.28%	32,679.5 8.67%
Governments	0 0.00%	0 0.00%	0.0 0.00%	0.0 0.00%
Financial Institutions	120 0.27%	115 0.32%	80,560.0 21.38%	85,839.5 22.78%
Other Corporations	531 1.19%	484 1.33%	124,813.0 33.12%	124,602.1 33.06%
Foreign Shareholders	509 1.14%	543 1.49%	128,973.2 34.22%	133,729.3 35.49%
Total	44,757 100.00%	36,437 100.00%	376,850.4 100.00%	376,850.4 100.00%

(5) Major Shareholders (Top 10)

Name	Investment in the Company	
	Number of Shares (Thousands)	Shareholding Ratio
Idemitsu Kosan Co., Ltd	117,761.2	31.26%
Aramco Overseas Company B.V.	56,380.0	14.96
The Master Trust Bank of Japan, Ltd., (Custody Account)	24,528.8	6.51
Japan Trustee Services Bank, Ltd. (Custody Account)	13,644.5	3.62
The Shell Petroleum Company Limited	7,500.0	1.99
The Anglo-Saxon Petroleum Company Limited	6,784.0	1.80
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	4,047.0	1.07
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,772.1	1.00
Japan Trustee Services Bank, Ltd. (Custody Account 5)	3,569.2	0.94
JP Morgan Securities Japan Co., Ltd.	3,474.8	0.92

Note 1: The shareholding ratio is calculated from the number of shares issued less the number of treasury shares.

- 2: The ratio of shares held by the Shell Group, to which the Shell Petroleum Company Limited and the Anglo-Saxon Petroleum Company Limited belong, amounts to 3.79% in total.

3. Officers (As of December 31, 2017)

(1) Name of Directors and Audit & Supervisory Board Members

Position	Name	Responsibility	Other Important Concurrent positions
Representative Director, President, Chief Executive Officer	Tsuyoshi Kameoka		
Representative Director, Vice President	Tomonori Okada	IT Planning, HSSE, General Affairs, Public Affairs, Procurement, Corporate Planning (Including Corporate Governance), Secretariat, Accounting, Finance and Financial Risk Management	President and Representative Director, Shell Japan Trading K.K. Director, Seibu Sekiyu K.K. Representative Director, Shoseki International K.K. Representative Director, Shoseki Overseas & Investment
Director Chairman of the Board	Minoru Takeda	(Outside Director)	
Director	Takashi Nakamura	(Outside Director)	
Director	Norio Otsuka	(Outside Director)	Honorary Chairman, NSK Ltd. Chairman, the Japan Bearing Industry Association
Director	Yuko Yasuda	(Outside Director)	Managing Director, Russell Reynolds Associates Japan Inc. Outside Director, SCSK Corporation
Director	Nabil A. Al-Nuaim	(Outside Director)	President and CEO, Aramco Asia Far East (Beijing) Business Services Co. Ltd. (China)
Director	Anwar Hejazi	(Outside Director)	Representative Director, Aramco Asia Japan K.K.
Full time Audit & Supervisory Board Member	Kenji Takahashi		
Full time Audit & Supervisory Board Member	Tsutomu Yoshioka		
Audit & Supervisory Board Member	Midori Miyazaki	(Outside Audit & Supervisory Board Member)	Professor, Dean and Trustee of Chiba Shoka University, Department of Global Studies

Audit & Supervisory Board Member	Kenji Yamagishi	(Outside Audit & Supervisory Board Member)	Attorney, Risolute Law Office
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Notes:

1. Chief Executive Officer is in charge of the Code of Conduct, and directly supervises Audit and Integration Preparation Office.
2. Mr. Takashi Nakamura, Mr. Norio Otsuka, Ms. Yuko Yasuda, Ms. Midori Miyazaki and Mr. Kenji Yamagishi are registered with the Tokyo Stock Exchange as Independent Directors/Audit & Supervisory Board Members.
3. Mr. Tsutomu Yoshioka, Full time Audit & Supervisory Board Members, has insight into finance, accounting and related matters based on his experience working as the Executive Officer in charge of Finance & Control Department of the Company.
4. Directors appointed or retired during this period were as follows:
 - Appointed: Norio Otsuka, Yuko Yasuda, Anwar Hejazi
 - Retired: Yukio Masuda, Ahmed M. Alkhunaini
(With effect from March 30, 2017)
 - Resigned: Christopher K. Gunner, Philip Choi
(With effect from January 31, 2017)
5. Mr. Tomonori Okada, Representative Director, was appointed as Representative Director of Shoseki International K.K. and Shoseki Overseas & Investment K.K. and Mr. Norio Otsuka, Director, was appointed as Honorary Chairman of NSK Ltd. during this period. Moreover, Mr. Nabil A. Al-Nuaim, Director, was appointed as Head of Transaction Development (M&A) of Saudi Aramco (Saudi Arabia) and Mr. Anwar Hejazi, Director, was appointed as President and CEO of Aramco Asia Far East (Beijing) Business Services Co. Ltd. (China) on January, 2018.
6. Mr. Tsuyoshi Kameoka, Representative Director, and Mr. Tomonori Okada, Representative Director, retired Director of Solar Frontier K.K., Mr. Norio Otsuka, Director, retired Director, Chairman of NSK Ltd., and Mr. Nabil A. Al-Nuaim, Director, retired President and CEO, Aramco Asia Far East (Beijing) Business Services Co. Ltd. (China) during this period. Moreover, Mr. Tomonori Okada, Representative Director, retired President and Representative Director of Shell Japan Trading K.K. on January, 2018.
7. Audit & Supervisory Board Members appointed or resigned during this period were as follows:
 - Appointed: Tsutomu Yoshioka
 - Resigned: Kiyotaka Yamada
(With effect from March 30, 2017)
8. Shoseki International K.K. and Shoseki Overseas & Investment K.K. are wholly owned subsidiary. Moreover, Seibu Sekiyu is our important affiliate.
9. The Company had transactions in relation to service provisions with Shell Japan Trading K.K.
10. The Group had transactions with NSK Ltd. in relation to petroleum products sales.
11. There are no special relations between the Company and either the Japan Bearing Industry

Association or Russell Reynolds Associates Japan Inc.

12. There are no special relations between the Company and SCSK Corporation. However, the Company had transactions in relation to service provisions with the subsidiary of SCSK Corporation.
13. The Company has an important business relationship and a basic agreement regarding crude oil supply with Saudi Aramco (Saudi Arabia). Its subsidiary, Aramco Overseas Company B.V., holds shares in the Company.
14. The Company and Aramco Asia Far East (Beijing) Business Services Co. Ltd. have no special relations.
15. The Company and Aramco Asia Japan K.K. have no relations other than personnel exchange.
16. There are no special relations between the Company and either Chiba Shoka University or Risolute Law Office.

17. List of Executive Officers:

Position	Responsibility	Name
Executive Officer, Oil Business COO	Oil Business Center	Masayuki Kobayashi
Executive Officer, Energy Solutions Business COO	Energy Solution Business Center, Energy Solution Business Center (Innovation Strategy)	Misao Hamamoto
Corporate Executive Officer	Legal (including Personal Data & Individual Number Protection) and Internal Control Promotion	Yuri Inoue
Corporate Executive Officer	IT Planning, HSSE, General Affairs, Public Affairs and Human Resources	Katsuaki Shindome
Corporate Executive Officer	Oil Business Center (Distribution & Operations, Import Terminal, Sales, Retail Sales, Retail EPOCH Project Team, Marketing Planning and Branch Offices)	Kenichi Morishita
Corporate Executive Officer	Oil Business Center (Lubricants & Bitumen, Commercial Sales, Research & Development and Laboratory)	Makoto Abe
Corporate Executive Officer	Procurement, Corporate Planning (including Corporate Governance) and Secretariat	Hiroshi Watanabe
Executive Officer	Oil Business Center (Crude & Marine, Oil Products, Supply, Petro Chemical Business Promotion and Manufacturing)	Satoshi Handa
Executive Officer	Energy Solution Business Center (Power Demand and Supply and Power Sales)	Minoru Yagyuuda
Executive Officer	Accounting, Finance and Financial Risk Management	Takashi Sakata

Executive Officer	Oil Business Center (Manager in Metropolitan Branch)	Nobuhiko Watanabe
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(2) Remuneration paid to Directors and Audit & Supervisory Board Members:

The remuneration of the Directors and Audit & Supervisory Board Members during this period is described below:

Classification	Directors		Audit & Supervisory Board Members		Total	
	Number of Directors	Amount Paid	Number of Audit & Supervisory Board Members	Amount Paid	Number of Directors and Audit & Supervisory Board Members	Amount Paid
Remuneration Paid Based on Resolution of General Shareholders' Meeting	12 (10)	244M Yen (84)	5 (2)	75M Yen (19)	17 (12)	319M Yen (104)
Bonus	6 (4)	73 (2)	- (-)	- (-)	6 (4)	73 (2)
Sub Total		317 (86)		75 (19)		392 (106)

Notes:

1. The total cap on remuneration paid to Directors has been decided by resolution of the 102nd Annual General Meeting of Shareholders held on March 27, 2014, as not more than 45 million yen per month. The total cap on remuneration paid to Audit & Supervisory Board Members has been decided by resolution of the 96th Annual General Meeting of Shareholders held on March 28, 2008, as not more than 10 million yen per month.
2. The data above includes remunerations paid to 2 Directors who resigned on January 31, 2017 and 2 Directors and 1 Audit & Supervisory Board Member who retired at the closing of the 105th Annual General Meetings of Shareholders held on March 30, 2017. The number of Directors and Audit & Supervisory Board Members at the end of December is 8 and 4, respectively.
3. Numbers in parenthesis show the number of or amount of remuneration paid to outside Directors or outside Audit & Supervisory Board Members.

(3) Policy regarding the determination of remuneration amount for Directors and Audit & Supervisory Board Members

We have established the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors to ensure appropriateness of remuneration paid to Directors, and objectivity and transparency in the decision-making process. Independent Directors and independent Audit & Supervisory Board Members comprise a majority of its members, and it is chaired by an independent outside Director. At its meeting held on November 5, 2013, the Board of Directors resolved and adopted the “Basic Policy for Directors’ Compensation,” which was formulated on the basis of reports by the Nomination and Compensation Advisory Committee. The policy provides for matters with respect to the Company’s decisions on remuneration for Directors and Audit & Supervisory Board Members in three areas: 1.) ensuring transparency with respect to remuneration, 2.) reflecting results in remuneration schemes, and 3.) clarifying the process of compensating Directors and Audit & Supervisory Board Members.

Matters involving remuneration levels and composition of remuneration for respective Directors are reported to the Board of Directors after undergoing deliberations within the Nomination and Compensation Advisory Committee largely on the basis of the Basic Policy for Directors’ Compensation etc., and then decided by resolution of the Board of Directors. Moreover, matters involving Director remuneration levels and the composition of such remuneration are set in accordance with respective roles and responsibilities of individual Directors, upon considering details such as remuneration levels at major domestic companies based on research conducted by specialized external organizations.

