

Presentation on Results for the 1st Quarter FY2020

August 6, 2020
Idemitsu Kosan Co.,Ltd.

Summary of Financial Results

■ Overview

- ✓ Segment earnings decreased significantly year-on-year in the 1st quarter of FY2020 due to inventory impact losses
- ✓ Segment earnings excluding inventory impact also decreased due to an increase in equity losses relating to NSRP and reduced demand for petroleum products, etc. as a result of the COVID-19 pandemic
- ✓ No revision has been made to full-year forecasts announced on May 26.

■ 1st Quarter FY2020 Results

[¥ billions]

	FY2019 1Q	FY2020 1Q	Change
Operating Income + Equity Income	32.7	(97.5)	(130.3)
<i>Inventory impact</i>	1.7	(94.4)	(96.1)
<i>Excluding inventory impact</i>	31.1	(3.1)	(34.2)
Net Income Attributable to Owners of the Parent	36.0	(81.3)	(117.3)
<i>Excluding inventory impact</i>	34.8	(15.8)	(50.7)

■ FY2020 Dividend Forecasts

Interim: ¥60, FY end: ¥60 , FY total: ¥120

Key Topics

■ Impact of COVID-19 Pandemic on Idemitsu's Operations

- ✓ While demand for the 4 core petroleum products has been recovering since June, jet fuel demand has not shown signs of improvement

[%]

	Apr	May	Jun	Apr-Jun
4 Core Products	87.6	85.1	90.7	87.8
JET Fuel	26.3	22.2	22.0	23.5

*Sales growth rate (year-on-year)

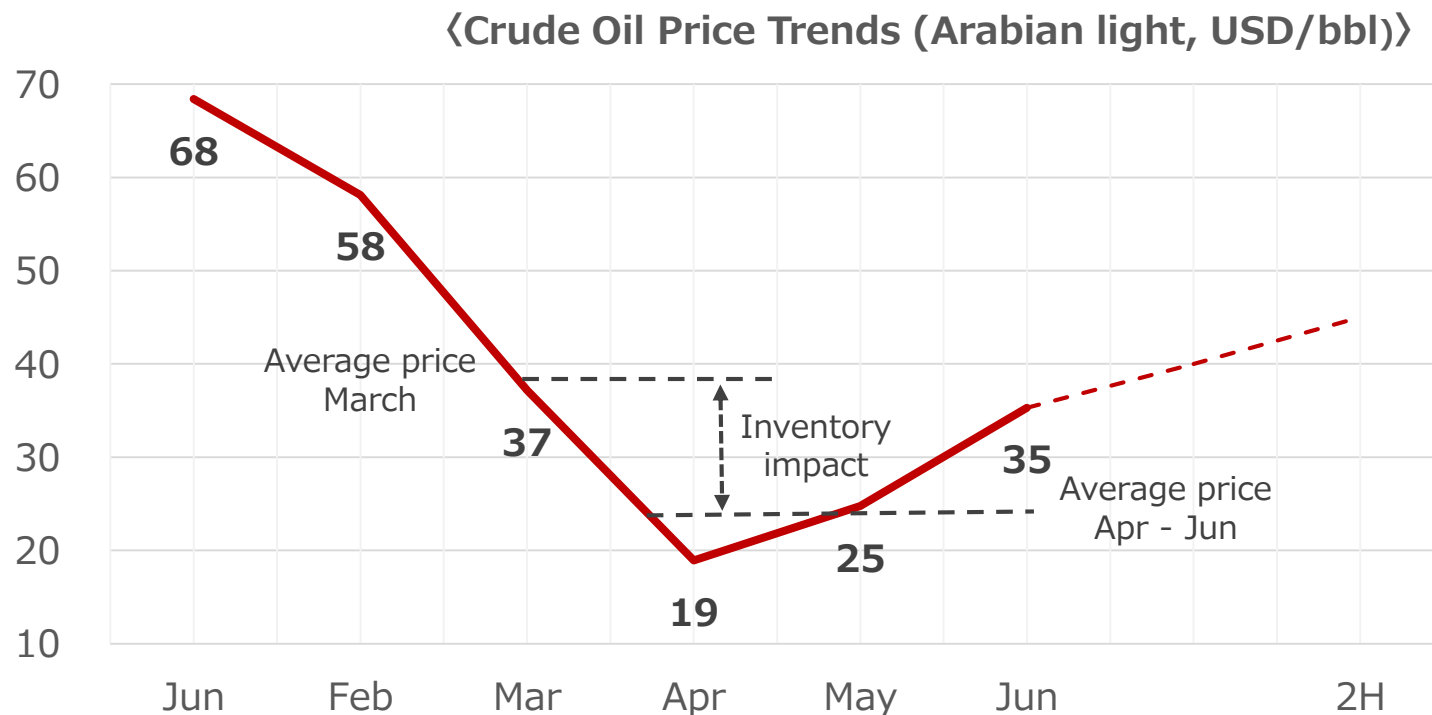
- ✓ The impact of a weak basic chemicals market, a fall in resource prices, and reduced demand in the functional materials segment have materialized

■ Status of Nghi Son Refinery in Vietnam

- ✓ Refinery utilization has been stable after the completion of facility inspections and repairs at the end of last year
- ✓ 1Q performance decreased significantly year-on-year, mainly due to inventory impact resulting from the sharp fall in crude oil prices in Jan-Mar 2020 and the impact of time lags

Key Topics

■ Inventory Impact

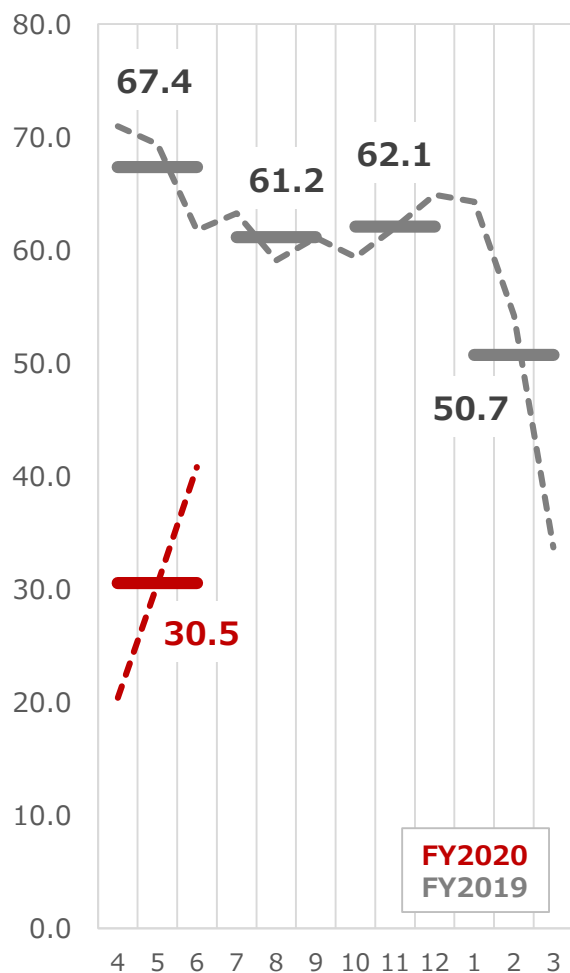


- ✓ Recorded inventory impact of 94.4 billion yen from the fall in crude oil prices in FY20 1Q (based on the gross average method)
- ✓ Inventory impact resulted from the sharp decline in crude oil prices in Apr-May relative to the beginning of the fiscal year. This is a one-time factor which can be expected to disappear if crude oil prices remain at current levels

