

Presentation on Results for the 3rd Quarter FY 2013

Idemitsu Kosan Co., Ltd.

February 4, 2014



1. FY 2013 3rd Quarter Financials

(1) Overview

(2) Segment Information

2. Outlook for FY 2013 Performance

(1) Overview

(2) Segment Information

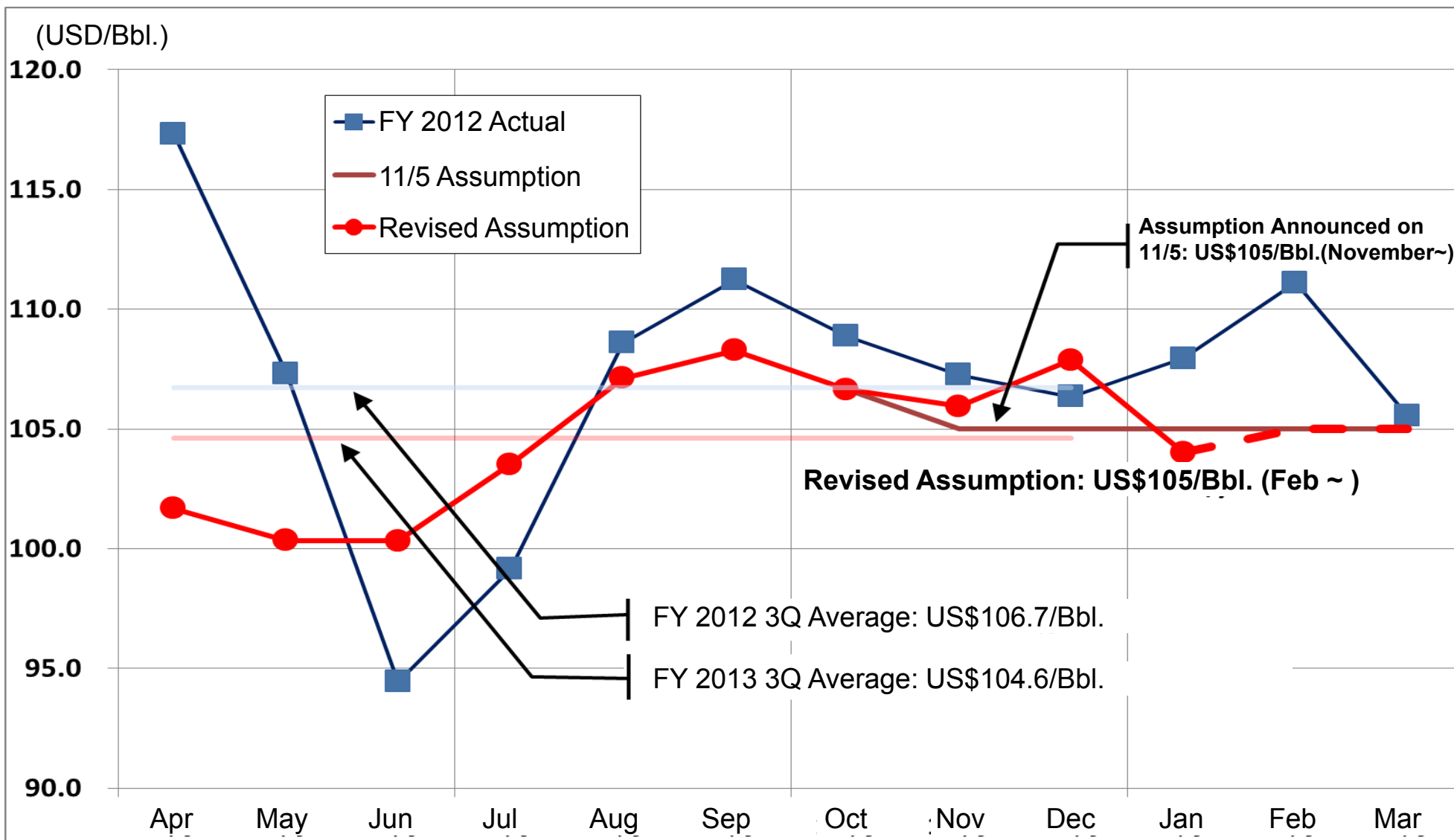