Remuneration of the Company’s Directors is composed of a fixed remuneration portion and a performance-linked bonus. Fixed remuneration for Directors consists of a fixed monthly payment within the bounds of the total fixed remuneration amount determined by resolution of the 102nd General Meeting of Shareholders held on March 27, 2014, on the basis of a remuneration table categorized by rank, and in accordance with a recipient’s roles and responsibilities as a Director, and his or her roles and responsibilities with respect to business execution. The performance-linked bonus is a variable form of remuneration linked to company performance. For executive directors, the bonus is determined based on assessments of 1) quantitative factors such as income generated in a respective fiscal year, and 2) qualitative factors weighing sustainable growth over the medium and long term with respect to performance in areas such as promoting the growth strategy and D&I, as well as the status of leadership development on the basis of succession plans. The bonus amount is paid after the decision at the Annual General Meeting of Shareholders, subsequent to resolution by the Board of Directors which follows deliberations by the Nomination and Compensation Advisory Committee. The ratio of bonus is the standard remuneration composition consists of 70% fixed remuneration and 30% performance-linked bonus, but the performance-linked bonus varies depending on results of the assessment based on quantitative and qualitative elements. The performance-linked bonus for non-executive directors has been suspended as the end of fiscal 2017.

In the light of the responsibility of the Audit & Supervisory Board Members, who audit the execution of duties of the Board of Directors as the independent position, is not affected by

corporate performance. Instead, it consists solely of fixed remuneration paid on the basis of an individual's position of authority with respect to auditing Directors' performance of their duties. Payment is decided subsequent to discussions among the Audit & Supervisory Board Members, and is provided within the bounds of the total amount of Audit & Supervisory Board Member remuneration determined upon resolution of the 96th Annual General Meeting of Shareholders held on March 28, 2008.

Retirement allowance to Directors and Audit & Supervisory Board Members was abolished at the closing of the 95th Annual General Meeting of shareholders held on March 29, 2007.

(4) Information relating to Outside Directors and Outside Audit & Supervisory Board Members

a) Principal Activities

Name	Attendance	Remarks at the Board Meetings and Audit & Supervisory Board
Minoru Takeda (Outside Director)	100% of the board meetings (12 out of 12 meetings)	Based on his experience in international management and knowledge about the energy industry, he provided advice regarding the Company's operations. Moreover, in order to strengthen the authority for business execution, which entails responsibility for supervising management, he has been selected as the Chairman of the Board of Directors from June 2015.
Takashi Nakamura (Outside Director)	100% of the board meetings (12 out of 12 meetings)	Based on his international experience and knowledge accumulated through his lengthy career in corporate management, he provided advice regarding the Company's operations.
Norio Otsuka (Outside Director)	100% of the board meetings (11 out of 11 meetings)	Based on his deep insight and knowledge accumulated through his lengthy career in corporate management, he provided advice regarding the Company's operations.
Yuko Yasuda (Outside Director)	100% of the board meetings (11 out of 11 meetings)	Based on her wide range of insight and considerable experience as the corporate management, she provided advice regarding the Company's operations.
Nabil A. Al-Nuaim (Outside Director)	83% of the board meetings (10 out of 12 meetings)	Based on his wide business experience relevant to the energy industry, he provided advice regarding the Company's operations.

Anwar Hejazi (Outside Director)	91% of the board meetings (10 out of 11 meetings)	Based on his extensive knowledge relevant to the energy industry and management experience, he provided advice regarding the Company's operations.
Midori Miyazaki (Outside Audit & Supervisory Board Member)	83% of the board meetings (10 out of 12 meetings) 100% of the Audit & Supervisory Board (13 out of 13 meetings)	She actively expressed her opinions in the Audit & Supervisory Board. Based on her broad experience and knowledge in various fields, she also provided advice regarding the Company's operations in the Board Meetings.
Kenji Yamagishi (Outside Audit & Supervisory Board Member)	100% of the board meetings (12 out of 12 meetings) 100% of the Audit & Supervisory Board (13 out of 13 meetings)	He actively expressed his opinions in the Audit & Supervisory Board. Based on his specialist viewpoint as a lawyer, he also provided advice regarding the Company's operations in the Board Meetings.

Note:

Outside Directors (Norio Otsuka, Yuko Yasuda and Anwar Hejazi) were appointed as the Company's Directors on March 30, 2017. Their activities described above happened after their appointment.

b) Summary of Liability Limitation Contract

Outside Directors (Minoru Takeda, Takashi Nakamura, Norio Otsuka, Yuko Yasuda, Nabil A. Al-Nuaim and Anwar Hejazi) and outside Audit & Supervisory Board Members (Midori Miyazaki and Kenji Yamagishi) entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Clause 1, Article 423 of Corporate Code. Amounts of liability under this agreement shall be 10,000,000 yen or the amount designated by the Corporate Code, whichever is the higher amount.

4. Accounting Auditors

(1) Names of Accounting Auditor:

PricewaterhouseCoopers Arata LLC

(2) Remunerations to be paid to Remuneration Accounting Auditor:

Amount of Remuneration as Accounting Audit & Supervisory Board Members paid by the Company	115,200 thousands Yen
Total Amount of Remuneration paid by the Company and its Subsidiaries	171,200 thousands Yen

Notes:

1. In the audit contract between the Company and Accounting Auditor, there is no distinction between the remuneration for the audit based on Corporate Code as Accounting Auditors and that for the audit based on the Financial Instruments Exchange Law and it is not practically possible to distinguish them. Therefore, the amounts of Remuneration as Accounting Auditors paid by the Company include both of them.
2. Total Amount of Remuneration paid by the Company and its subsidiaries includes remuneration for audit on English consolidated financial statements in the Corporate Report other than those set out in Article 2, item 1 of Certified Public Accountant Law.
3. The Audit & Supervisory Board passes judgment, in accordance with Clause 1, Article 399 of the Corporate Code, concerning the value of remuneration, etc. for Accounting Auditors after conducting necessary verification to ascertain whether the details of the audit plan, the state of execution of accounting audit duties and the calculation basis for remuneration estimation, etc. of the Accounting Auditor are suitable in the light of the content and scale of our business.

(3) Policies of dismissal or denial of reappointment of Accounting Auditors:

Subject to the agreement of all Audit & Supervisory Board Members, the Audit & Supervisory Board will dismiss an Accounting Auditor if it concludes that any item of Clause 1, Article 340 of the Corporate Code applies to that Accounting Auditor. Furthermore, when we doubt the competency and trustworthiness of an Accounting Auditor, or we concluded that it is appropriate to change the Accounting Auditors due to the reason that we could expect more appropriate audit etc., the Audit & Supervisory Board will decide the content of the item regarding replacement or refusal of reappointment of the Accounting Auditors, and the Board of Directors will propose the item to a general meeting of shareholders based on the decision.

5. System to ensure directors' compliance with laws and regulations and articles of incorporation, and other systems to ensure proper business conduct, and status of operation of the systems.

(1) System to ensure directors' compliance with laws and regulations and articles of incorporation, and other systems to ensure proper business conducts (Basic Policy on Internal Control System to Ensure Business Appropriateness).

The content of the policy approved by the Board of Directors is shown below. (Revised on April 12, 2017)

1. A system to ensure that the execution of business by directors, executive officers and employees complies with laws and the Articles of Association.

a. To ensure recognition of compliance and the responsibility to society of directors, executive officers and employees, the Code of Conduct and rules regarding anti-monopoly law, Government anti-corruption and other primary laws are established, and we take measures to comply with them thoroughly.

b. Pursuant to law, the Articles of Association and company rules such as the Rules of the Board of Directors, the Board of Directors shall decide important matters such as management strategies and supervise business performance in order to fulfill their responsibility to shareholders. Moreover, the Board of Directors elects several independent officers to protect shareholders' interests, improve transparency and ensure objectivity of management.

c. The board of corporate auditors audit the maintenance and operation status of the internal control, and regularly exchange information and opinions with directors.

d. To establish and integrate a cross-functional compliance system, directors or executive officers in charge of the Code of Conduct, Risk Management Committee and a department in charge of matters regarding compliance are appointed.

e. The audit department has a direct report line to Representative Director/Group CEO, and audits the status of business execution and the validity of the internal control system of each department. The results and the subsequent improvements are reported to the Audit Committee.

f. Each executive director and executive officer is required to submit a written confirmation with regard to the implementation status of systems to ensure appropriateness of the contents of financial reports and the compliance level etc. The Representative Director/ Group CEO assesses and reports the status of internal control concerning financial reports.

g. A whistle blower system is established both inside and outside the company. Moreover, the rules to operate the system are established, prohibiting disadvantageous treatment and ensuring confidentiality of reporters.

h. A department to deal with antisocial forces is appointed and the department always pays attention to such forces. In case unreasonable demands are made by antisocial forces, we deals systematically with them and do not have any relationship with those organizations or individuals.

2. Information record management system regarding business execution by directors and executive officers.

a. Rules regarding information security and management are established. In accordance with the

rules, information is created, managed and abolished appropriately depending on its category and importance.

b. Rules regarding personal information protection are provided and such information is managed and kept safely.

c. Rules regarding information disclosure are provided and a system to disclose information in a timely and appropriate manner are in place.

3. Rules and systems regarding loss-related risk management

a. After identification and analysis of various potential risks in the business environment of our group, the measures in line with their characteristics are taken and their effectiveness reviewed regularly.

b. A basic policy with regard to health, safety, security and environmental preservation is established, and a specialized department appointed for company-wide education/training activities and improvement of the control system through regular audits.

c. To continue important businesses even in case of a contingency such as disasters or accidents, a Crisis Management Plan and the Business Continuity Plan are stipulated, and regularly drilled and reviewed.

4. System to ensure efficiency in business execution by directors and executive officers

a. To enable prompt decision-making, the organization is simple without superimposed layers, and decisions on company-wide business, strategy issues and important matters of the Oil business and the Energy Solution business are made by the resolution of the Group Executive Committee to which relevant authority has been delegated by the board of directors.

b. Authorization of the Board of Directors, Group Executive Committee, each director or executive officer is clearly established, and to enable flexible decision-making, a procedure to delegate authority may be taken if necessary.

c. When making decisions on company-wide important matters, the Board of Directors, the Group Executive Committee and anyone with authorization will consult with certain committees providing advice so as to reflect opinions from an expert point of view of various related departments including corporate functional departments.

d. To enable efficient business execution, a medium term business plan, annual budget plan etc. are stipulated, and are reviewed and revised regularly.

e. To maintain a secured Information Technology environment, a system is established to enable accurate and speedy grasp/communication of management information and improve business efficiency.

5. System to ensure appropriateness of business in Group Companies

a. Group Companies share the spirit of SSSKK's Code of Conduct, Basic Policy on Health, Safety, Security and Environmental Protection and other various important basic policies and put them into practice in each company as SSSKK does.

b. To conduct businesses appropriately and efficiently while having respect for autonomy and

independence of subsidiaries in their conduct of business, a basic rule and operational standards are established.

c. To ensure the appropriateness of subsidiaries' business, directors and Audit & Supervisory Board Members are seconded as necessary. Moreover, important matters regarding the business operations of subsidiaries require consultation approval of the Company in advance.

d. The department in charge of management of subsidiaries is appointed, and following identification and analysis of various potential risks in the business environment of subsidiaries, measures in line with their characteristics are taken and managed with each subsidiary. In order to oversee the risks of our whole group, the department shall report circumstances provided above properly to the Risk Management Committee.

e. Subsidiaries are the target of regular audit by the Audit Department. The Audit Department audits the status of business execution and the validity of the internal control system of subsidiaries. The results and subsequent improvements shall be reported to the Audit Committee.

f. The persons responsible for subsidiaries etc. are required to submit a written confirmation with regard to the implementation status of systems to ensure the appropriateness of the contents of financial reports and the compliance level etc. and regularly review them.

g. A whistle blower system of subsidiaries is established both inside and outside the companies. Moreover, rules to operate the system are established, prohibiting disadvantageous treatment and ensuring confidentiality of reporters.