Operating Environment

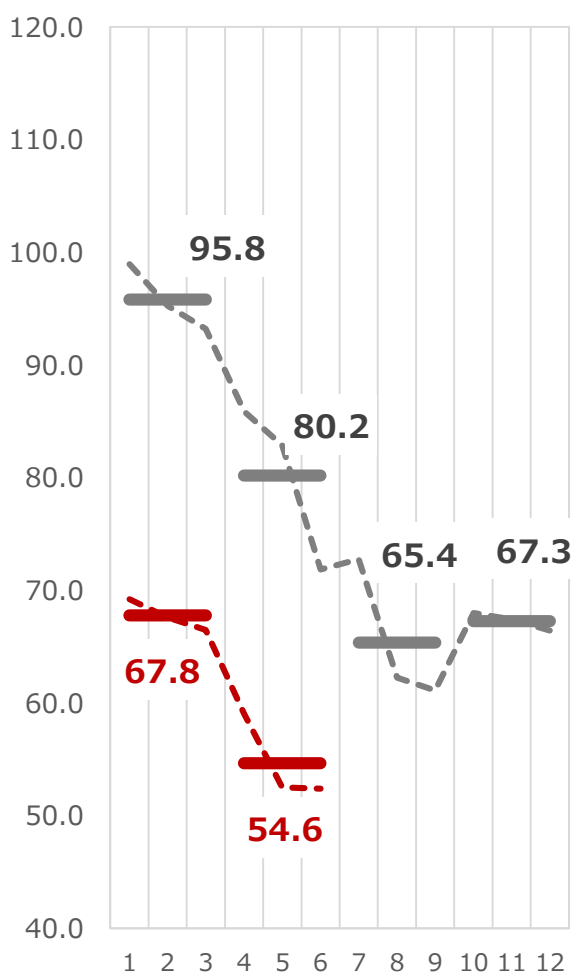
Dubai Crude Oil Price

[USD/bbl]



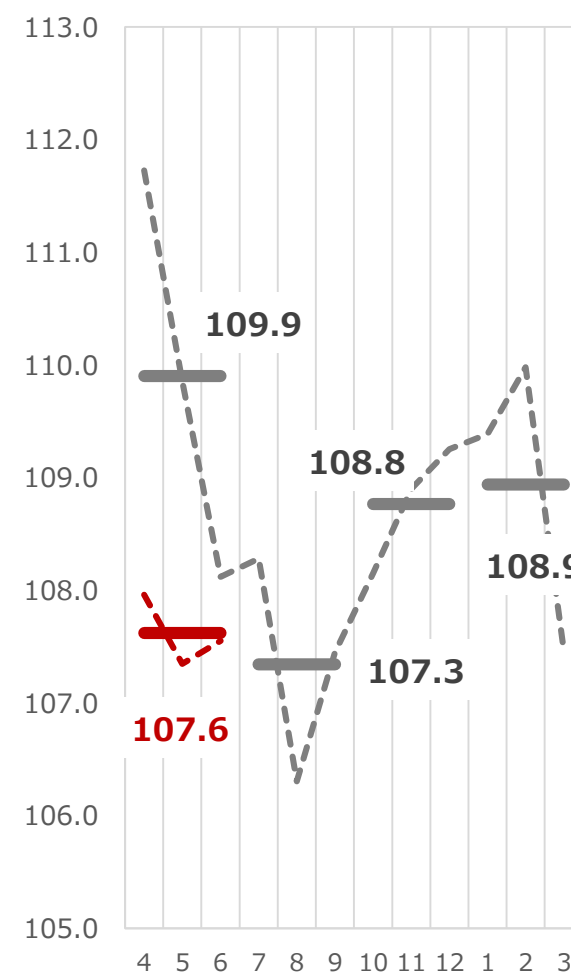
Australian Coal Spot price

[USD/ton]



Exchange Rate (USD)

[JPY/USD]



Overview

■ Crude Oil / Coal / Exchange Rates

[USD/bbl., USD/ton, ¥/USD]

	FY2019 1Q	FY2020 1Q	Change	
Crude Oil (Dubai)	67.4	30.5	(36.9)	(54.7%)
Crude Oil (Brent)*	63.2	50.3	(12.9)	(20.5%)
Thermal Coal *	95.8	67.8	(28.0)	(29.3%)
Exchange Rate (TTM)	109.9	107.6	(2.3)	(2.1%)

*Brent prices and thermal coal prices are averages based on the calendar year (January-March).

■ Consolidated Income Statement (Summary)

[¥ billions]

	FY2019 1Q	FY2020 1Q	Change	
Net Sales	1,476.3	982.8	(493.5)	(33.4%)
Operating Income	34.0	(70.8)	(104.8)	—
<i>Inventory impact</i>	1.7	(94.4)	(96.1)	—
Equity Income	(1.3)	(26.7)	(25.5)	—
Operating Income + Equity Income	32.7	(97.5)	(130.3)	—
<i>Excluding inventory impact</i>	31.1	(3.1)	(34.2)	—
Ordinary Income	34.6	(99.5)	(134.1)	—
Extraordinary Gain/Loss	17.9	(4.4)	(22.3)	—
Net Income Attributable to Owners of the Parent	36.0	(81.3)	(117.3)	—
<i>Excluding inventory impact</i>	34.8	(15.8)	(50.7)	—

Segment Information

■ Operating Income + Equity Income

[¥ billions]

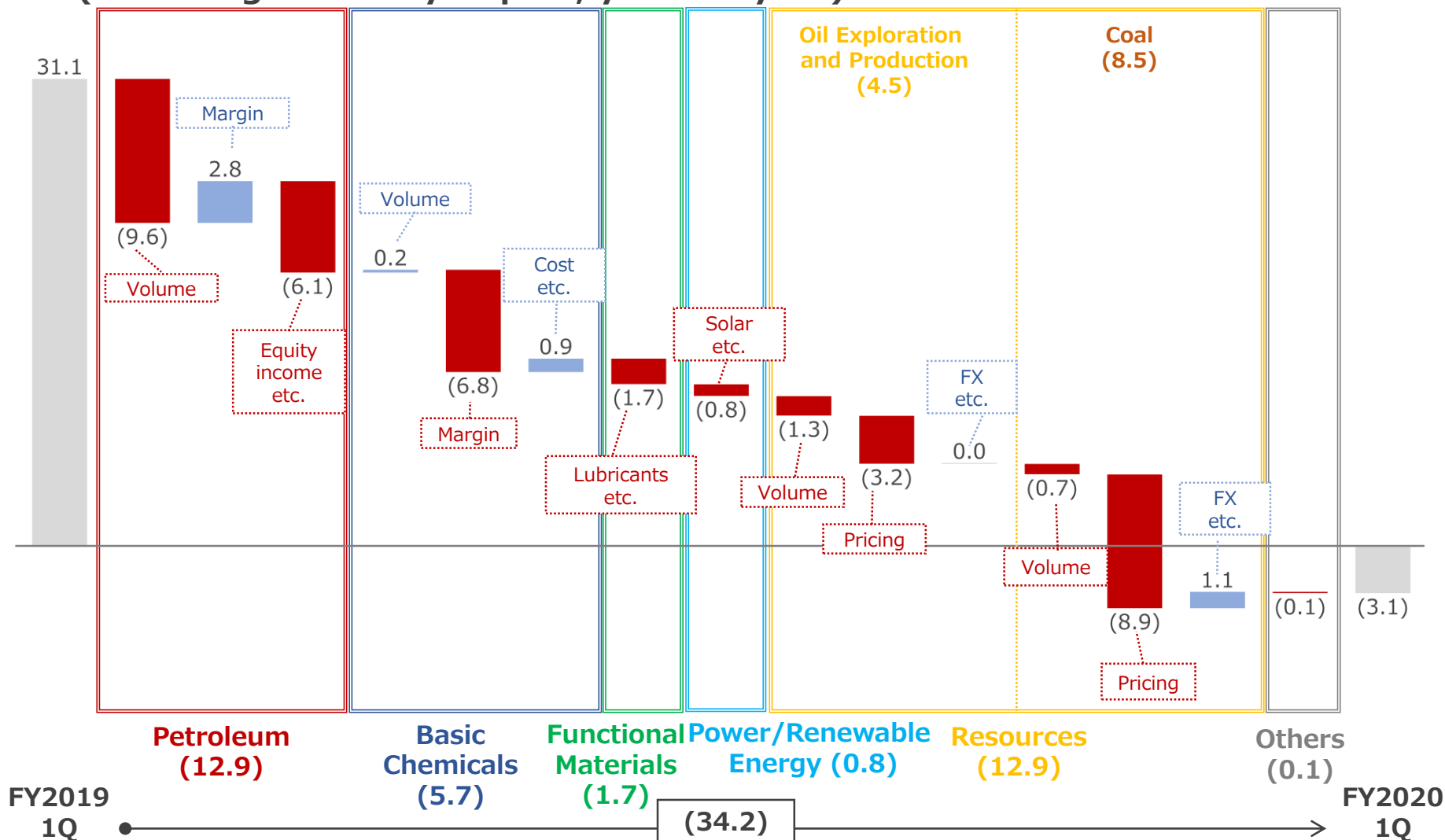
	FY2019 1Q	FY2020 1Q	Change	
Petroleum	5.2	(103.8)	(109.0)	—
<i>Excluding inventory impact</i>	3.5	(9.4)	(12.9)	—
Basic Chemicals	5.9	0.1	(5.7)	(97.6%)
Functional Materials	6.4	4.8	(1.7)	(25.7%)
Power and Renewable Energy	0.8	0.1	(0.8)	(92.3%)
Resources*	16.2	3.2	(12.9)	(80.1%)
<i>Oil Exploration and Production</i>	6.7	2.2	(4.5)	(66.5%)
<i>Coal</i>	9.5	1.0	(8.5)	(89.7%)
Others/Reconciliation	(1.8)	(1.9)	(0.1)	—
Total	32.7	(97.5)	(130.3)	—
<i>Excluding inventory impact</i>	31.1	(3.1)	(34.2)	—