(3) Streamlining

3. Reference Materials

Crude Oil Price Trends



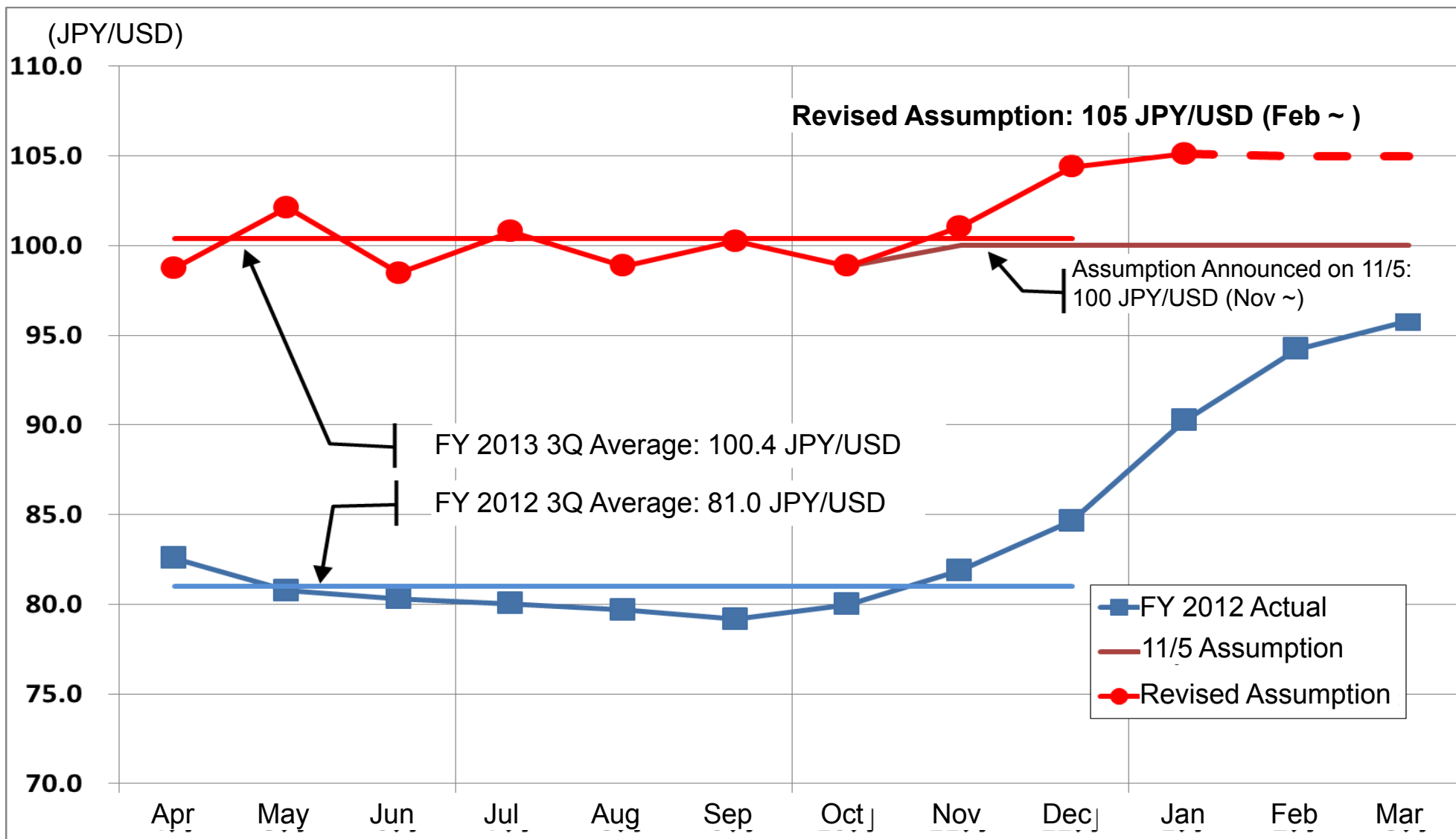
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends

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<Monthly JPY/USD (TTS) Trends and Assumptions for Performance Forecasts>