6. Matters regarding employees to support business of Audit & Supervisory Board Members when requested.

a. The supervisory board secretariat is established to support Audit & Supervisory Board Members and assigned full-time employees.

b. The number and election of employees provided in the preceding item is decided in consultation with the full-time Audit & Supervisory Board Members.

7. Matters regarding the independence of the employees in the preceding clause from directors and ensuring effectiveness of directions from Audit & Supervisory Board Members to employees.

a. The employees who assist Audit & Supervisory Board Members follow directions and orders of Audit & Supervisory Board Members. As for nomination, changes in personnel and treatment of the employees in the preceding clause, consent by the board of corporate auditors is required.

8. Reporting System from directors or employees to Audit & Supervisory Board Members and other reporting systems to Audit & Supervisory Board Members

a. In case a report on business execution is required by Audit & Supervisory Board Members or important facts or compliance violation etc. which may affect seriously the management of our group, the directors and employees of the Company and subsidiaries or people who receive reports from those people shall report immediately to the Audit & Supervisory Board Meetings of the Company in accordance with provided rules.

b. Disadvantageous treatment of the people who report facts provided in the preceding item shall be

prohibited and this fact shall be made widely known.

c. Audit & Supervisory Board Members of the Company and Audit & Supervisory Board Members of subsidiaries shall hold meetings to share information regularly to improve the audit of the group.

d. The status of report on the internal control system shall be reported regularly to the Audit & Supervisory Board Members, ensuring the confidentiality of the reporter.

9. Matters regarding policy concerned with dealing with expenses etc. arising out of the execution of Audit & Supervisory Board Members' duties.

a. In order to pay expenses etc. arising out of the execution of Audit & Supervisory Board Members' duties, a specific amount of budget shall be secured. When Audit & Supervisory Board Members request payment in advance regarding execution of their duties, the expenses shall be paid or the obligation shall be executed immediately except where the expenses or the obligation are unnecessary for their execution of their duties.

10. Other systems to ensure an effective audit by Audit & Supervisory Board Members

a. Audit & Supervisory Board Members attend important meetings and in case minutes of meetings are taken, the secretariat of the meetings sends the minutes to the board of corporate auditors.

b. The results of audits by the Internal Audit Department and accounting auditors and the subsequent improvements are reported to the board of corporate auditors. The board of corporate auditors regularly exchanges information with the Internal Audit Department and accounting auditors.

(2) Implementation status

Status of operation of the system to ensure proper business conduct

We have been conducting activities for compliance training and education based on our Basic Policy on Internal Controls for some time. Moreover, in order to ensure proper business conduct of the whole Group, we made full upgrades to the "Basic Policy on Internal Control System" for our subsidiaries and so forth in a effort to further improve the construction and operation of our internal control systems as the business group.

An overview of the status of operation of the systems for the fiscal year under review is as follows.

Status of compliance initiatives

To ensure the validity of compliance with the Code of Conduct and various rules, the Risk Management Committee, chaired by the Group CEO, is held each quarter to improve and strengthen the internal control system by discussing corporate risks and so forth.

Also, with the aim of fostering awareness and increasing knowledge of compliance, we have carried out compliance training for each employee grade and worksite, and with the aim of preventing the harassment, we carried out training for management as well as e-learning programs of which targeted all executives of the Group. In addition, through the "Room of Compliance" intranet site for providing information to the Company and Group companies, we regularly post examples of violations that occurred at other companies and other newsworthy cases,

as well as sharing cases of violations among Group companies that have been reported in accordance with the “Guideline on Reporting Cases of Compliance Concerns”, thereby taking measures to prevent recurrences and raising awareness to prevent similar violations from occurring within the Group.

Furthermore, based on our “Rules of the Group Companies’ Help Line”, “Voice of People,” we have also set up the Voice of People (VOP) helplines internally and externally to provide employees with a consultation channel through a third-party institution.

Status of initiatives for loss-related risk management

With regard to the various risks facing the Group, in each division and subsidiary we follow the “Risk Management System Guideline” to identify risks, including latent risks, that may become impeding factors for our business plans and targets. Having analysed them in terms of their impact and likelihood of occurrence, we prepare the “Business Control Matrix” that clearly shows the countermeasures for each individual risk in accordance with its characteristics.

In addition, as a new initiative with respect to overseas business development, we have drawn up our “Overseas Risk Management Manual,” taking into consideration the matter of handling risks that had previously not been part of our assumptions. Going forward, we will extensively make use of the manual which will act as a tool that will underpin our efforts with respect to preparing for potential crisis scenarios and addressing business-related problems.

Moreover, we hold drill exercises throughout the Company, such as comprehensive disaster response drills and safety confirmation system drills. We also regularly audit the HSSE risk and management systems in each division and subsidiary in accordance with the HSSE Management System, and use the audits to promote improvements. Furthermore, to ensure the continuity of vital business operations during unexpected events such as disasters and accidents, we have formulated a “crisis management plan (CMP)” and a “business continuity plan (BCP)” and regularly perform drills and make revisions.

Status of initiatives to ensure the appropriateness and efficiency of execution of duty by directors and executive officers

From a perspective of assuring appropriate corporate governance, we have separated the position of Group CEO, the highest authority on business execution, from the position of Chairman of the Board of Directors, which holds responsibility for supervising management. Moreover, the Chairman of the Board of Directors is selected from among the outside directors who have no involvement with business execution. With regard to business execution, we have a Group Executive Committee to which authority is delegated by the Board of Directors, comprising the Group CEO and Vice President, and executive officers responsible for operations. This committee decides on company-wide and strategic matters, as well as important matters for the respective business centers of the Oil business and Energy Solutions business. We also ensure a system for swift decision making by clearly determining the decision-making authority of the Board of Directors, Group Executive Committee, as well as individual directors and executive officers.

Status of initiatives to ensure the validity of audits conducted by Audit & Supervisory Board Members

To ensure the validity of audits conducted by the Audit & Supervisory Board Members, the business execution divisions share information with them at important meetings such as the Board of Directors, the Group Executive Committee, and various other committees.

The audit & supervisory board members, internal audit departments and Accounting Auditors of each Group company regularly exchange information with our Audit & Supervisory Board Members to enhance the auditing of the entire Group.

Status of the initiatives to ensure the appropriateness of business execution in the Group

In line with our “Rules for Affiliates” and related rules, we determine a supervising department for each Group company and ensure proper business conduct of the Group by company-wide supervision and control. Important matters relating to operational management of subsidiaries are discussed by the supervising department and the Integrated Corporate Planning Division and given prior consent by the Company.

The supervising departments of subsidiaries in the Company identify and analyse the various risks for the subsidiaries using 1) the “Business Control Matrix” prepared by each subsidiary and 2) our own “Business Control Checklist” for self-checking of our internal control status. The departments work with the subsidiaries to come up with countermeasures in response to the risk characteristics, and review them regularly. Furthermore, in the fiscal year under review, we conducted the training for the executives of the Group companies and reconfirmed the importance of the Internal Control of the Group, and made effort for further improvement by sharing the examples of subsidiaries.

Our Internal Audit Department regularly audits our subsidiaries and reports on the results and the status of improvement to the Audit Committee, which is chaired by the Group CEO. Moreover, in addition to regular audits by the Internal Audit Department, we also dispatch Audit & Supervisory Board Members to subsidiaries to perform operational audits as well as accounting audits. In this way, we are auditing the status of implementation of measures for compliance with laws and regulations and the Articles of Association.

Consolidated Balance Sheet

(As of 31 December, 2017)

(Unit: Millions of Yen)

Assets		Liabilities	
<u>I. Current Assets</u>	595,507	<u>I. Current Liabilities</u>	568,193
Cash & deposits	50,380	Notes & accounts payable	276,597
Notes & accounts receivable	280,557	Short-term debts	54,340
Inventories - products	98,938	Accounts payable	164,665
Inventories - work in process	1,610	Income taxes payable	12,737
Inventories - crude, materials & stores	128,438	Accrued expenses	10,595
Deferred tax assets	7,343	Accrued bonus	2,195
Other current assets	29,120	Provision for Directors' bonuses	79
Provision for doubtful debts	(881)	Provision for damages to the submarine pipeline	5,502
		Other current liabilities	41,479
 <u>II. Fixed Assets</u>	 443,374	 <u>II. Long-term Liabilities</u>	 195,237
Tangible fixed assets	325,035	Bonds	10,000
Buildings & structures	81,102	Long-term debts	53,116
Oil tanks	8,960	Deferred tax liabilities	3,535
Machineries & vehicles	82,263	Provision for special maintenance	14,601
Land	139,601	Liability for retirement benefits	87,801
Construction in progress	6,945	Other long-term liabilities	26,180
Others	6,162		
Intangible fixed assets	9,642	Total Liabilities	763,430
Leasehold rights	3,570		
Software	4,939	Net Assets	
Others	1,131	<u>I. Shareholders' equity</u>	258,216
Investments etc.	108,697	Share capital	34,197
Securities	62,432	Capital surplus	22,123
Long-term loans	7,296	Retained earnings	202,083
Deferred tax assets	20,828	Treasury shares	(188)
Asset for retirement benefits	111	<u>II. Accumulated other comprehensive income</u>	(4,852)
Others	18,236	Difference on valuation of investment securities	4,627
Provision for doubtful debts	(208)	Deferred gains or losses on hedging instruments	(312)
		Translation adjustments	(62)
		Retirement benefits liability adjustments	(9,105)
		<u>III. Non-controlling interests</u>	22,087
		Total Net Assets	275,451
Total Assets	1,038,882	Total Liabilities and Net Assets	1,038,882

Note: Fractions less than one million yen are rounded off.

Consolidated Profit and Loss Statement

(From 1 January to 31 December 2017)

(Unit: Millions of yen)

I Net sales		2,045,936
II Cost of sales		1,866,217
Gross profit		179,719
III Sales, administrative and general expenses		101,241
Operating income		78,477
IV Non-operating profit		
Interest income	220	
Dividends received	977	
Profit from anonymous association	883	
Equity in net earnings of affiliates	8,745	
Gain on transfer of business	5,725	
Others	1,155	17,707
V Non-operating expenses		
Interest expenses	2,192	
D.I.E loss	59	
Others	959	3,211
Ordinary income		92,973
VI Extraordinary profit		
Gain on sales of fixed assets	1,653	
Subsidy	2,664	
Compensation income	1,800	
Others	772	6,890
VII Extraordinary loss		
Loss on disposal of fixed assets	3,798	
Loss on revaluation of investment securities	6,612	
Impairment loss on fixed assets	8,441	
Loss on damages to the submarine pipeline	4,426	
Others	7,266	30,545
Income before income taxes and non-controlling interests		69,318
Income taxes-current	15,074	
Income taxes-deferred	10,283	25,357
Net income		43,960
Net income attributable to non-controlling interests		1,208
Net income attributable to owners of the parent		42,751

Notes: Fractions less than one million yen are rounded off.