*Fiscal years for Australian coal operations and Oil Exploration and Production included in the Resources Business end in December

Segment Information

■ Factors Affecting Operating Income + Equity Income (excluding inventory impact, year-on-year)

[¥ billions]



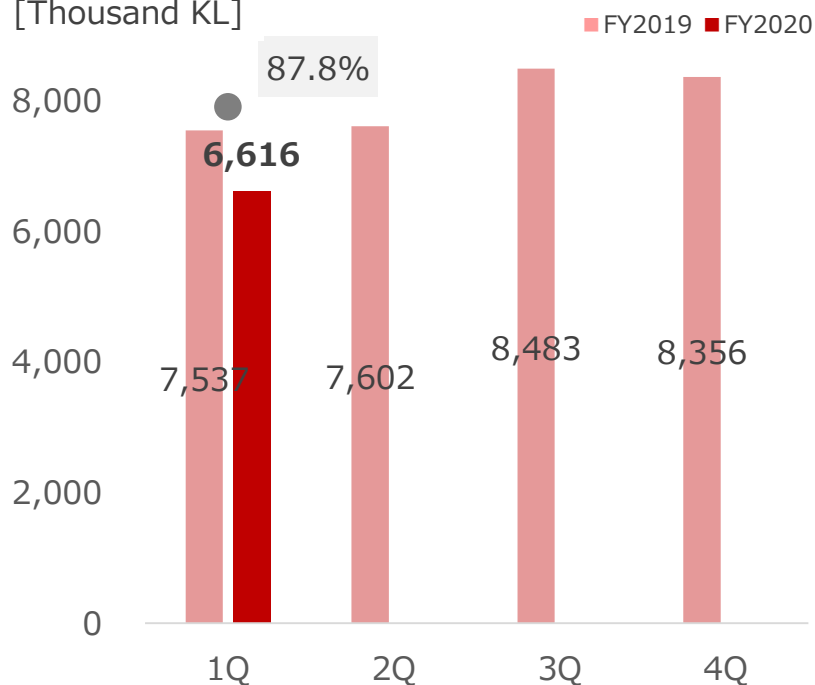
Segment Information

[Petroleum] YoY -¥12.9 bn (FY19 1Q:¥3.5 bn ➔ FY20 1Q:-¥9.4 bn)

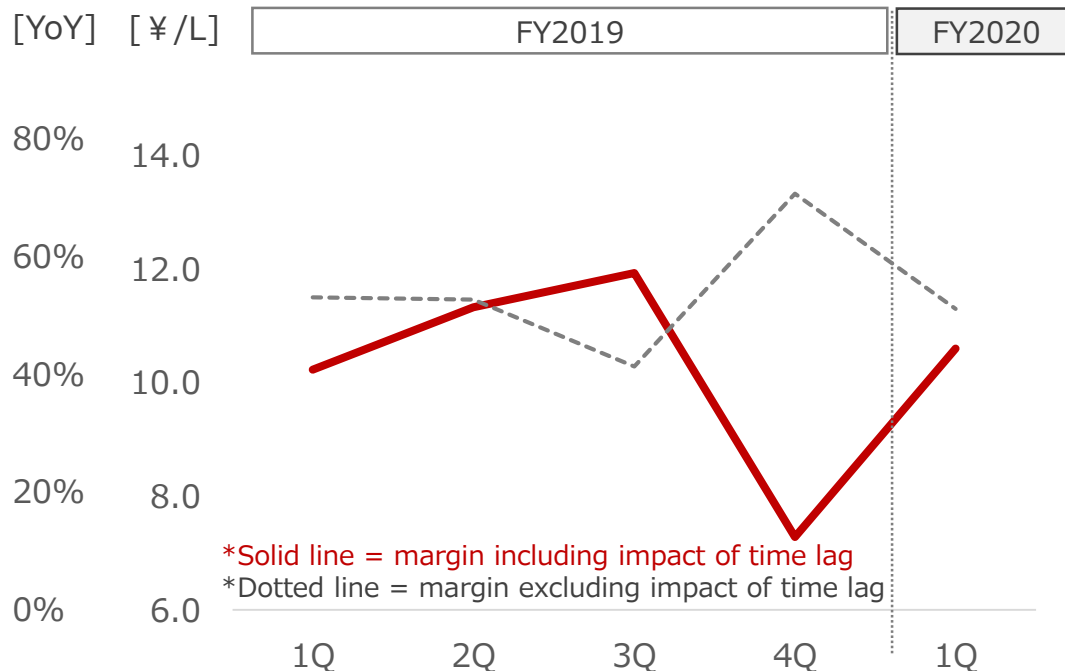
<Year-on-year Change in Petroleum sales volume (4 Core Products)>

<Trends in Domestic Petroleum Product Margins*>

[Thousand KL]



*Average of gasoline, diesel oil, kerosene, and heavy oil A margins (domestic spot – crude oil)



- ✓ Sales volume decreased due to reduced demand for gasoline, diesel oil, etc. as a result of the COVID-19 pandemic
- ✓ Product margins in line with last year
- ✓ Profits decreased year-on-year as equity losses and reduced jet fuel sales more than offset cost savings, etc.

Segment Information

[Basic Chemicals] YoY -¥5.7 bn (FY19 1Q:¥5.9 bn ➡ FY20 1Q:¥0.1 bn)

✓ Profits decreased due to reduced product margins, etc.

	FY19 1Q		FY20 1Q
PX margin	-146\$/t	(368\$/t → 222\$/t)	
MX margin	-60\$/t	(184\$/t → 124\$/t)	
SM margin	-190\$/t	(520\$/t → 330\$/t)	

[Functional Materials] YoY -¥1.7 bn (FY19 1Q:¥6.4 bn ➡ FY20 1Q:¥4.8 bn)

✓ Profits decreased mainly due to the impact of reduced lubricant sales as a result of the COVID-19 pandemic

[Power/Renewable Energy] YoY -¥0.8 bn (FY19 1Q:¥0.8 bn ➡ FY20 1Q:¥0.1 bn)

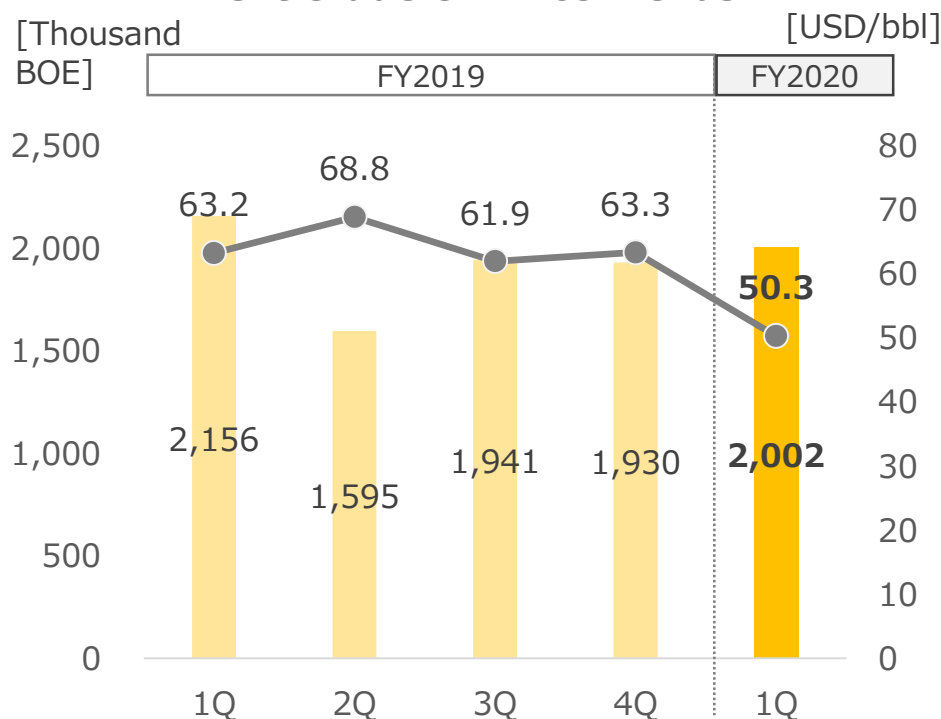
✓ The power business maintained profits due to solid sales volume, while profits in the solar business decreased as decreased sales volume and selling prices more than offset cost savings