<FY 2013 3Q Financials>

- The decrease in petroleum product margins was more than offset by improved margins in petrochemical products and the increase in the impact of inventory valuation. As a result, operating income increased by ¥26.8 billion year-on-year, to ¥81.8 billion. Inventory impact increased by ¥33.8 billion year-on-year to ¥32.2 billion mainly as a result of the depreciation of the Japanese yen
- Net income increased by ¥26.3 billion to ¥42.7 billion, in part due to insurance payments received by the Australian coal business and impairment losses on assets in British North Sea oil fields

<FY2013 Performance Forecasts>

- We forecast that the decrease in petroleum product margins will lead to decreased earnings, while the revision of the exchange rate assumption from 100 JPY/USD to 105 JPY/USD will lead to the increase in the impact of inventory valuation and in oil exploration and production volume
- We revised our FY 2013 operating income and net income forecasts downward by ¥2 billion to ¥86 billion and by ¥12 billion to ¥45 billion, respectively
- We plan to terminate crude oil processing at the Tokuyama Refinery in March 2014, as announced previously

1. FY 2013 3rd Quarter Financials

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2012 3Q	FY2013 3Q	Change	
Crude Oil (DB FOB)	106.7	104.6	(2.1)	(2.0%)
Crude Oil (Brent)	112.1	108.5	(3.6)	(3.2%)
Naphtha Price (Customs)	963	928	(35)	(3.6%)
Exchange Rate (TTS)	81.0	100.4	19.4	24.0%

* Brent prices are averages based on the calendar year (January-September).

2) Consolidated Income Statement (Summary)

(Units: ¥ billion, %)

	FY2012 3Q	FY2013 3Q	Change	
Net Sales	3,157.8	3,659.3	501.5	15.9%
Operating Income	55.0	81.8	26.8	48.8%
<i>(Inventory impact)</i>	(1.6)	32.2	33.8	—
<i>(Excluding inventory impact)</i>	56.6	49.6	(7.0)	(12.4%)
Non-operating Income/Loss	(4.5)	(2.1)	2.4	—
Ordinary Income	50.5	79.7	29.2	57.9%
Extraordinary Gain/Loss	(4.8)	4.9	9.7	—
Net Income	16.4	42.7	26.3	160.7%

* Gross average method of inventory valuation

* “Inventory impact” represents the impact of inventory valuation and the reduction in book value of inventory assets

* Figures rounded to the nearest billion yen

(2) Segment Information

1) Operating Income

(Units: ¥ billions, %)

	FY2012 3Q	FY2013 3Q	Change	
Petroleum Products	31.5	33.7	2.2	7.1%
<i>(Excluding inventory impact)</i>	33.1	2.6	(30.5)	(92.2%)
Petrochemical Products	6.1	32.5	26.4	434.4%
<i>(Excluding inventory impact)</i>	6.1	31.5	25.4	416.2%
Resources	21.0	18.4	(2.5)	(12.1%)
<i>Oil Exploration and Production</i>	21.8	25.6	3.8	17.4%
<i>Coal, etc.</i>	(0.8)	(7.1)	(6.3)	—
Other	0.1	0.5	0.4	457.5%
Adjustments	(3.6)	(3.3)	0.3	—
Total	55.0	81.8	26.8	48.8%
<i>(Excluding inventory impact)</i>	56.6	49.6	(7.0)	(12.4%)

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

(2) Segment Information



2) Factors Causing Changes in Operating Income (YoY)

(Units: ¥ billions)

Petroleum Products **2.2**

Decrease in product margins, etc.:	(33.2)	Streamlining:	2.6
Inventory impact:	32.8		

Petrochemical Products **26.4**

Increase in product margins, etc.:	21.5	Mfg. fuel costs, time lag, streamlining:	3.9
Inventory impact:	1.0		

Oil Exploration and Production **3.8**

Volume, price-related:	(2.3)	Exploration costs, foreign exchange	6.1
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Coal, etc./Other **(5.6)**

Volume, price-related:	(11.3)	Cost-related, other	5.7
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2. Outlook for FY 2013 Performance