Consolidated Statement of Changes in Net Assets

(From 1 January to 31 December 2017)

(Unit: Millions of Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Opening balance 1/1/17	34,197	22,123	173,645	(186)	229,780
Changes during the period					
Dividends			(14,313)		(14,313)
Net income attributable to owners of the parent			42,751		42,751
Purchase of treasury shares				(1)	(1)
Changes in items other than those in shareholders' equity (Net amount)					
Total changes during the period	—	—	28,437	(1)	28,436
Closing balance 31/12/17	34,197	22,123	202,083	(188)	258,216

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Difference on valuation of investment securities	Deferred gains or losses on hedging instruments	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income		
Opening balance 1/1/17	2,352	(855)	418	(10,404)	(8,488)	21,226	242,518
Changes during the period							
Dividends							(14,313)
Net income attributable to owners of the parent							42,751
Purchase of treasury shares							(1)
Changes in items other than those in shareholders' equity (Net amount)	2,275	542	(481)	1,299	3,635	860	4,496
Total changes during the period	2,275	542	(481)	1,299	3,635	860	32,933
Closing balance 31/12/17	4,627	(312)	(62)	(9,105)	(4,852)	22,087	275,451

Note: Fractions less than one million yen are rounded off.

Nonconsolidated Balance Sheet

(As of 31 December 2017)

(Unit : Million Yen)

Assets		Liabilities	
<u>I . Current Assets</u>	606,575	<u>I . Current Liabilities</u>	542,763
Cash & Deposits	39,963	Trade creditors	264,134
Notes receivable	72	Short-term debts	50,565
Trade debtors	262,973	Lease liability	304
Inventory - products	78,174	Accounts payable	150,436
Inventory - crude, materials & stores	112,347	Income taxes payable	9,949
Prepaid expenses	1,042	Accrues expenses	10,856
Short-term loans	99,428	Advances received	19,003
Deferred tax assets	6,003	Deposit from customers & others	30,217
Other current assets	7,785	Accrued bonus	721
Provisions for doubtful debts	(1,217)	Accrued bonus to directors and statutory auditors	70
		Provision for damages to the submarine pipeline	5,502
		Other current liabilities	1,002
<u>II . Fixed Assets</u>	312,968	<u>II . Long-term Liabilities</u>	141,928
Tangible fixed assets	164,915	Bonds	10,000
Buildings	30,526	Long-term debts	53,000
Structures	16,149	Long-term lease liability	846
Oil tanks	3,359	Provision for retirement benefits	59,635
Machinery and equipment	19,084	Provision for special maintenance	3,107
Vehicles and conveyances	15	Other fixed liabilities	15,339
Tools, implements, fixtures	2,876		
Lands	91,451	Total Liabilities	684,691
Lease assets	230	Net Assets	
Construction in progress	1,222	<u>I . Shareholders' Equity</u>	232,786
Intangible fixed assets	6,937	Share capital	34,197
Leasehold rights	3,383	Capital surplus	22,074
Software	3,526	Capital reserve	22,045
Others	27	Other capital surplus	28
Investments etc.	141,115	Retained earnings	176,660
Securities	8,231	Profit reserve	6,749
Subsidiaries' securities	91,942	Other retained earnings	169,911
Capital contribution	1,498	Reserve for deferred gains on fixed assets transaction	15,268
Subsidiaries' capital contribution	1,187	Reserve for special depreciation	1,166
Long-term loans	17,620	Special reserve	5,550
Long-term prepaid expenses	962	Profit surplus carried forward	147,926
Deferred tax assets	11,434	Treasury shares	(145)
Others	8,286	<u>II . Valuation and translation</u>	2,065
Provisions for doubtful debts	(49)	<u>gains/losses</u>	
		Difference on valuation of investment securities	2,240
		Deferred gains or losses on hedging derivatives	(174)
		Total Net Assets	234,852
Total Assets	919,544	Total Liabilities and Net Assets	919,544

Note: Fractions of one million yen are rounded off.

Nonconsolidated Profit and Loss Statement

(From 1 January to 31 December 2017)

(Unit : Millions of Yen)

I Sales		1,908,970
II Cost of sales		1,754,537
Gross Profit		154,433
III Sales, administrative and general expenses		72,178
Operating Profit		82,255
IV Non-operating profit		
Interest income	328	
Dividends received	6,437	
Foreign exchange gains	74	
Reversal of allowance for doubtful accounts	1	
Others	1,349	8,190
V Non-operating expenses		
Interest expenses	2,270	
Others	686	2,957
Ordinary Profit		87,488
VI Extraordinary profit		
Gain on sales of fixed assets	1,646	
Compensation income	1,800	
Others	252	3,699
VII Extraordinary loss		
Loss on disposal of fixed assets	3,291	
Impairment loss on fixed assets	1,574	
Loss on valuation of investments in securities	7,310	
Loss on damages to the submarine pipeline	4,426	
Others	3,531	20,134
Net Profit before taxes		71,052
Corporate taxes	11,701	
Corporate taxes - deferred	11,258	22,960
Net Profit after taxes		48,092

(Note) Fractions less than one million yen are rounded off.

Nonconsolidated Statement of Changes in Net Assets

(From 1 January to 31 December 2017)

(Unit : Million Yen)

	Shareholders' equity									
	Share Capital	Capital surplus			Retained earnings					
		Capital reserve	Other capital surplus	Total capital surplus	Profit reserve	Other retained earnings				Total retained earnings
						Reserve for advanced depreciation of non- current assets	Reserve for special depreciation	Special reserve	Profit surplus carried forward	
Opening balance 1/1/17	34,197	22,045	28	22,074	6,749	15,580	1,458	5,550	113,734	143,073
Changes in the period										
Provision of reserve for advanced depreciation of non-current assets						172			(172)	
Reversal of reserve for advanced depreciation of non-current assets						(484)			484	
Reversal of reserve for special depreciation							(292)		292	
Decrease by corporate division									(190)	(190)
Dividends									(14,313)	(14,313)
Net income after tax									48,092	48,092
Acquisition of treasury shares										
Changes in items other than shareholders' equity (Net amount)										
Total changes in the period	—	—	—	—	—	(311)	(292)	—	34,191	33,587
Closing balance 31/12/17	34,197	22,045	28	22,074	6,749	15,268	1,166	5,550	147,926	176,660

	Shareholders' equity		Valuation & Translation gains/losses			Total net assets
	Treasury shares	Total share-holders equity	Difference on valuation of investment securities	Deferred gains or losses on hedging derivatives	Total Valuation & Translation gains/losses	
Opening balance 1/1/17	(144)	199,201	1,996	(630)	1,365	200,566
Changes in the period						
Provision of reserve for advanced depreciation of non-current assets						
Reversal of reserve for advanced depreciation of non-current assets						
Reversal of reserve for special depreciation						
Decrease by corporate division		(190)				(190)
Dividends		(14,313)				(14,313)
Net income after tax		48,092				48,092
Acquisition of treasury shares	(1)	(1)				(1)
Changes in items other than shareholders' equity (Net amount)			244	456	700	700
Total changes in the period	(1)	33,585	244	456	700	34,286
Closing balance 31/12/17	(145)	232,786	2,240	(174)	2,065	234,852

Note: Fractions of one million yen are rounded off.

Independent Auditor's Report
(English Translation*)

February 14, 2018

To the Board of Directors of Showa Shell Sekiyu K.K.

PricewaterhouseCoopers Aarata LLC

Tsuyoshi Saitou, CPA
Designated Limited Liability and Engagement Partner

Tatsuya Katou, CPA
Designated Limited Liability and Engagement Partner

Yoshiyuki Oohashi, CPA
Designated Limited Liability and Engagement Partner

We have audited, pursuant to Article 444 (4) of the Companies Act of Japan, the consolidated financial statements, which consist of the consolidated balance sheet, consolidated profit and loss statement, consolidated statement of change in net assets and consolidated notes to the financial statements of Showa Shell Sekiyu K.K. (hereinafter referred to as the "Company") for the consolidated fiscal year from January 1, 2017 to December 31, 2017.

Management's Responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and its financial performance of the corporate group which consists of Showa Shell Sekiyu K.K. and its consolidated subsidiaries, and for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Item to be emphasized

As mentioned in the additional information, the Company and Idemitsu Kosan Co., Ltd. entered into a Memorandum of Understanding for the Business Integration, which shall not be legally binding, as of November 12, 2015, and the Company is in the middle of negotiation with Idemitsu Kosan Co., Ltd. Subsequently, the

Company and Idemitsu Kosan Co., Ltd. have signed an agreement on May 9, 2017, regarding a formation of an alliance between the two companies to enhance and promote business collaboration. The Company is promoting plans to respond to this alliance.

This matter has no effect on the opinion of our audit.

Conflict of Interest

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

* The original audit report is in Japanese. This English translation is for readers' convenience and reading this translation is not a substitute for reading the original audit report in Japanese.

Independent Auditor's Report
(English Translation*)

February 14, 2018

To the Board of Directors of Showa Shell Sekiyu K.K.

PricewaterhouseCoopers Aarata LLC

Tsuyoshi Saitou, CPA
Designated Limited Liability and Engagement Partner

Tatsuya Katou, CPA
Designated Limited Liability and Engagement Partner

Yoshiyuki Oohashi, CPA
Designated Limited Liability and Engagement Partner

We have audited, pursuant to Article 436 (2) (i) of the Companies Act of Japan, the financial statements, which consist of the balance sheet, profit and loss statement, statement of change in net assets and notes to the financial statements, and the supplementary schedules of Showa Shell Sekiyu K.K. (hereinafter referred to as the "Company") for the 106th fiscal year from January 1, 2017 to December 31, 2017.

Management's Responsibility for the financial statements and the supplementary schedules

Management is responsible for the preparation and fair presentation of the financial statements, and the supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the financial statements, and the supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and supplementary schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the financial statements and supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and its financial performance for the period covered by the financial statements and supplementary schedules in conformity with accounting principles generally accepted in Japan.

Item to be emphasized

As mentioned in the additional information, the Company and Idemitsu Kosan Co., Ltd. entered into a Memorandum of Understanding for the Business Integration, which shall not be legally binding, as of November 12, 2015, and the Company is in the middle of negotiation with Idemitsu Kosan Co., Ltd. Subsequently, the

Company and Idemitsu Kosan Co., Ltd. have signed an agreement on May 9, 2017, regarding a formation of an alliance between the two companies to enhance and promote business collaboration. The Company is promoting plans to respond to this alliance.

This matter has no effect on the opinion of our audit.

Conflict of Interest

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Audit Report
(Translation)

Based on the Audit Report received from each Auditor regarding business activities by the directors during the 106th Business Period (from 1st January to 31st December, 2017), the Audit & Supervisory Board, upon deliberation, hereby has prepared this Audit Report and presents it as follows:

1. The Audit Procedures and Contents of Auditor’s Audit and Audit & Supervisory Board

We decided the Auditing policy and plan of this year at the Auditor’s Meeting. In addition to receiving the reports on conduct and results of audit from each auditor, we received the reports on business activities of directors and accounting auditors. If desired, we asked for explanation of the details from them.