Segment Information

[Oil E&P] YoY -¥4.5 bn

(FY19 1Q:¥6.7 bn ➡ FY20 1Q:¥2.2 bn)

<Crude Oil Production Volume and Brent Crude Oil Price Trends>

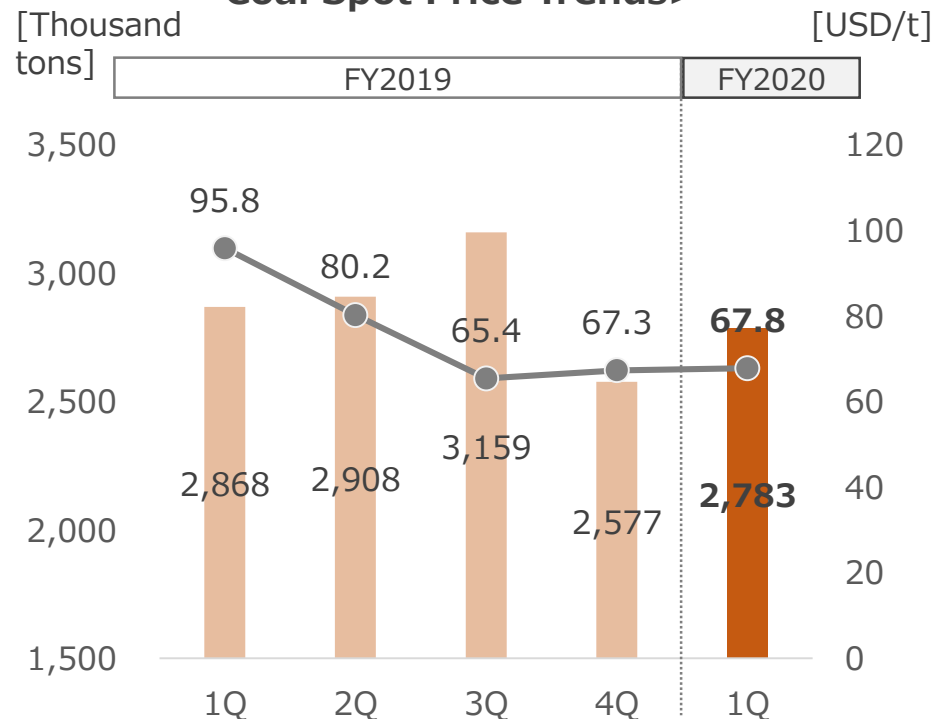


✓ Decreased income due to the fall in crude oil prices

[Coal] YoY -¥8.5 bn

(FY19 1Q:¥9.5 bn ➡ FY20 1Q:¥1.0 bn)

<Coal Production Volume and Australian Coal Spot Price Trends>



✓ Decreased income due to deterioration of coal market conditions

Balance Sheet

[¥ billions]

	3/31/2020	6/30/2020	Change		3/31/2020	6/30/2020	Change
Cash and Deposits	132.2	182.0	49.8	Total Current Liabilities	1,648.4	1,531.6	(116.8)
Receivables, Inventory, etc.	1,418.1	1,120.2	(297.8)	Total Fixed Liabilities	1,038.0	1,031.3	(6.6)
Total Current Assets	1,550.3	1,302.2	(248.1)	Total Liabilities	2,686.4	2,563.0	(123.4)
Tangible Fixed Assets	1,478.1	1,461.8	(16.3)	Shareholders' Equity and Other Comprehensive Income	1,150.0	1,027.1	(123.0)
Other Fixed Assets	858.5	871.6	13.1	Noncontrolling Interests	50.6	45.6	(5.0)
Total Fixed Assets	2,336.6	2,333.4	(3.2)	Total Net Assets	1,200.6	1,072.7	(127.9)
Total Assets	3,886.9	3,635.6	(251.3)	Total Liabilities and Net Assets	3,886.9	3,635.6	(251.3)

Net D/E Ratio	1.05	1.21	0.17
Total Interest - bearing Debt	1,336.3	1,429.8	93.6
Equity Ratio	29.6%	28.2%	(1.3%)

Reference Materials

Overview of the Company

■ Petroleum Segment

- Refining Capacity **945,000 BD** *1)
- Domestic fuel oil sales volume
41 million KL/year
- Number of service stations **6,400**

■ Basic Chemicals Segment

(Production Capacity)

- Ethylene **1 mil tons/year**
- Paraxylene **1.28 mil tons/year** *2)
- Styrene monomers **0.75 mil tons/year**

■ Power and Renewable Energy Segment

- Power generation capacity **1GW**
- Renewable energy **0.2GW**
- Solar panel production capacity
1GW/year

■ Functional Materials Segment

(Lubricants, performance chemicals, electronic materials, functional asphalt, agricultural-biotechnology, solid electrolyte)

- Lubricants sales volume
1.2 mil KL/year *3
- Performance chemicals production capacity
Engineering plastics: **150,000 tons/year**
Adhesive materials: **76,000 tons/year**
- OLED materials production capacity
10 tons/year

■ Resources Segment

- Crude oil production **21,000 BD**
- Thermal coal production **12 mil tons/year**

*1 1,090,000 barrels/day when adding the refining capacity of Fuji Oil, Co.,Ltd with which a petroleum products trade agreement has been signed

*2 Including mixed xylene production capacity

*3 Lubricants sales volume excludes sales by Shell Lubricants Japan K.K.

Financial Data

■ Net Sales by Segment

[¥ billions]

	FY2019 1Q	FY2020 1Q	Change	
Petroleum	1,169.5	757.4	(412.1)	(35.2%)
Basic Chemicals	113.5	72.8	(40.7)	(35.9%)
Functional Materials	97.1	81.0	(16.1)	(16.6%)
Power and Renewable Energy	29.3	29.2	(0.1)	(0.2%)
Resources*	66.4	41.8	(24.6)	(37.0%)
<i>Oil Exploration and Production</i>	15.3	8.0	(7.3)	(47.5%)
<i>Coal</i>	51.1	33.8	(17.3)	(33.8%)
Others/Reconciliation	0.5	0.6	0.1	15.8%
Total	1,476.3	982.8	(493.5)	(33.4%)

*Fiscal years for Australian coal operations and Oil Exploration and Production included in the Resources Business end in December

Financial Data FY2020 Guidance (Announced on May 26th)

■ Crude Oil / Coal / Exchange Rates

[USD/bbl., USD/ton, ¥/USD]

	FY2019	FY2020	Change	
Crude Oil (Dubai)	60.3	25.0	(35.3)	(58.6%)
Crude Oil (Brent)*	64.3	30.0	(34.3)	(53.4%)
Thermal Coal *	77.8	55.0	(22.8)	(29.3%)
Exchange Rate (TTM)	108.7	105.0	(3.7)	(3.4%)

*Brent prices and thermal coal prices are averages based on the calendar year (January-December).