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	Nov 5 Forecast	Revised Forecast	Difference	
Crude Oil (DB FOB)	104.3	104.7	0.4	0.4%
Crude Oil (Brent)	107.8	108.3	0.5	0.5%
Naphtha Price (Customs)	917	931	14	1.5%
Exchange Rate (TTS)	99.9	101.5	1.6	1.6%

Assumptions (Feb~)
105.0
-
946
105.0

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	Nov 5 Forecast	Revised Forecast	Difference	
Net Sales	4,980.0	5,030.0	50.0	1.0%
Operating Income	88.0	86.0	(2.0)	(2.3%)
<i>(Inventory impact)</i>	25.0	36.0	11.0	44.0%
<i>(Excluding inventory impact)</i>	63.0	50.0	(13.0)	(20.6%)
Non-operating Income/Loss	(1.0)	2.0	3.0	—
Ordinary Income	87.0	88.0	1.0	1.1%
Extraordinary Gain/Loss	16.5	3.0	(13.5)	(81.8%)
Net Income	57.0	45.0	(12.0)	(21.1%)

* Gross average method of inventory valuation

* “Inventory impact” represents the impact of inventory valuation and the reduction in book value of inventory assets

* Figures rounded to the nearest billion yen

(2) Segment Information

1) Operating Income

(Units: ¥ billions)

	Nov 5 Forecast	Revised Forecast	Difference	
Petroleum Products	46.0	31.0	(15.0)	(32.6%)
<i>(Excluding inventory impact)</i>	<i>21.0</i>	<i>(5.0)</i>	<i>(26.0)</i>	<i>—</i>
Petrochemical Products	32.0	37.0	5.0	15.6%
<i>(Excluding inventory impact)</i>	<i>32.0</i>	<i>37.0</i>	<i>5.0</i>	<i>15.6%</i>
Resources	13.0	20.0	7.0	53.8%
<i>Oil Exploration and Production</i>	<i>21.0</i>	<i>28.0</i>	<i>7.0</i>	<i>33.3%</i>
<i>Coal, etc.</i>	<i>(8.0)</i>	<i>(8.0)</i>	<i>0.0</i>	<i>—</i>
Other	2.0	2.5	0.5	25.0%
Adjustments	(5.0)	(4.5)	0.5	—
Total	88.0	86.0	(2.0)	(2.3%)
<i>(Excluding inventory impact)</i>	<i>63.0</i>	<i>50.0</i>	<i>(13.0)</i>	<i>(20.6%)</i>

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

(2) Segment Information



2) Factors Causing Changes in Operating Income (vs. Previous Announcement)

(Units: ¥ billions)

Petroleum Products	(15.0)
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Decrease in product margins, etc.:	(26.0)	Inventory impact	11.0
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Petrochemical Products	5.0
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Increase in product margins, etc.:	5.3	Fuel costs, etc.:	(0.3)
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Oil Exploration and Production	7.0
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Sales volume, price-related:	5.0	Foreign exchange, etc.:	2.0
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Coal, etc./Other	1.0
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Price-related:	0.4	Foreign exchange / other:	0.6
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(3) Streamlining

(Units: ¥ billions)

* Cost reduction targets and progress vs. FY2012

Petroleum Products

- Enhanced efficiency in facilities management
- Energy conservation/rationalization at refineries
- Rationalization of sales and logistics divisions etc.

11/5
Forecast

0.5

FY2013
3Q Actual

0.4

FY2013
Forecast

0.5

(Reference)
FY2015
Target

6.0

Petrochemical Products

- Enhanced efficiency in facilities management etc.

0.5

0.4

0.5

2.0

Resources

- Enhanced efficiency at Australian coal mines
- Streamlining of oil exploration and production etc.