In accordance with the auditing standards stipulated by the Audit & Supervisory Board, and the auditing policies and plans of this period, we communicate with directors, executive officers, internal auditing division and other employees, and endeavored to collect information and to promote systems for effective audit, and audited in accordance with the following methods:

a. We attended the Meetings of the Board of Directors, Group Executive Committee and other important meetings of the Company and received reports on the business activities of directors, executive officers and employees, calling for explanation as required. We inspected the approved documents, and examined business activities and financial conditions of the headquarters and other major offices of the Company. In addition, as for our subsidiaries, through communication and information exchange with directors and auditors of the subsidiaries, we received reports on their business activities as is necessary.

b. We monitored and verified the content of the resolution of the Board of directors, and system and implementation status actually placed as “internal control system” in accordance to this resolution, which is stipulated in Item 6 in Clause 4 of Article 362 of the Corporate Law and Clauses 1 and 3 of Article 100 of the Enforcement Regulation of Corporate Act as a system required to ensure the compliance of laws and the Articles of Associations in the execution of businesses by directors and the business group consist of other companies and its subsidiaries, which is written in the Business Report. Regarding internal control over financial reporting, we received the reports from directors and PricewaterhouseCoopers Arata LLC on the evaluation of internal control and their audit activities, calling for explanation when required.

c. In addition to monitoring whether accounting auditors maintain their independency and execution of correct auditing, we received reports on their business activities, asking for their explanation as needed. Accounting auditors notified us “the arrangement of systems to ensure the appropriate business execution” (requirements stipulated in each clause of Article 131, Corporate Computation Rule), in compliance with standards as the “Quality control standard for auditing” (set by Corporate Accounting Council on October 28, 2005). We called for explanations as required.

Pursuant to the above procedures, we examined the financial reports of this term (including the balance sheet, profit-and-loss statement, statements of changes in shareholders' equity, individual chart of explanatory notes), and supplementary schedule, and consolidated financial reports of this term (namely, consolidated balance sheet, consolidated profit-and-loss statement, consolidated statements of changes in shareholders' equity, and consolidated individual chart of explanatory notes).

2. The Results of the Audits

As a result of our audit, we are of the opinion that:

- (1) Audit results of Business Report:
 - a. Business Report and its Supplementary Schedule properly represents the business situation of the Company in accordance with the applicable laws and regulations as well as the Company's Articles of Incorporation;
 - b. There is no misconduct or significant violation of laws or the Company's Articles of Incorporation by the Directors in the course of the execution of their duties;
 - c. Resolution of the board of directors as to internal control system is reasonable. No suggestion is required with respect to the director's activities, and structure and implementation of internal control system.
- (2) Audit results of Financial Statements and its Supplementary Schedule:

The procedures and results of the audit by PricewaterhouseCoopers Arata LLC, the Accounting Audit & Supervisory Board Members of the Company, are appropriate.
- (3) Audit results of Consolidated Financial Statements:

The procedures and results of the audit by PricewaterhouseCoopers Arata LLC, the Accounting Audit & Supervisory Board Members of the Company, are appropriate.

February 14, 2018

Showa Shell Sekiyu K.K. Audit & Supervisory Board

Full-time Audit & Supervisory Board Member	Kenji Takahashi
Full-time Audit & Supervisory Board Member	Tsutomu Yoshioka
Audit & Supervisory Board Member	Midori Miyazaki
Audit & Supervisory Board Member	Kenji Yamagishi

Note: Audit & Supervisory Board Member, Ms. Midori Miyazaki, and Audit & Supervisory Board Member, Mr. Kenji Yamagishi, are the outside Audit & Supervisory Board Member stipulated in Item 16 of Article 2 and Clause 3 of Article 335 of Corporate Law.

Reference Material for the General Meeting of Shareholders

Proposals and References

Item 1: To approve the Appropriation of Profit for the 106th Period.

The Company's dividend policy aims for dividend stable and attractive to shareholders, whereas the business performance and financial position of the Company as well as financial market conditions are considered, and simultaneously aims for attaining sufficient retained earnings in order to accomplish our mid-and-long-term growth strategy for the purpose of maximizing our corporate value.

As for the appropriation of Profit for the 106th period, taking into account our basic policy described above and business performance for fiscal year 2017, the dividend for the end of the Period is proposed 21 yen per share as follows:

For your information, the total dividend for the period, when this proposal is approved, is 40 yen per share (2 yen increase the previous period) with 19 yen per share interim dividend paid in September 2017.

- (1) Asset distributed as Dividend:
Cash
- (2) Distribution of Dividend and Total amount distributed:
21 yen per share Total amount: ¥7,910,302,533
- (3) Effective Date for the Dividend:
29th March, 2018

Item 2: To approve revisions of the Company’s Articles of Association

(1) Reason for proposal

① Change the business year of the Company

We propose to change the business year of the Company to commence on 1st April of each year and end on 31st March of the following year in order (i) to enhance dialogues with stakeholders by making it easier to compare the Company with other competitors, (ii) to promptly deal with the change of accounting standards and tax regulations, and (iii) to streamline the business operation and sustainably enhance the Company’s corporate value by matching the business year with Idemitsu Kosan Co., Ltd., with whom we are working towards business collaboration as Brighter Energy Alliance. In accordance with the change of business year, (i) the convocation of the Annual General Meeting of Shareholders to be in June of each year, (ii) the record date of the Annual General Meeting of Shareholders to be 31st March of each year, (iii) the record date for the dividend to be 31st March and (iv) the record date for the interim dividend to be 30th September. We will also provide the Supplementary Provisions for transition of the change of business year. [Relevant articles of the proposed articles of association: Article 14, 15, 36, 37, 38 and Supplementary Provisions]

② Enhance the separation of management monitoring and business execution

Since 1999, we have adopted the executive officer system under which the executive directors and executive officers to execute the business of the Company, and, by further clarifying the separation of the monitoring function of the Board of Directors and the business execution by executive officers, we will strengthen the corporate governance and improve the flexibility and efficiency of the business execution. Accordingly, we will amend the articles related to the directors and executive officers and other relevant items to implement such changes, including that the President can be appointed among the executive officers and that CEO, COOs, CFOs and other chief officers shall be appointed among executive officers, not directors. [Relevant articles of the proposed articles of association: Article 16, 23, 24 and 35]

(2) Proposed amendment

The proposed amendment are as follows. The articles which will not be amended are omitted.

(Changes are underlined)

Existing	Proposed
III. GENERAL MEETINGS OF SHAREHOLDERS	III. GENERAL MEETINGS OF SHAREHOLDERS
<p>Article 14 (Convocation) The Ordinary General Meeting of Shareholders shall be convened in <u>March</u> each year, and an Extraordinary General Meeting of Shareholders whenever it is necessary to do so.</p>	<p>Article 14 (Convocation) The Ordinary General Meeting of Shareholders shall be convened in <u>June</u> each year, and an Extraordinary General Meeting of Shareholders whenever it is necessary to do so.</p>

Article 15 (Specific Date for Rights concerning Annual General meeting of shareholders)
Shareholders recorded in the Register of Shareholders as of 31 December each year shall be the shareholders having rights exercisable in the annual general meeting of shareholders held in relation to corresponding business year.

Article 16 (Chairman)

The Chairman/Director of the Company shall convene General Meeting of Shareholders and act as Chairman. If the Chairman/Director is prevented from so doing, another Director shall fulfill that function, as shall be previously determined by the Board of Directors.

IV. DIRECTORS AND THE BOARD OF DIRECTORS

Article 23 (Representative Directors, Executive Directors and Officiating Directors, etc.)

A Representative Director(s) and Director(s) who will conduct the business of the Company shall be chosen by a resolution of the Board of Directors.

(2) A Chairman/Director, Vice Chairman/Director, President/Director, Vice President/Director(s), Senior Managing Directors and Managing Directors may be chosen by a resolution of the Board of Directors.

(3) The Company may appoint a CEO (Chief Executive Officer), a COO (Chief Operating Officer) and a CFO (Chief Financial Officer) as the Directors in charge of executing overall business affairs by the resolution of the Board.

Article 15 (Specific Date for Rights concerning Annual General meeting of shareholders)
Shareholders recorded in the Register of Shareholders as of 31st March each year shall be the shareholders having rights exercisable in the annual general meeting of shareholders held in relation to corresponding business year.

Article 16 (Chairman)

At each General Meeting of Shareholders the President/Director of the Company shall function as Chairman. If the Company does not appoint the President/Chairman or the President/Director is prevented from so doing, another Director shall fulfill that function, as shall be previously determined by the Board of Directors.

IV. DIRECTORS AND THE BOARD OF DIRECTORS

Article 23 (Representative Directors and Officiating Directors)

A Representative Director(s) shall be chosen by a resolution of the Board of Directors.

(2) A Chairman/Director and President/Director may be chosen by a resolution of the Board of Directors.

(deleted)

Article 24 (Board of Directors)

The Chairman/Director of the Company shall convene meetings of the Board of Directors and act as Chairman. If the Chairman/Director is prevented from so doing, another Director shall fulfill that function as shall be previously determined by the Board of Directors.

(2) to (3) (provision not shown)

VI. EXECUTIVE OFFICERS

Article 35 (Executive Officers)

Executive Officers shall be appointed by the Board of Directors, make decisions for matters delegated by the Board and have authority and responsibility for implementation of such matters.

(2) Vice President/Executive Officer(s), Senior Managing Executive Officer(s) and Managing Executive Officer(s) may be elected among Executive Officers by the resolution of the Board.

(3) Executive Officer COO(s) in charge of executing overall business affairs of the businesses assigned may be elected from among the Executive Officers by the resolution of the Board.

(4) to (5) (provision not shown)

VII. ACCOUNTS

Article 36 (Closing of Accounts)

The business year of the Company shall be from 1st January to 31st December of each year and accounts shall be closed as of the last day of each business year.

Article 24 (Board of Directors)

The Director(s) of the Company shall, as shall be previously determined by the Board of Directors, convene meetings of the Board of Directors and act as Chairman.

(2) to (3) (unchanged)

VI. EXECUTIVE OFFICERS

Article 35 (Executive Officers)

(unchanged)

(2) One President/Executive Officer and Vice President/Executive Officer(s), Senior Managing Executive Officer(s) and Managing Executive Officer(s) may be elected among Executive Officers by the resolution of the Board.

(3) One CEO (Chief Executive Officer) in charge of supervising the business execution of the Company and COO(s) (Chief Operating Officer), CFO(s) (Chief Financial Officer) and other chief officers may be elected from among the Executive Officers by the resolution of the Board.

(4) to (5) (unchanged)

VII. ACCOUNTS

Article 36 (Closing of Accounts)

The business year of the Company shall be from 1st April of each year to 31st March of the following year and accounts shall be closed as of the last day of each business year.

Article 37 (Dividends)

Dividends for any business year shall be paid by the resolution of general meeting of shareholders to the registered or electronically recorded shareholders or pledgees, as the case may be, registered as at the 31st December of each year.

Article 38 (Interim Dividends)

The Company may distribute moneys as set forth in the provisions of Paragraph 5 of Article 454 of the Corporation Law (hereinafter called “Interim Dividends”) to the registered or electronically recorded shareholders or pledgees, as the case may be, registered in the latest Register of Shareholders as at 30th June of each year, by resolution of the Board of Directors.

(newly added)

Article 37 (Dividends)

Dividends for any business year shall be paid by the resolution of general meeting of shareholders to the registered or electronically recorded shareholders or pledgees, as the case may be, registered as at the 31st March of each year.

Article 38 (Interim Dividends)

The Company may distribute moneys as set forth in the provisions of Paragraph 5 of Article 454 of the Corporation Law (hereinafter called “Interim Dividends”) to the registered or electronically recorded shareholders or pledgees, as the case may be, registered in the latest Register of Shareholders as at 30th September of each year, by resolution of the Board of Directors.