■ Consolidated Income Statement (Summary)

[¥ billions]

	FY2019	FY2020	Change	
Net Sales	6,045.9	3,900.0	(2,145.9)	(35.5%)
Operating Income	(3.9)	60.0	63.9	—
<i>Inventory impact</i>	(89.3)	0.0	89.3	—
Equity Income	(22.4)	(35.0)	(12.6)	—
Operating Income + Equity Income	(26.2)	25.0	51.2	—
<i>Excluding inventory impact</i>	63.1	25.0	(38.1)	(60.4%)
Ordinary Income	(14.0)	30.0	44.0	—
Extraordinary Gain/Loss	(3.3)	(10.0)	(6.7)	—
Net Income Attributable to Owners of the Parent	(22.9)	5.0	27.9	—
<i>Excluding inventory impact</i>	39.0	5.0	(34.0)	(87.2%)

Financial Data FY2020 Guidance (Announced on May 26th)

■ Operating Income + Equity Income

[¥ billions]

	FY2019	FY2020	Change	
Petroleum	(109.4)	35.0	144.4	—
<i>Excluding inventory impact</i>	(20.1)	35.0	55.1	—
Basic Chemicals	11.9	0.0	(11.9)	(100.0%)
Functional Materials	28.4	0.0	(28.4)	(100.0%)
Power and Renewable Energy	(0.5)	(5.0)	(4.5)	—
Resources*	41.8	(3.0)	(44.8)	—
<i>Oil Exploration and Production</i>	17.8	(3.0)	(20.8)	—
<i>Coal</i>	24.0	0.0	(24.0)	(100.0%)
Others/Reconciliation	1.5	(2.0)	(3.5)	—
Total	(26.2)	25.0	51.2	—
<i>Excluding inventory impact</i>	63.1	25.0	(38.1)	(60.4%)

*Fiscal years for Australian coal operations and Oil Exploration and Production included in the Resources Business end in December

Financial Data

■ Quarterly segment income (accumulated, excluding inventory impact)

[¥ billions]

	FY2019 1Q	FY2019 2Q	FY2019 3Q	FY2019	FY2020 1Q
Petroleum	3.5	15.4	26.1	(20.1)	(9.4)
Equity income	(2.7)	(14.9)	(26.0)	(32.7)	(27.2)
Basic Chemicals	5.9	14.3	18.0	11.9	0.1
Equity income	0.4	0.9	1.1	1.6	0.3
Functional Materials	6.4	13.7	20.2	28.4	4.8
Equity income	0.4	0.8	1.2	1.9	0.1
Power and Renewable Energy	0.8	0.4	(0.5)	(0.5)	0.1
Equity income	0.0	(0.0)	0.3	0.6	(0.1)
Resources					
-Oil Exploration and Production	6.7	8.6	12.2	17.8	2.2
Equity income	—	—	—	—	—
-Coal	9.5	17.8	22.3	24.0	1.0
Equity income	0.1	0.4	0.7	0.9	0.4
Others/Reconciliation	(1.8)	(0.6)	(1.5)	1.5	(1.9)
Equity income	0.6	1.3	1.9	5.4	(0.4)
Total	31.1	69.7	96.7	63.1	(3.1)
Equity income	(1.3)	(11.6)	(20.7)	(22.4)	(26.7)

Sales and Production

■ Sales Volume(Petroleum Segment)

[Thousand KL,%]

	FY 2019 1Q	FY 2020 1Q	Change	
Gasoline	3,513	2,833	(680)	(19.4%)
Naphtha	25	92	67	263.1%
Jet Fuel	1,293	304	(989)	(76.5%)
Kerosene	578	657	78	13.5%
Diesel Oil	2,665	2,386	(279)	(10.5%)
Heavy Fuel Oil A	781	740	(41)	(5.2%)
Heavy Fuel Oil C	717	730	13	1.7%
Total Domestic Sales Volume	9,573	7,742	(1,831)	(19.1%)
Exported Volume	529	768	239	45.3%
Total Sales Volume	10,101	8,510	(1,592)	(15.8%)

Sales and Production

■ Sales Volume (Basic Chemicals Segment)

[Thousand tons,%]

	FY 2019 1Q	FY 2020 1Q	Change	
Basic Chemicals	1,047	1,092	45	4.3%

■ Sales Volume (Functional Materials Segment)

[Thousand KL, Thousand tons,%]

	FY 2019 1Q	FY 2020 1Q	Change	
Lubricants	301	252	(49)	(16.3%)
Performance Chemicals	103	109	6	5.8%

*Includes sales of overseas licenses

*Lubricant oil sales volume excludes sales by Shell Lubricants Japan K.K.

■ Sales Volume (Power and Renewable Energy Segment)

[Million kWh,%]

	FY 2019 1Q	FY 2020 1Q	Change	
Retail Power Sales	593	743	150	25.3%

Sales and Production

■ Oil E&P – Production Volume, including Gas (Resources Segment)

[Thousand BOED,%]

	FY 2019 1Q	FY 2020 1Q	Change	
Norway	24.0	22.0	(2.0)	(8.2%)
Total('000BOE)	2,156	2,002	(154)	(7.1%)

*Figures based on interest owned by Idemitsu's resource development subsidiaries

■ Coal – Production Volume (Resources Segment)

[Thousand tons,%]

	FY 2019 1Q	FY 2020 1Q	Change	
Ensham	1,008	1,092	84	8.4%
Muswellbrook	338	254	(84)	(24.9%)
Boggabri	1,194	1,060	(134)	(11.2%)
Sub Total	2,540	2,406	(134)	(5.3%)
Malinau	328	377	49	15.0%
Total Production Volume	2,868	2,783	(85)	(3.0%)

*Figures based on interest owned by Idemitsu Group

*Fiscal years for Oil Exploration and Production and Coal operations end in December

Sensitivity

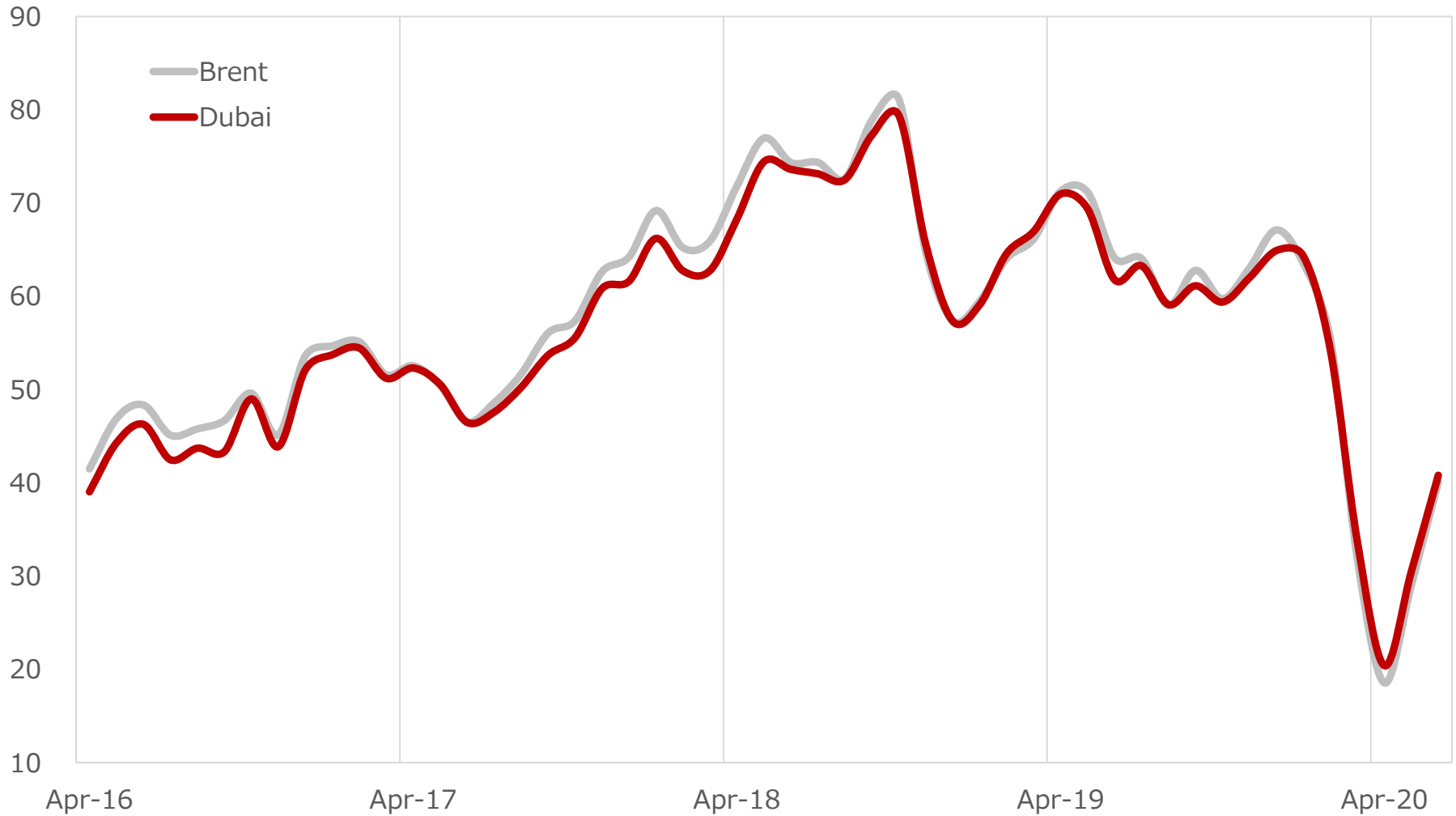
■ Impact on FY earnings

Items	Range	Impact on earnings
Crude Oil	1 \$/bbl Decrease	Petroleum (¥4.0 billion) Fuel cost, etc. ¥1.0 billion Inventory impact (¥5.0 billion)
		Oil Exploration & Production (¥1.0 billion)
Foreign Exchange JPY/USD	1 JPY/\$ Appreciation	Petroleum (¥2.5 billion) Fuel cost, etc. ¥0.5 billion Inventory impact (¥3.0 billion)
		Basic Chemicals (¥0.5 billion)

*In addition to the above, the resources businesses are impacted by fluctuations in exchange rates with other currencies (NOK, AUD, etc.)