4.0

3.0

4.0

7.0

Costs at Indirect Divisions

- Streamlining of administrative divisions

3.0

2.2

3.0

5.0

Total

8.0

6.0

8.0

20.0

3. Reference Materials

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|---|--|
| 1. Impairment Losses on Assets in British North Sea Oil Fields | 4. Sales and Production |
| | (1) Sales/Production Volume |
| | (2) Sales/Production Volume Forecast |
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1. Impairment Losses on Assets in British North Sea Oil Fields

■ Target Company

Idemitsu Petroleum UK Ltd. (100% subsidiary)

■ Overview

Acquired British entity which owned 17 mines
for ¥44 billion in November 2009

Production volume(including Gas) : 2,700 BOED
(FY2013 estimate)

■ Impairment Losses

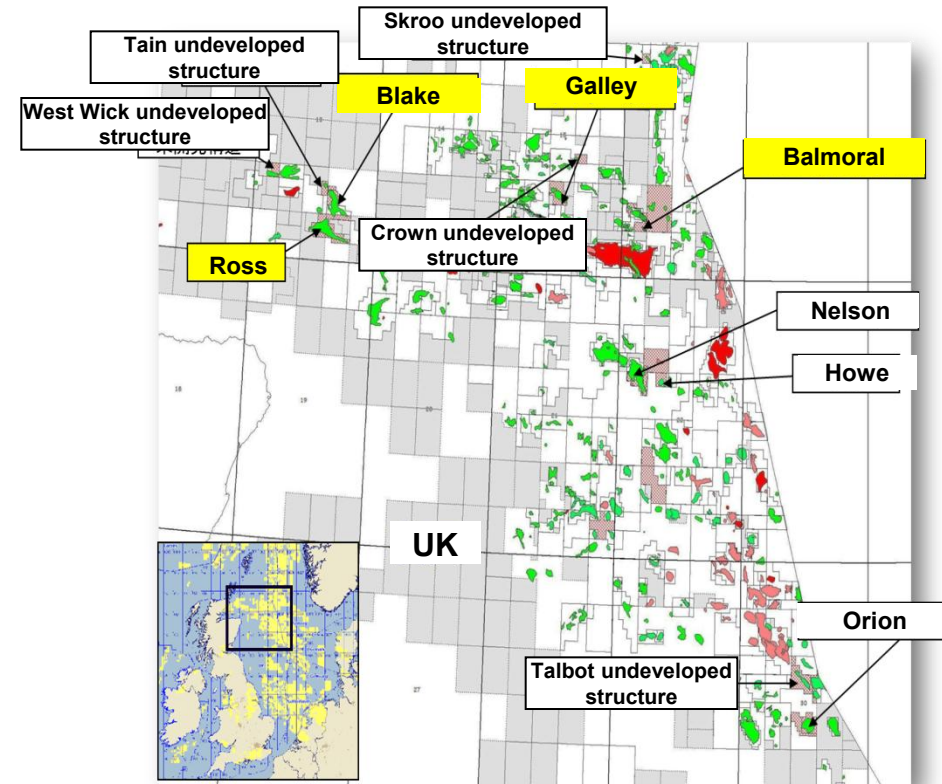
Total impairment losses: ¥14.5 billion

Nature of losses: Production facilities of Ross Oil
Field, etc.

■ Future Outlook

Will continue to produce at current volume in the short run

Aiming to increase production at existing oil fields, develop new oil fields, and increase reserves through exploration in the medium-term



(Oil fields with facilities subject to impairment losses shown in yellow)

2. Financial Reporting



(1) – 1. FY 2013 3Q Net Sales by Segment

(Units: ¥ billions)

	FY2012 3Q	FY2013 3Q	Change	
Petroleum Products	2,639.7	3,001.4	361.8	3.7%
Petrochemical Products	372.9	485.5	112.6	30.2%
Resources	119.6	137.1	17.6	14.7%
<i>Oil Exploration and Production</i>	61.9	70.5	8.6	13.8%
<i>Coal, etc.</i>	57.7	66.7	9.0	15.6%
Other/Adjustments	25.7	35.2	9.6	37.3%
Total	3,157.8	3,659.3	501.5	15.9%

2. Financial Reporting

(1) – 2. FY2013 Net Sales Forecast by Segment

(Units: ¥ billions)

	Nov 5 Forecast	Revised Forecast	Difference	
Petroleum Products	4,130.0	4,160.0	30.0	0.7%
Petrochemical Products	610.0	630.0	20.0	3.3%
Resources	190.0	190.0	0.0	0.0%
<i>Oil Exploration and Production</i>	100.0	100.0	0.0	0.0%
<i>Coal, etc.</i>	90.0	90.0	0.0	0.0%
Other/Adjustments	50.0	50.0	0.0	0.0%
Total	4,980.0	5,030.0	50.0	1.0%