Supplementary provisions

Article 1 The amendment to Article 14 shall take effect as of 1st July 2018.

Article 2 The amendment to Article 15 and 37 shall take effect as of 1st April 2018.

Article 3 Regardless of Article 22, the term of office of the Directors appointed at the 106th Annual General Meeting Shareholders held on 28th March 2018 shall be the end of the 107th Annual General Meeting of Shareholders.

Article 4 Regardless of Article 36, the 107th business year of the Company shall be 15 months commencing on 1st January 2018 and ending on 31st March 2019.

Article 5 The amendment to Article 38 shall take effect as of 1st October 2018.

Article 6 The term of office of the Accounting Auditor reappointed at the 106th Annual General Meeting Shareholders held on 28th March 2018 shall be expired at the end of the 107th Annual General Meeting of Shareholders.

Article 7 These supplementary provisions shall be deleted upon expiration of the 107th business year.

Item 3: To appoint eight (8) Directors of the Company

As the term of office for all Directors will expire at the closing time of the 106th Annual General Meeting of Shareholders, the appointment of eight (8) Directors is hereby proposed. Particulars of the Director candidates are provided below.

Candidate No.	Name				Current position in the Company
1	Tsuyoshi Kameoka	Reappointment			President & Representative Director, Group CEO
2	Tomonori Okada	Reappointment			Representative Director, Vice President
3	Norio Otsuka	Reappointment	Outside	Independence	Director
4	Yuko Yasuda	Reappointment	Outside	Independence	Director
5	Anwar Hejazi	Reappointment	Outside		Director
6	Omar Al Amudi	New Appointment	Outside		
7	Daisuke Seki	New Appointment	Outside		
8	Katsumi Saito	New Appointment	Outside		

New Appointment Newly appointed candidate

Reappointment Reappointed candidate

Outside Outside Director candidate

Independence Independent officer candidate

Name (Date of Birth)	Personal History, Important Concurrent Positions held in Other Organizations, Status and Responsibility in the Company
<div data-bbox="172 315 347 394" style="border: 1px solid black; padding: 2px;">Candidate No. 1</div> <p data-bbox="164 421 387 483">Tsuyoshi Kameoka (18 October 1956)</p> <p data-bbox="164 517 488 580"><u>Shares of the Company held</u> 21,900 shares</p> <div data-bbox="164 613 344 647" style="border: 1px solid black; padding: 2px;">Reappointment</div> <p data-bbox="164 680 363 743">Board attendance 12 / 12</p>	<p data-bbox="523 297 1369 613"> Apr 1979 Joined Shell Sekiyu K.K. Apr 2003 Oil Products Division Manager Apr 2005 Senior Officer & Kinki Area Manager Mar 2006 Executive Officer Mar 2009 Corporate Executive Officer Mar 2013 Executive Officer Vice President, Oil Business COO Mar 2014 Executive Officer, Oil Business COO Mar 2015 President & Representative Director, Group CEO, Energy Solution Business COO Mar 2016 President & Representative Director, Group CEO (to present) </p> <p data-bbox="523 618 1350 712"> Areas of Responsibility Responsible for Code of Conduct; directly supervises Audit Division and Integration Preparation Office </p> <p data-bbox="523 716 895 779"> (Concurrent important positions) None </p> <p data-bbox="523 813 1003 842"> Reason for Proposal as Director Candidate </p> <p data-bbox="523 846 1453 1415"> ◆ As stated above in the personal history, Mr. Tsuyoshi Kameoka mainly engaged in personnel administration, product import and export, and sales, and had experience as Oil Business COO and other positions, and he is currently the President & Representative Director and Group CEO of the Company. Immediately following his appointment as Group CEO, he formulated the new Group Management Philosophy, “With our energy, we energize the future”, and through putting such philosophy into practice, he, in order to seek to improve the corporate value of the Company Group, has demonstrated a high degree of strategic planning, execution, and leadership, taking the role of helmsman for the management. He has taken a leading role in Health, Safety, Security and Environment (HSSE) for all stakeholders, promoting compliance with laws, regulations and the Code of Conduct, standing at the forefront as the leader of the Company Group. He has achieved the medium-term business action plan, and in anticipation of the future of the Oil Business, has formulated and been carrying out the medium-term business strategies. For the above reasons, we believe that he would be able to execute the duties of Director appropriately and we have therefore proposed him as a candidate for reappointment as Director for the Board of Directors. </p>

Candidate No. 2	Apr 1980 Joined Shell Sekiyu K.K. Apr 2003 Head of Logistics Business Division Sep 2006 Senior Officer & Keihin Vice Chief, TOA OIL Co., Ltd. Mar 2007 Director, TOA OIL Co., Ltd. Mar 2009 Managing Director, TOA OIL Co., Ltd. Mar 2011 Corporate Executive Officer, Showa Shell Sekiyu K.K. Mar 2013 Senior Corporate Executive Officer, Showa Shell Sekiyu K.K. Jun 2014 Director & Vice President, Seibu Oil Co., Ltd. Jun 2015 Director & President, Seibu Oil Co., Ltd. Mar 2016 Representative Director, Vice President (to present)
Tomonori Okada (12 May 1954)	Areas of Responsibility IT Planning, HSSE, General Affairs, Public Affairs, Procurement, Corporate Planning (including Corporate Governance), Secretariat, Accounting, Finance and Financial Risk Management
<u>Shares of the Company held</u> 20,500 shares	(Concurrent important positions) Director, Seibu Oil Co., Ltd. Representative Director, Shoseki International K.K. Representative Director, Shoseki Overseas & Investment K.K.
<u>Reappointment</u>	Reason for Proposal as Director Candidate ◆ Since he joined the Company, Mr. Tomonori Okada has been engaged mainly in the production, supply and logistics segments of the business. Having experience in the management of research and development, research laboratories and the management planning division as Corporate Executive Officer and Senior Corporate Executive Officer, he held the position of Director and President at Seibu Oil Co., Ltd., a company in the Company Group engaged in oil refining. He has abundant experience and a broad knowledge of the industry and in particular, a high level of expertise in safety, technological advantage, and enhancement of competitiveness in the manufacturing and logistics segments. He also possesses leadership capabilities that enable him to focus an organization on its goals, which he has shown for the business development of Company Group since his appointment as Vice President. For the above reasons, we believe that he would be able to execute the duties of Director appropriately and we have therefore proposed him as a candidate for reappointment as Director for the Board of Directors.
Board attendance 12 / 12	