Crude Oil Prices (Dubai and Brent)

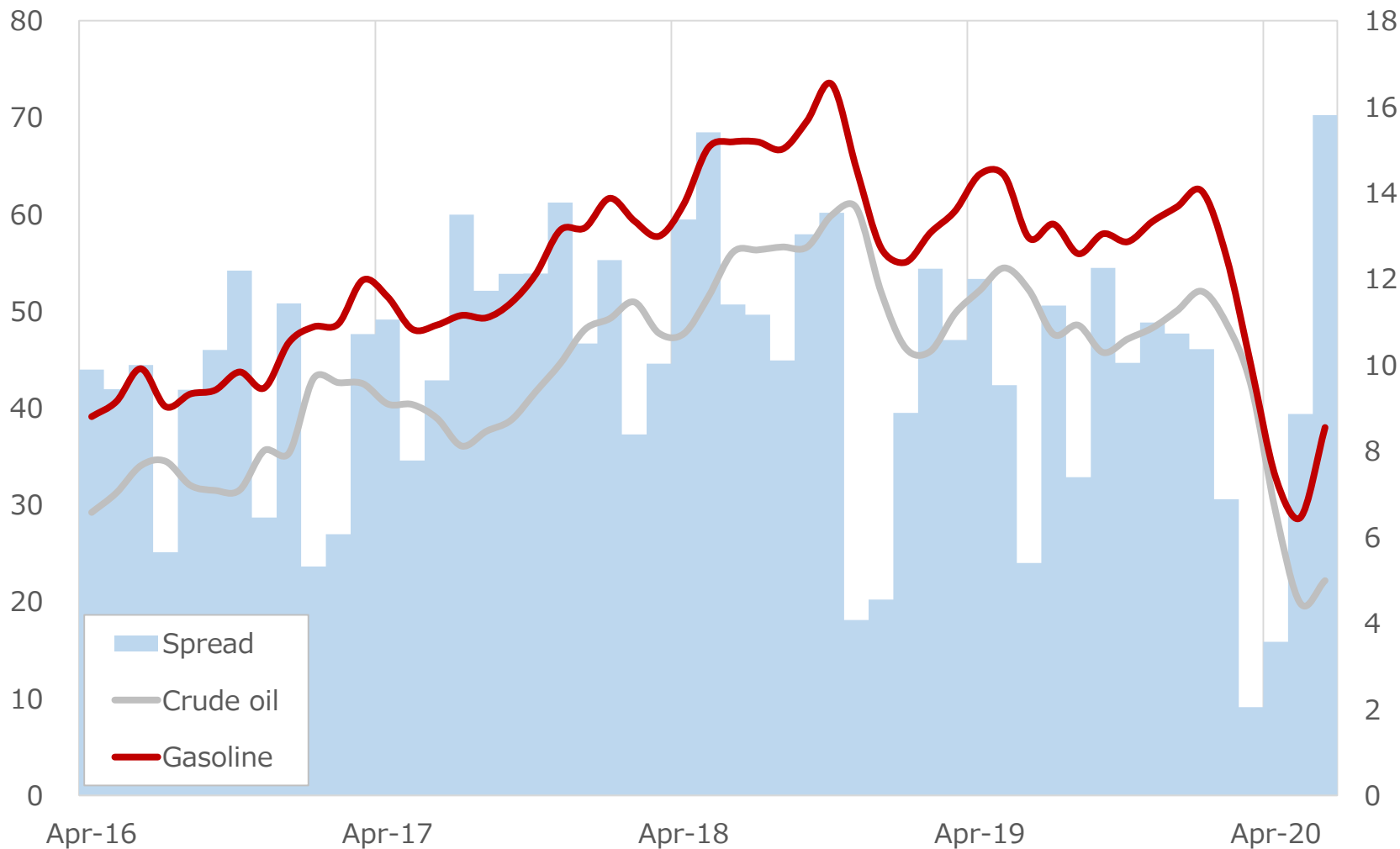
[USD/bbl]



Gasoline – Crude Oil (Domestic spot prices and Spreads)

[¥/L] Prices

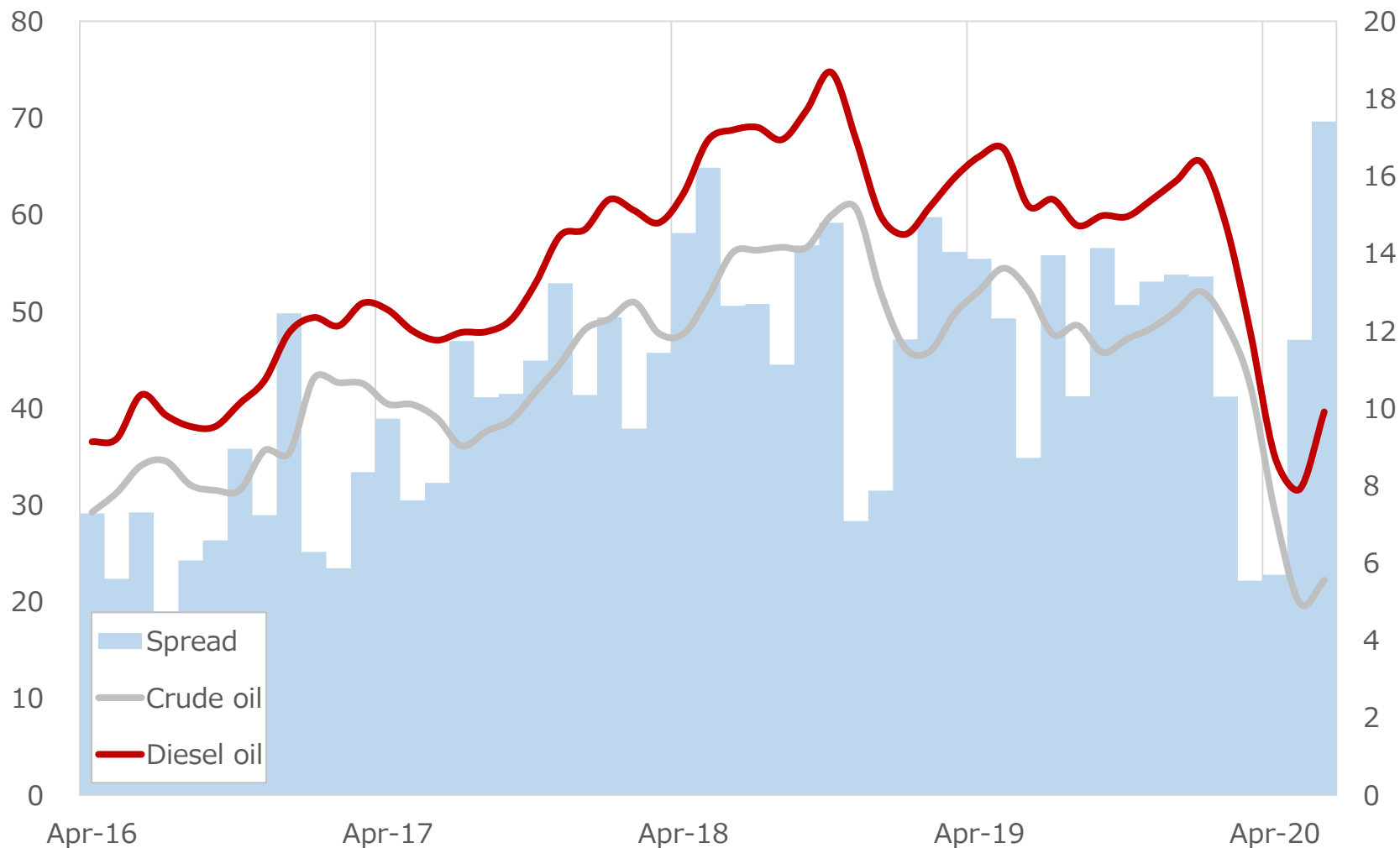
Spreads [¥/L]