2. Financial Reporting



(2) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY2012 3Q	FY2013 3Q	Change
Gain on Sale of Fixed Assets	1.0	0.7	(0.3)
Insurance Payment Received	—	20.6	20.6
Other	0.1	3.3	3.2
Total Extraordinary Gains	1.1	24.6	23.5
Loss on Sale and Depletion of Fixed Assets	1.7	2.1	0.4
Impairment Loss on Fixed Assets	3.0	16.6	13.7
Losses on Revaluation of Investment Securities	0.3	0.0	(0.3)
Other	0.9	0.9	0.1
Total Extraordinary Losses	5.9	19.7	13.8
Total Extraordinary Gains/Losses	(4.8)	4.9	9.7

2. Financial Reporting

(3) Consolidated Balance Sheet

(Units: ¥ millions)

	3/31/2013	12/31/2013	Change		3/31/2013	12/31/2013	Change
Cash and Deposits	116.8	177.7	60.9	Payables	405.3	496.8	91.5
Receivables	425.9	524.0	98.1	Short-term Borrowings	379.2	443.0	63.8
Inventory	646.4	746.7	100.3	Other Current Liabilities	399.6	420.2	20.5
Other Current Assets	122.0	108.5	(13.5)	Total Current Liabilities	1,184.1	1,360.0	175.9
				Long-term Borrowings	513.9	613.1	99.2
				Other Fixed Liabilities	342.5	353.7	11.2
Total Current Assets	1,311.2	1,557.0	245.8	Total Fixed Liabilities	856.4	966.8	110.4
Tangible Fixed Assets	1,030.3	1,041.8	11.5	Total Liabilities	2,040.5	2,326.8	286.3
(Land)	596.0	594.0	(2.0)	Shareholders' Equity	511.1	545.3	34.1
(Other)	434.3	447.8	13.5	Valuation and Translation Adjustment	142.4	150.7	8.3
Other Fixed Assets	386.9	462.5	75.6	Minority Interests	34.4	38.6	4.2
Total Fixed Assets	1,417.3	1,504.4	87.1	Total Net Assets	687.9	734.6	46.6
Total Assets	2,728.5	3,061.4	332.9	Total Liabilities and Net Assets	2,728.5	3,061.4	332.9

Total Interest-bearing Debt	896.4	1,059.0	162.6
Equity Ratio	24.0%	22.7%	(1.2%)

3. Sensitivity

(1) Impact of a US\$1/bbl. Increase in Crude Oil Prices on FY Earnings

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.3 billion)
	Inventory impact	¥ 2.4 billion
		¥ 2.1 billion
Oil Exploration & Production		¥ 0.6 billion

(2) Impact of a 1 JPY/USD Depreciation on FY Earnings

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.4 billion)
	Inventory impact	¥ 2.8 billion
		¥ 2.4 billion
Oil Exploration & Production		—

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

4. Sales and Production



(1)—1.Sales Volume (Domestic Fuel Oil Sales Volume: Non-consolidated)

(Units:Thousand KL,%)

	FY 2012 3Q	FY 2013 3Q	Change	
Gasoline	6,532	6,468	(64)	(1.0%)
(Premium-Unleaded)	815	763	(52)	(6.4%)
(Regular-Unleaded)	5,717	5,705	(12)	(0.2%)
Naphtha	184	169	(15)	(8.3%)
Jet Fuel	1,132	1,275	143	12.6%
Kerosene	1,769	1,723	(47)	(2.6%)
Diesel Oil	4,387	4,471	84	1.9%
Heavy Fuel Oil A	2,054	2,014	(40)	(1.9%)
Heavy Fuel Oil C	3,106	2,442	(664)	(21.4%)
Toal Domestic Sales Volume	19,164	18,562	(602)	(3.1%)
Exported Volume	2,685	3,080	395	14.7%
(General Exports)	651	667	16	2.4%
Total Sales Volume	21,849	21,642	(207)	(0.9%)

4. Sales and Production

(1) — 2. Sales Volume (Petrochemical Products: Non-consolidated)