<p>Candidate No 3</p> <p>Norio Otsuka (5 July 1950)</p> <p>Shares of the Company held 600 shares</p> <p>Reappointment Outside Director Candidate</p> <p>Term of Office as an Outside Director: 1 year</p> <p>Board attendance 11 / 11</p>	<p>Apr 1973 Joined NSK Ltd.</p> <p>Dec 1999 Deputy Head, Corporate Planning Division HQ, NSK Ltd.</p> <p>Apr 2000 Vice President, Corporate Planning Division HQ –Head, NSK Ltd.</p> <p>Jun 2002 Director Senior Vice President, Corporate Strategy Division HQ –Head, NSK Ltd.</p> <p>Jun 2004 Representative Executive Vice President, Responsible for Administrative Divisions, Corporate Strategy Division HQ –Head, NSK Ltd.</p> <p>Jun 2007 Representative Executive Officer and Senior Executive Vice President, NSK Ltd.</p> <p>Jun 2009 President and Chief Executive Officer, Chairperson of the Nomination Committee, NSK Ltd.</p> <p>Jun 2015 Director, Chairman, NSK Ltd.</p> <p>Jun 2016 Chairman, the Japan Bearing Industry Association (to present)</p> <p>Mar 2017 Outside Director, Showa Shell Sekiyu K.K. (to present)</p> <p>Jun 2017 Honorary Chairman, NSK Ltd. (to present)</p> <hr/> <p>(Concurrent important positions) Honorary Chairman, NSK Ltd. Chairman, the Japan Bearing Industry Association</p> <p>Reason for Proposal as Outside Director Candidate</p> <p>◆ Mr. Norio Otsuka has been consecutively President and Chief Executive Officer and Chairman of NSK Ltd. He has broad experience of business development and expansion and is highly knowledgeable about management. Especially, based on his experience in the field of corporate strategy and global business development and expansion, he has provided valuable advice to enable the Company to bring its growth strategy to fruition. In addition, with his deep knowledge fostered through the management of a globally developing manufacturer, he has executed supervision of management that contributes towards reinforcement of the effectiveness of the decision making function and supervisory function of the Board of Directors. Further, he has actively made remarks in order to enhance transparency and fairness in the management of the Company at the Nomination and Compensation Advisory Committee as an independent director. For the above reasons, we have proposed him as a candidate for reappointment as Outside Director for the Board of Directors.</p> <p>Liability Limitation Agreement Overview</p> <p>◆ Mr. Norio Otsuka entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of the Companies Act. The liability limit amount under the agreement is the higher amount of 10,000,000 yen or the amount designated by the Companies Act.</p> <p>Matters regarding Independence</p> <p>◆ The Company registered Mr. Norio Otsuka as an independent director with the Tokyo Stock Exchange, and when the reappointment of Mr. Norio Otsuka is approved, Mr. Norio Otsuka will remain as an independent director. Mr. Norio Otsuka has not been engaged in business execution in NSK, Ltd. since June 2015. Although the Company Group has transactions of lubricants with NSK, Ltd., the total transacted amounts are very small (less than 0.1% of the consolidated net sales of the most recent fiscal year of the Company Group and NSK, Ltd.). Therefore, we assessed that such transactional relationship will not have an effect on the independence of Mr. Norio Otsuka as an outside director under the Independence Standards of the Company. In addition, when the appointment of Mr. Norio Otsuka is approved, he will be a committee member of a Special Committee for the Business Integration between the Company and Idemitsu Kosan Co., Ltd. and will receive remuneration from the Company for his role as a committee member. However, considering the nature of the duties of the members of this committee and the reasonable level of this remuneration, we consider that it would not affect his independence as Outside Director.</p>
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<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Candidate No.</div> <div style="text-align: center; margin-bottom: 5px;">4</div> <p>Yuko Yasuda (16 September 1961)</p> <p><u>Shares of the Company held</u> 100 shares</p> <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">Reappointment</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Outside Director Candidate</div> <p>Term of Office as an Outside Director: 1 year</p> <p>Board Attendance 11 / 11</p>	<p>Apr 1985 Joined IBM Japan, Ltd.</p> <p>Sep 1991 Joined Booz Allen Hamilton Inc.</p> <p>Sep 1993 Joined Russell Reynolds Associates Japan Inc.</p> <p>Jun 1995 Managing Director, Russell Reynolds Associates Japan Inc. (to present)</p> <p>Apr 2001 Associate Representative in Japan, Russell Reynolds Associates Japan Inc.</p> <p>Apr 2003 Representative in Japan, Russell Reynolds Associates Japan Inc. Member of Executive Committee, Russell Reynolds Associates Inc. (until Mar 2006)</p> <p>Apr 2013 Member of Executive Committee, Russell Reynolds Associates Inc. (reappointed, until Mar 2016)</p> <p>Jun 2015 Outside Director, SCSK Corporation (to present)</p> <p>Mar 2017 Outside Director, Showa Shell Sekiyu K.K. (to present)</p> <hr/> <p>(Concurrent important positions)</p> <p>Managing Director, Russell Reynolds Associates Japan Inc.</p> <p>Outside Director, SCSK Corporation</p> <p>Reason for Proposal as Outside Director Candidate</p> <p>◆ Ms. Yuko Yasuda has been in the position of Managing Director of Russell Reynolds Associates Japan Inc. for a long period. Possessing not only experience in management, she also has abundant experience in supporting the management of various companies by engaging in executive assessment and succession planning, as well as thorough knowledge of global leadership development. In addition, she has plentiful experience in the field of board advisory service to improve the level of corporate governance and service for management pursuing diversity in various companies. With her extensive knowledge fostered through her experience in global business management, corporate management consulting and corporate executive development, she supervises the Company management for the sustainable growth of the Company and mid- and long-term increase of corporate value. Moreover, she actively provides opinions at the Nomination and Compensation Advisory Committee as an independent director for the enhancement of transparency and fairness in management of the Company. For the above reasons, we believe that she would be able to execute the duties of Outside Director appropriately and we have therefore proposed her as a candidate to be reappointed as an Outside Director for the Board of Directors.</p> <p>Liability Limitation Agreement Overview</p> <p>◆ Ms. Yuko Yasuda entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of the Companies Act. The liability limit amount under the agreement is the higher amount of 10,000,000 yen or the amount designated by the Companies Act.</p> <p>Matters regarding Independence</p> <p>◆ The Company registered Ms. Yuko Yasuda as an independent director with the Tokyo Stock Exchange, and when the reappointment of Ms. Yuko Yasuda is approved, she will remain as an independent director. Although the Company has entered into a service agreement with a subsidiary of SCSK Corporation, the total transacted amounts are very small (less than 0.1% of the consolidated net sales of the most recent fiscal year of the Company and a subsidiary of SCSK Corporation). Therefore, we assessed that such transactional relationships will not have an effect on the independence of Ms. Yuko Yasuda as an outside director under the Independence Standards of the Company. In addition, when the appointment of Ms. Yuko Yasuda is approved, she will be a committee member of a Special Committee for the Business Integration between the Company and Idemitsu Kosan Co. Ltd. and will receive remuneration from the Company for her role as a committee member. However, considering the nature of the duties of the members of this committee and the reasonable level of this remuneration, we consider that it would not affect her independence as Outside Director.</p>
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<p>Candidate No. 5</p> <p>Anwar Hejazi (26 November 1972)</p> <p><u>Shares of the Company held</u> 0 shares</p> <p><u>Reappointment</u> <u>Outside Director Candidate</u></p> <p>Term of Office as an Outside Director: 1 year</p> <p>Board Attendance 10 / 11</p>	<p>Dec 1996 Joined Saudi Aramco (Saudi Arabia)</p> <p>Jan 2010 Coordinator, Facilities Planning Department, Saudi Aramco</p> <p>Jan 2012 Superintendent, Crude Oil Producing Department, Saudi Aramco</p> <p>Jul 2013 Manager, Safaniyah Producing Department, Saudi Aramco</p> <p>Feb 2014 Manager, Shaybah Producing Department Saudi Aramco</p> <p>Sep 2016 Representative Director, Aramco Asia Japan K.K.</p> <p>Mar 2017 Outside Director, Showa Shell Sekiyu K.K. (to present)</p> <p>Jan 2018 President & CEO, Aramco Asia Far East (Beijing) Business Services Co. Ltd. (to present)</p> <hr/> <p>(Concurrent important position) President & CEO, Aramco Asia Far East (Beijing) Business Services Co. Ltd.</p> <p>Reason for Proposal as Outside Director Candidate</p> <p>◆ Mr. Anwar Hejazi has experience engaging in business execution as the Representative Director of Aramco Asia Japan K.K., a subsidiary of Saudi Aramco. He has extensive knowledge in the upstream oil business as well as in the oil business in Japan. With his management experience in both business planning and operation, he has provided valuable advice to the management of the Company and implemented appropriate supervision for the execution of business. For the above reasons, we believe that he would be able to execute the duties of Outside Director appropriately and we have therefore proposed him as a candidate for reappointment as Outside Director for the Board of Directors. Note that the Company has an important business relationship with Saudi Aramco, which is a specified associated service provider of the Company.</p> <p>Liability Limitation Agreement Overview</p> <p>◆ Mr. Anwar Hejazi entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of the Companies Act. The liability limit amount under the agreement is the higher amount of 10,000,000 yen or the amount designated by the Companies Act.</p>
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<div data-bbox="145 241 327 322" style="border: 1px solid black; padding: 2px;">Candidate No. 6</div> <p>Omar Al Amudi (3 January 1977)</p> <p><u>Shares of the Company held</u> 0 shares</p> <div data-bbox="137 546 448 613" style="border: 1px solid black; padding: 2px;">New Appointment Outside Director Candidate</div>	<p>Aug 1999 Joined Saudi Aramco (Saudi Arabia)</p> <p>Sep 2014 Downstream Planning and Performance Management Division Head, Planning and Performance Management Department, Saudi Aramco</p> <p>Oct 2015 Marketing Manager, Crude Oil Sales Marketing Department, Saudi Aramco</p> <p>Sep 2016 Marketing Manager, Saudi Petroleum Overseas Limited (UK) (to present)</p> <hr/> <p>(Concurrent important position) Marketing Manager, Saudi Petroleum Overseas Limited (UK)</p> <p>Reason for Proposal as Outside Director Candidate</p> <ul style="list-style-type: none"> ◆ Mr. Omar Al Amudi is Marketing Manager of Saudi Petroleum Overseas Limited, a subsidiary of Saudi Aramco. He has a thorough knowledge of project management (including strategic project planning and promotion) and has abundant management experience in Saudi Arabia, Europe, North America, and Asia. He also has extensive knowledge in market analysis, formulation of business plans, and review of business results. With his experience, we anticipate that he will provide valuable advice to the management of the Company and implement appropriate supervision for the execution of business. For the above reasons, we believe that he would be able to execute the duties of Outside Director appropriately and we have therefore proposed him as a new candidate Outside Director for the Board of Directors. Note that the Company has an important business relationship with Saudi Aramco, which is a specified associated service provider of the Company. <p>Liability Limitation Agreement Overview</p> <ul style="list-style-type: none"> ◆ Mr. Omar Al Amudi will enter into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of the Companies Act. The liability limit amount under the agreement will be the higher amount of 10,000,000 yen or the amount designated by the Companies Act. <p>Interests in the Company</p> <ul style="list-style-type: none"> ◆ Mr. Omar Al Amudi is scheduled to become Representative Director of Aramco Asia Japan K.K. in March 2018. The Company has no transactions with Aramco Asia Japan K.K. other than personnel exchange.
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<p>Candidate No. 7</p> <p>Daisuke Seki (2 September 1954)</p> <p><u>Shares of the Company held</u> 0 shares</p> <p><u>New Appointment</u> <u>Outside Director candidate</u></p>	<p>Apr 1977 Joined Idemitsu Kosan Co., Ltd.</p> <p>Apr 2007 Deputy General Manager of Chiba Refinery and Deputy General Manager of Chiba Plant, Idemitsu Kosan Co., Ltd.</p> <p>Jun 2009 Executive Officer and General Manager of Sales Department, Idemitsu Kosan Co., Ltd.</p> <p>Apr 2011 Executive Officer and General Manager of Supply and Demand Department, Idemitsu Kosan Co., Ltd.</p> <p>Jul 2011 Managing Executive Officer and General Manager of Supply and Demand Department, Idemitsu Kosan Co., Ltd.</p> <p>Jun 2012 Director, Managing Executive Officer and General Manager of Supply and Demand Department, Idemitsu Kosan Co., Ltd.</p> <p>Jun 2013 Managing Director, Idemitsu Kosan Co., Ltd.</p> <p>Jun 2014 Executive Vice President and Representative Director, Idemitsu Kosan Co., Ltd. (to present)</p> <hr/> <p>(Concurrent important position) Executive Vice President and Representative Director of Idemitsu Kosan Co., Ltd. (scheduled to retire as of March 2018)</p> <p>Reason for Proposal as Outside Director Candidate</p> <p>◆ Mr. Daisuke Seki is the Executive Vice President and Representative Director of Idemitsu Kosan Co., Ltd. and has engaged in the fuel oil business in general, covering procurement, transportation, refinery and sale of crude oil and has accumulated wide experience, knowledge and expertise. With his wide experience, knowledge and expertise, we anticipate that he will provide valuable advice for the business of the Company, and we believe that he would be able to execute the duties of Outside Director appropriately and contribute to the improvement of corporate value of the Company. We have therefore proposed him as a new candidate Outside Director for the Board of Directors. Note that the Company has been promoting businesses collaboration (Brighter Energy Alliance) and has an important business relationship with Idemitsu Kosan Co., Ltd., which is a specified associated service provider of the Company.</p> <p>Liability Limitation Agreement Overview</p> <p>◆ Mr. Daisuke Seki will enter into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of the Companies Act. The liability limit amount under the agreement will be the higher amount of 10,000,000 yen or the amount designated by the Companies Act.</p> <p>Interests in the Company</p> <p>◆ Mr. Daisuke Seki is the Executive Vice President and Representative Director of Idemitsu Kosan Co., Ltd., but is scheduled to retire from such position as of March 2018.</p>
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<p>Candidate No. 8</p> <p>Katsumi Saito (8 August 1955)</p> <p><u>Shares of the Company held</u> 0 shares</p> <p><u>New Appointment</u> <u>Outside Director candidate</u></p>	<p>Apr 1978 Joined Idemitsu Kosan Co., Ltd.</p> <p>Jul 2005 Deputy General Manager of Kansai Branch Office, Idemitsu Kosan Co.,Ltd.</p> <p>Apr 2007 Deputy General Manager of Corporate Planning Office, Idemitsu Kosan Co.,Ltd.</p> <p>Jun 2008 Deputy General Manager of Corporate Planning Department, Idemitsu Kosan Co.,Ltd.</p> <p>Apr 2010 Executive Officer and General Manager of Agribio Department, Idemitsu Kosan Co.,Ltd.</p> <p>Jun 2013 Director, Idemitsu Kosan Co.,Ltd.</p> <p>Jun 2014 Managing Director, Idemitsu Kosan Co.,Ltd.</p> <p>Jun 2017 Retired from Managing Director, Idemitsu Kosan Co., Ltd.</p> <hr/> <p>(Concurrent important position) None</p> <p>Reason for Proposal as Outside Director Candidate</p> <p>◆ Mr. Katsumi Saito has engaged in management for many years as a director of Idemitsu Kosan Co., Ltd. and has served in sales, product development, accounting and finance and corporate planning divisions and worked as top manager in a new business division. He has accumulated wide experience, knowledge and expertise. With his wide experience, knowledge and expertise, we anticipate that he will provide valuable advice for the business of the Company, and we believe that he would be able to execute the duties of Outside Director appropriately and contribute to the improvement of corporate value of the Company. We have therefore proposed him as a new candidate Outside Director for the Board of Directors. Note that the Company has been promoting businesses collaboration (Brighter Energy Alliance) and has an important business relationship with Idemitsu Kosan Co., Ltd., which is a specified associated service provider of the Company.</p> <p>Liability Limitation Agreement Overview</p> <p>◆ Mr. Katsumi Saito will enter into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of the Companies Act. The liability limit amount under the agreement will be the higher amount of 10,000,000 yen or the amount designated by the Companies Act.</p>
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Note 1. The Number of Shares of the Company held by each of the candidates for Directors of the Company shows the numbers as of 31 December 2017.