Diesel Oil – Crude Oil (Domestic spot prices and Spreads)

[¥/L] Prices

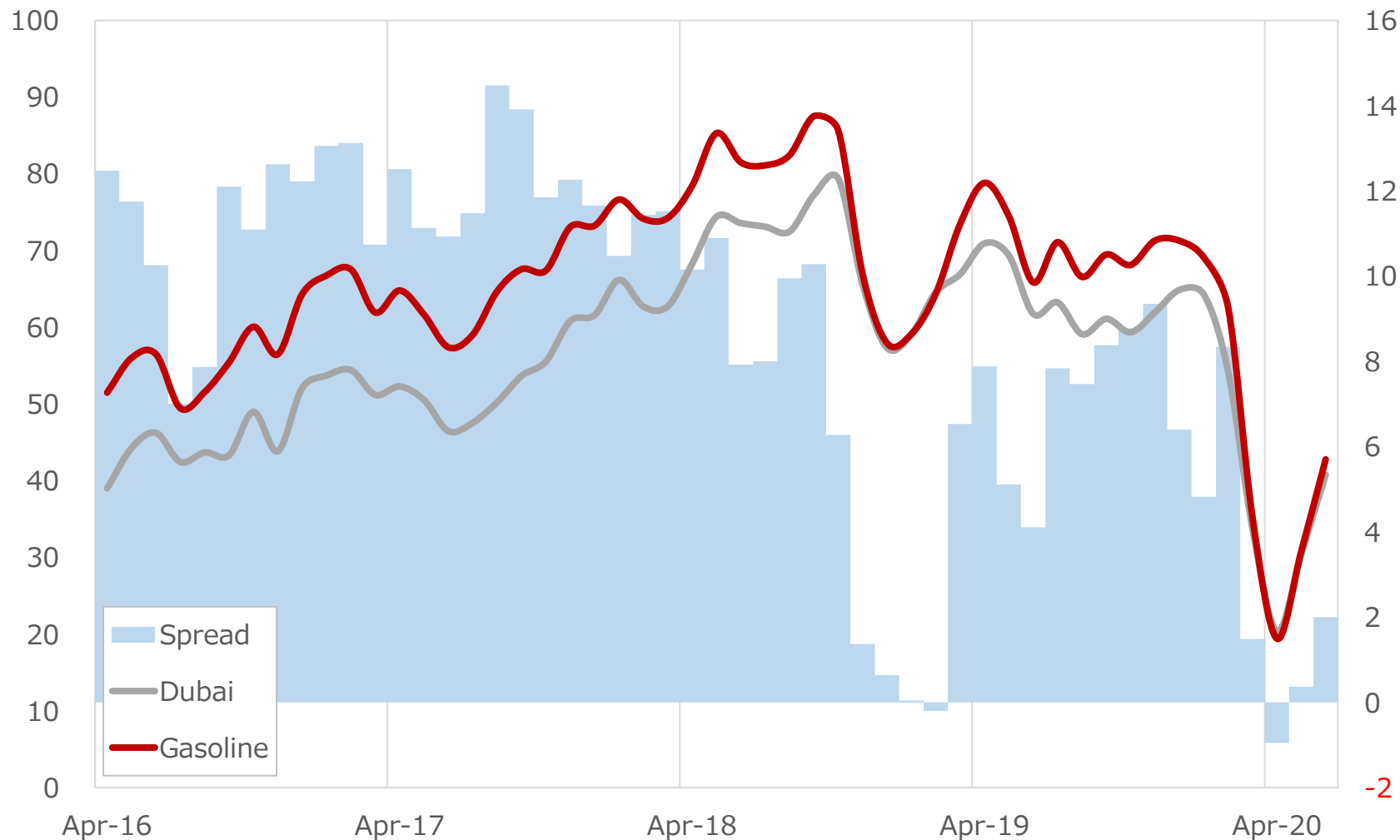
Spreads [¥/L]



Gasoline – Crude Oil (Singapore spot prices and Spreads)

[USD/bbl] Prices

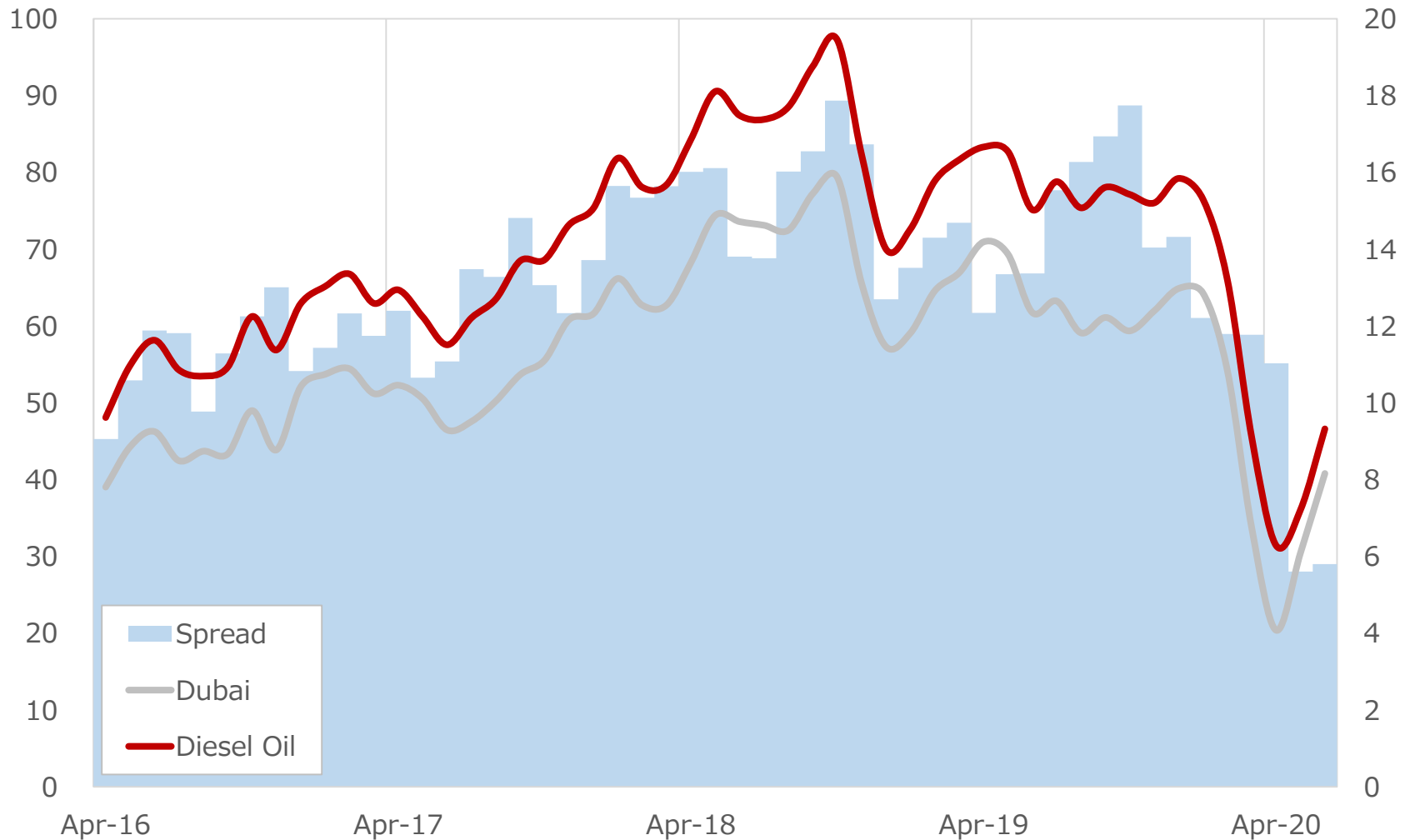
Spreads [USD/bbl]



Diesel Oil – Crude Oil (Singapore Spot prices and Spreads)