Note 2. The Term of Office as an Outside Director is the period to the closing time of this annual general meeting of shareholders.

Note 3. Where the candidate for Outside Director has been a director, a statutory executive officer, or an audit and supervisory board member in any other joint stock companies in the last five years, the details of violations of laws or articles of incorporation or other unjust business execution (if any) by any such joint stock company during the candidate's term of office at the Company:

Mr. Norio Otsuka was a director of NSK Ltd. from June 2002 to June 2017. In February 2013, the Tokyo District Court imposed a fine on NSK Ltd. for a violation of the Antimonopoly Act of Japan regarding sales of bearing products, and the Japan Fair Trade Commission ("JFTC") issued a cease-and-desist order and written payment order.

In addition to the above, NSK Ltd. and its subsidiaries were investigated by the relevant authorities of other countries in relation to a suspected violation of competition law. In September 2013, NSK Ltd. and its subsidiaries entered into a plea agreement with Department of Justice of the United States, which provides for, among others, its obligation to pay a fine. NSK Ltd. and its subsidiaries were also ordered to pay fines, etc. by relevant authorities and courts in Canada in January, in the EU in March 2014, in Australia and Singapore in May 2014, and in People's Republic of China in August 2014. In addition, the Korean Fair Trade Committee issued a statement to the effect that NSK Ltd. violated the Fair Trade Act of Korea in November 2014, and the JFTC found in September of the same year that Amatsuji Steel Ball Mfg. Co., Ltd., a subsidiary of NSK Ltd., had violated the Antimonopoly Act of Japan. In those cases, however, both NSK Ltd. and its subsidiaries were exempted from any surcharge or the like because NSK group fully cooperated with the relevant investigations.

Item 4: To appoint one (1) Audit & Supervisory Board Member of the Company.

As the term of office for Ms. Midori Miyazaki, an Audit & Supervisory Board Member, will expire at the closing time of the 106th Annual General Meeting of shareholders, the appointment of one Audit & Supervisory Board Member is hereby proposed.

The Audit & Supervisory Board supports this proposal.

The particulars of the candidate for Audit & Supervisory Board Member are as follows:

Name (Date of Birth)	Personal History, Important Concurrent Positions held in Other Organizations, Status and Responsibility in the Company
<p>Midori Miyazaki (15 January 1958)</p> <p><u>Shares of the Company held</u> 4,600 shares</p> <p><u>Reappointment</u> <u>Outside Audit & Supervisory</u> <u>Board Member Candidate</u></p>	<p>Apr 1982 Newscaster at NHK (Japan Broadcasting Corporation)</p> <p>Apr 1990 Instructor, Department of Social Engineering, Tokyo Institute of Technology</p> <p>Apr 2000 Assistant Professor, Department of Politics and Information, Chiba University of Commerce</p> <p>Mar 2006 Outside Audit & Supervisory Board Member, Showa Shell Sekiyu K.K. (to present)</p> <p>Apr 2006 Professor, Faculty of Policy Informatics Chiba University of Commerce</p> <p>Apr 2010 Dean, Faculty of Policy Informatics, Chiba University of Commerce</p> <p>Apr 2014 Trustee, Chiba University of Commerce (to present)</p> <p>Apr 2015 Professor, Faculty of Global Studies, Chiba University of Commerce (to present)</p> <p>Dean, Faculty of Global Studies, Chiba University of Commerce (to present)</p>
<p>Term of Office as an Outside Audit & Supervisory Board Member: 12 years</p> <p>Board Attendance 10 / 12</p> <p>Audit & Supervisory Board Attendance 13 / 13</p>	<p>(Concurrent important positions) Trustee, Chiba University of Commerce Professor, Faculty of Global Studies, Chiba University of Commerce Dean, Faculty of Global Studies, Chiba University of Commerce</p> <p>Reason for Proposal as Outside Audit & Supervisory Board Member Candidate</p> <p>◆ Ms. Midori Miyazaki has accumulated knowledge and expertise as a professor and dean of the Faculty of Global Studies in Chiba University of Commerce as well as broad experience in various fields. She has provided advice on the corporate activities of the Company and audited execution of the operation of the Company from the perspective of outside our industry. Although she has no experience in the management of corporations except being appointed as outside audit & supervisory board member, we believe that she would be able to execute the duties of outside Audit & Supervisory Board Member for the reasons stated above and we have therefore proposed her as a candidate to be reappointed as an Outside Audit & Supervisory Board Member.</p> <p>Liability Limitation Agreement Overview</p> <p>◆ Ms. Midori Miyazaki entered into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of Companies Act. The liability limit amount under the agreement is the higher amount of 10,000,000 yen or the amount designated by the Companies Act.</p> <p>Matters regarding Independence</p> <p>◆ The Company registered Ms. Midori Miyazaki as an independent audit & supervisory board member with the Tokyo Stock Exchange. When the reappointment of Ms. Midori Miyazaki is approved, she will remain as an independent audit & supervisory board member. In addition, Ms. Midori Miyazaki is receiving remuneration from the Company for her role as a committee member for the Special Committee for the Business Integration between Showa Shell Sekiyu K.K. and Idemitsu Kosan Co., Ltd. However, considering the nature of the duties of the members of this committee and the reasonable level of this remuneration, we consider that it would not affect her independence as Outside Audit & Supervisory Board Member.</p>

- Note 1. The Number of Shares of the Company held by of the candidate for Audit & Supervisory Board Member shows the numbers as of 31 December 2017.
- Note 2. The Term of Office as an Outside Audit & Supervisory Board Member is the period to the closing time of this annual general meeting of shareholders.

Item 5: To appoint one (1) Substitute Audit & Supervisory Board Member

As a safeguard against the case in which there is a shortfall in the number of Audit & Supervisory Board Members required by laws and regulations, the appointment of a Substitute Audit & Supervisory Board Member is proposed.

This proposal has already been approved by the Audit & Supervisory Board.

Particulars of the candidate for Substitute Audit & Supervisory Board Member are as follows:

Name (Date of Birth)	Personal History, Important Concurrent Positions held in Other Organizations, Status and Responsibility in the Company
<p>Kazuo Mura (12 June 1950)</p> <p><u>Shares of the Company held</u> 0 shares</p> <p><u>Reappointment</u></p>	<p>Apr 1978 Registered as Attorney at Law Mar 1984 Established Kazuo Mura Law Office Nov 1994 Representative, Mura Momijishima Law Office (current Mura Miyadate Law Office) (to present) Apr 1997 Managing Director, Japan Federation of Bar Associations Apr 2000 Managing Director, K.K. Seiri Kaishu Kikou (The Resolution and Collection Corporation) Apr 2005 Professor, Kokugakuin University Law School (to present) Jan 2013 Managing Director, Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan (to present) Jan 2017 Outside Audit & Supervisory Board Member, COSMETEXROLAND CO., LTD. (to present)</p> <hr/> <p>(Concurrent important positions) Representative, Mura Miyadate Law Office Professor, Kokugakuin University Law School Managing Director, Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan Outside Audit & Supervisory Board Member, COSMETEXROLAND CO., LTD.</p> <p>Reason for Proposal as a Substitute Outside Audit & Supervisory Board Member ◆ Mr. Kazuo Mura is an experienced attorney at law and is familiar with business and management. We believe that, with his deep insight, he would be able to execute the duties of Outside Audit & Supervisory Board Member appropriately and we have therefore proposed him as a candidate for reappointment as a Substitute Outside Audit & Supervisory Board Member.</p> <p>Liability Limitation Agreement Overview ◆ Mr. Kazuo Mura will enter into a liability limitation agreement with the Company in relation to the limitation of liability specified in Paragraph 1, Article 423 of the Companies Act if he takes office as an Audit & Supervisory Board Member (Outside). The liability limit amount under the agreement will be the higher amount of 10,000,000 yen or the amount designated by the Companies Act.</p> <p>Matters regarding Independence ◆ If Mr. Kazuo Mura takes office as an Outside Audit & Supervisory Board Member, the Company will register Mr. Kazuo Mura as an independent audit & supervisory board member with the Tokyo Stock Exchange. Although the Company paid retainer and other fees to Mr. Kazuo Mura as a legal counsel to the Audit & Supervisory Board (600,000 yen per year), the total amounts are very small. Therefore, we assessed that such relationship will not have an effect on the independence of Mr. Kazuo Mura as an Outside Audit & Supervisory Board Member under the Independence Standards of the Company.</p>

Note. The Number of Shares of the Company held by of the candidate for Substitute Audit & Supervisory Board Member shows the numbers as of 31 December 2017.

[Reference] Independence Standards

The Company will judge any Outside Director or Outside Member of the Audit & Supervisory Board who does not fall under any of the following items to be an Independent Director or Independent Member of the Audit & Supervisory Board:

- (1) a person who currently is or has been in the past a Director (excluding Outside Directors; the same applies hereinafter), Member of the Audit & Supervisory Board (excluding Outside Members of the Audit & Supervisory Board; the same applies hereinafter), Executive Officer, or employee of the Company or any of its subsidiaries;
- (2) a major shareholder (a shareholder directly or indirectly holding 10% or more of total voting rights) of the Company, or a director, statutory auditor, executive officer, or employee of such shareholder;
- (3) a major business partner of the Company whose transactions with the Company in the most recent business year amount to over 2% of the Company's annual consolidated total sales, or a director, statutory auditor, executive officer, or employee of such business partner;
- (4) a business partner for whom the Company is a major business partner and whose transactions with the Company in the most recent business year amount to over 2% of that business partner's annual consolidated total sales, or a director, statutory auditor, executive officer, or employee of such business partner;
- (5) a major lender of the Company whose loans to the Company in the most recent business year amount to over 2% of the Company's consolidated total assets, or a director, statutory auditor, executive officer, or employee of such lender;
- (6) a consultant, accounting professional, or legal professional who receives a large amount of money or other such assets other than officer compensation from the Company (or a person belonging to a corporation, partnership, or other such organization that receives such assets), the total amount of such assets exceeding ten million yen annually in the case of an individual or 2% of the organization's annual consolidated total sales in the case of an organization;
- (7) a person who receives contributions from the Company (or a person belonging to a corporation, partnership, or other such organization that receives such contributions), the total amount of such contributions exceeding ten million yen annually in the case of an individual or 2% of the organization's annual consolidated total sales in the case of an organization;
- (8) an accounting auditor or a person belonging to an auditing corporation that is an accounting auditor of the Company or any of its subsidiaries;
- (9) a director, statutory auditor, executive officer, or employee of the lead managing underwriter of the Company;
- (10) a director, statutory auditor, executive officer, or employee of a company that exchanges dispatched directors, statutory auditors, or executive officers with the Company or any of its subsidiaries;
- (11) a person who has fallen under any item of (2) through (10) at any time within the past three years; or
- (12) a relative within the second degree of kinship of a person who falls under any item of (1) through (11).

End

Item 6: To approve the Provision of a Bonus for Directors.

A bonus will be provided to 6 directors (including 4 outside directors) out of 8 directors (including 6 outside directors) as of the end of the 106th Period. The total amount of 73.0 million yen (of which 2.0 million yen to outside directors, 71.0 million yen to other directors) will be paid for the efforts by the Directors in their business performances for the fiscal year 2017.

Decision for the proportion of the bonus appropriated to each Director will be left entirely to the Board of Directors by their resolution.

End