[USD/bbl] Prices

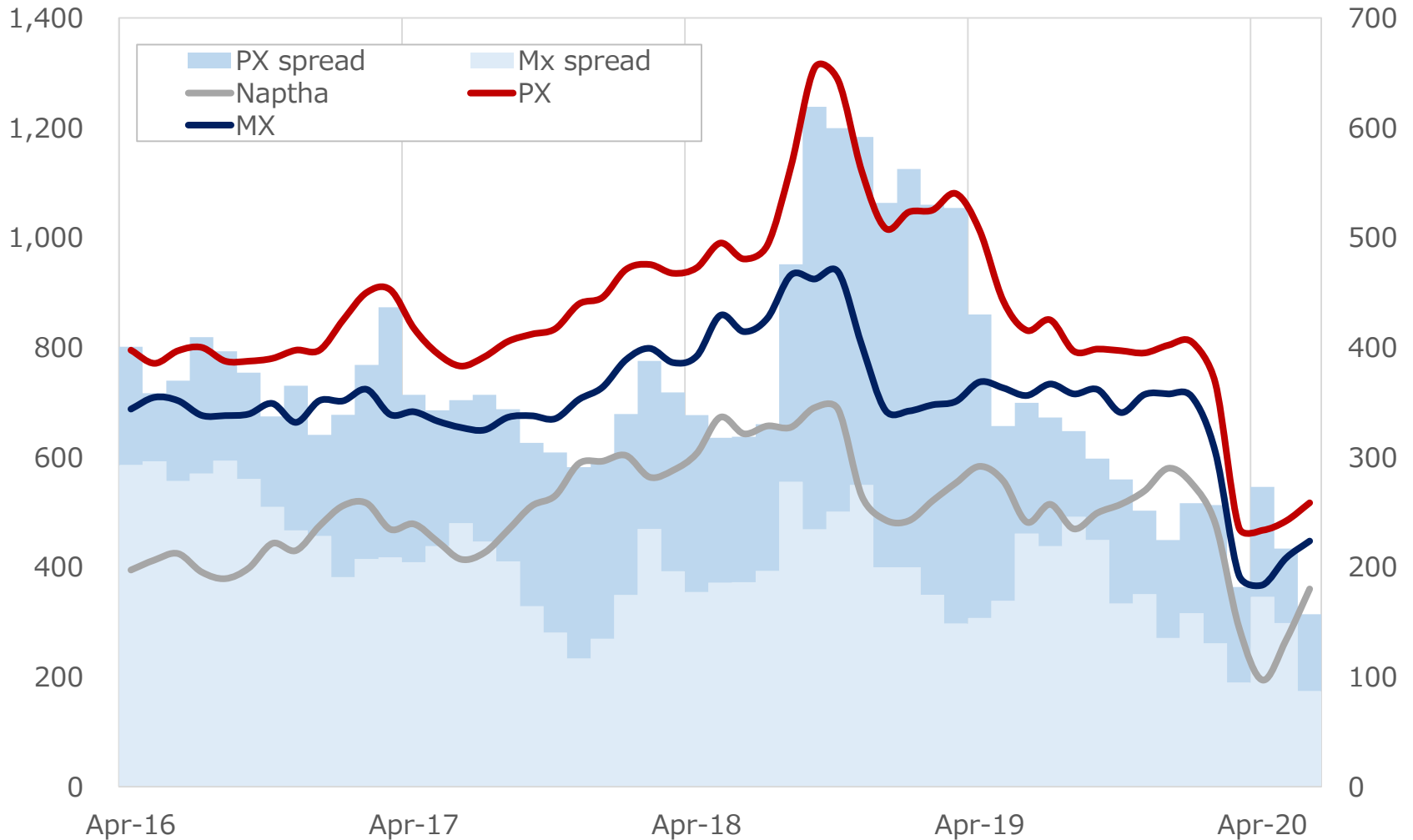
Spreads [USD/bbl]



Paraxylene, Mixed xylene, Naptha (Prices and Spreads)

[USD/ton] Prices

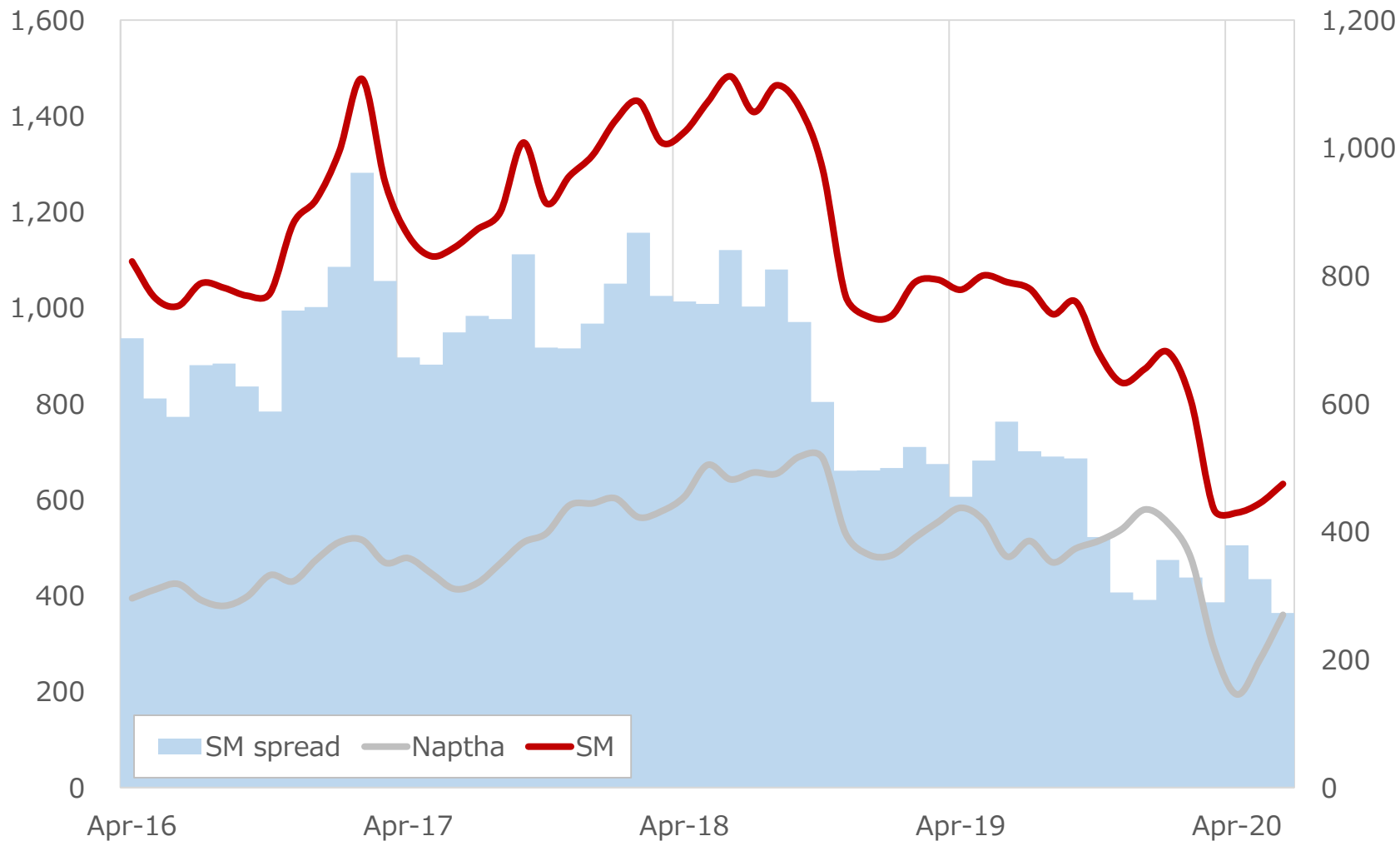
Spreads [USD/ton]



Styrene Monomer, Naptha (Prices and Spreads)

[USD/ton] Prices

Spreads [USD/ton]



Operational data

■ Refineries Utilization

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 1Q
Idemitsu Kosan	88%	88%	88%	87%	70%
Former Showa Shell	85%	88%	93%		

* Utilization rate based on BCD

■ Number of Service Stations

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 1Q
Idemitsu Kosan	3,589	3,545	3,501	3,446	3,439
Former Showa Shell	3,123	3,028	2,964	2,938	2,915
Total	6,712	6,573	6,465	6,384	6,354

Precaution statement about forecasts

Any information about forecasts for the Company's operating results, management strategy and management policy contained in this documents other than historical facts is prepared, according to judgments made by the top management of the Company based on information available as of the publication of the document.

Actual business environments contain potential risk factors and uncertainties including economic situations, crude oil prices, trends in petroleum products, market conditions, currency exchange rates and interest rates.

Consequently, actual operating results of the Company may substantially differ from forecasts due to changes in the important factors mentioned above.