(Units: Thousand tons, %)

	FY 2012 3Q	FY 2013 3Q	Change	
Petrochemical Products-Total	2,037	2,359	322	15.8%
(Basic Chemicals)	1,989	2,316	327	16.5%
(Performance Chemicals)	48	43	(5)	(10.7%)

(1) — 3. Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2012 3Q	FY 2013 3Q	Change	
Lubricants	715	777	62	8.7%

*Includes sales of overseas licenses

4. Sales and Production

(1) — 4.Oil Exploration & Production – Production Volume (including Gas)

(Units:Thousand BOED)

	FY 2012 3Q	FY 2013 3Q	Change	
Norway	22.2	24.4	2.1	9.5%
United Kingdom	3.2	2.8	(0.5)	(14.9%)
Vietnam	0.4	0.4	(0.1)	(13.7%)
Total('000BOED)	25.9	27.5	1.6	6.1%
Total('000BOE)	7,104	7,509	405	5.7%

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

(1) — 5. Coal – Production Volume

(Units:Thousand tons)

	FY 2012 3Q	FY 2013 3Q	Change	
Ensham(85%)	2,220	2,804	584	26.3%
Muswellbrook	873	856	(17)	(1.9%)
Boggabri	2,665	3,277	612	23.0%
Tarawonga(30%)	409	494	85	20.8%
Total Production Volume	6,167	7,431	1,264	20.5%

*Figures based on interest owned by Idemitsu Group

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

4. Sales and Production

(2) — 1. Sales Forecasts (Domestic Fuel Oil Sales Volume: Non-consolidated)

(Units: Thousand KL, %)

	November-5 Forecast	Revised Forecast	Difference	
Gasoline	8,570	8,510	(60)	(0.7%)
(Premium-Unleaded)	1,040	1,030	(10)	(1.0%)
(Regular-Unleaded)	7,530	7,480	(50)	(0.7%)
Naphtha	280	260	(20)	(7.1%)
Jet Fuel	1,640	1,670	30	1.8%
Kerosene	3,290	3,160	(130)	(4.0%)
Diesel Oil	5,730	5,950	220	3.8%
Heavy Fuel Oil A	2,900	2,920	20	0.7%
Heavy Fuel Oil C	3,260	3,390	130	4.0%
Toal Domestic Sales Volume	25,670	25,860	190	0.7%
Exported Volume	4,270	4,040	(230)	(5.4%)
(General Exports)	1,300	1,060	(240)	(18.5%)
Total Sales Volume	29,940	29,900	(40)	(0.1%)

4. Sales and Production



(2) — 2. Sales Forecasts (Petrochemical Products: Non-consolidated)

(Units: Thousand tons, %)

	November-5 Forecast	Revised Forecast	Difference	
Petrochemical Products-Total	3,210	3,250	40	1.2%
(Basic Chemicals)	3,150	3,190	40	1.3%
(Performance Chemicals)	60	60	0	0.0%

(2) — 3. Sales Forecasts (Lubricants)

(Units: Thousand KL, %)

	November-5 Forecast	Revised Forecast	Difference	
Lubricants	1,060	1,040	(20)	(1.9%)

*Includes sales of overseas licenses

4. Sales and Production



(2) —4.Oil Exploration & Production – Production Volume Forecasts (including Gas)

(Units:Thousand BOED)

	November-5 Forecast	Revised Forecast	Difference	
Norway	22.6	23.7	1.1	4.9%
United Kingdom	2.6	2.7	0.1	5.7%
Vietnam	0.4	0.4	(0.0)	(1.7%)
Total('000BOED)	25.6	26.8	1.2	4.9%
Total('000BOE)	9,330	9,790	460	4.9%

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

(2) —5. Coal – Production Volume Forecasts

(Units:Thousand tons)

	November-5 Forecast	Revised Forecast	Difference	
Ensham(85%)	4,140	4,080	(60)	(1.4%)
Muswellbrook	1,320	1,220	(100)	(7.6%)
Boggabri	4,780	4,750	(30)	(0.6%)
Tarawonga(30%)	590	570	(20)	(3.4%)
Total Production Volume	10,830	10,620	(210)	(1.9%)

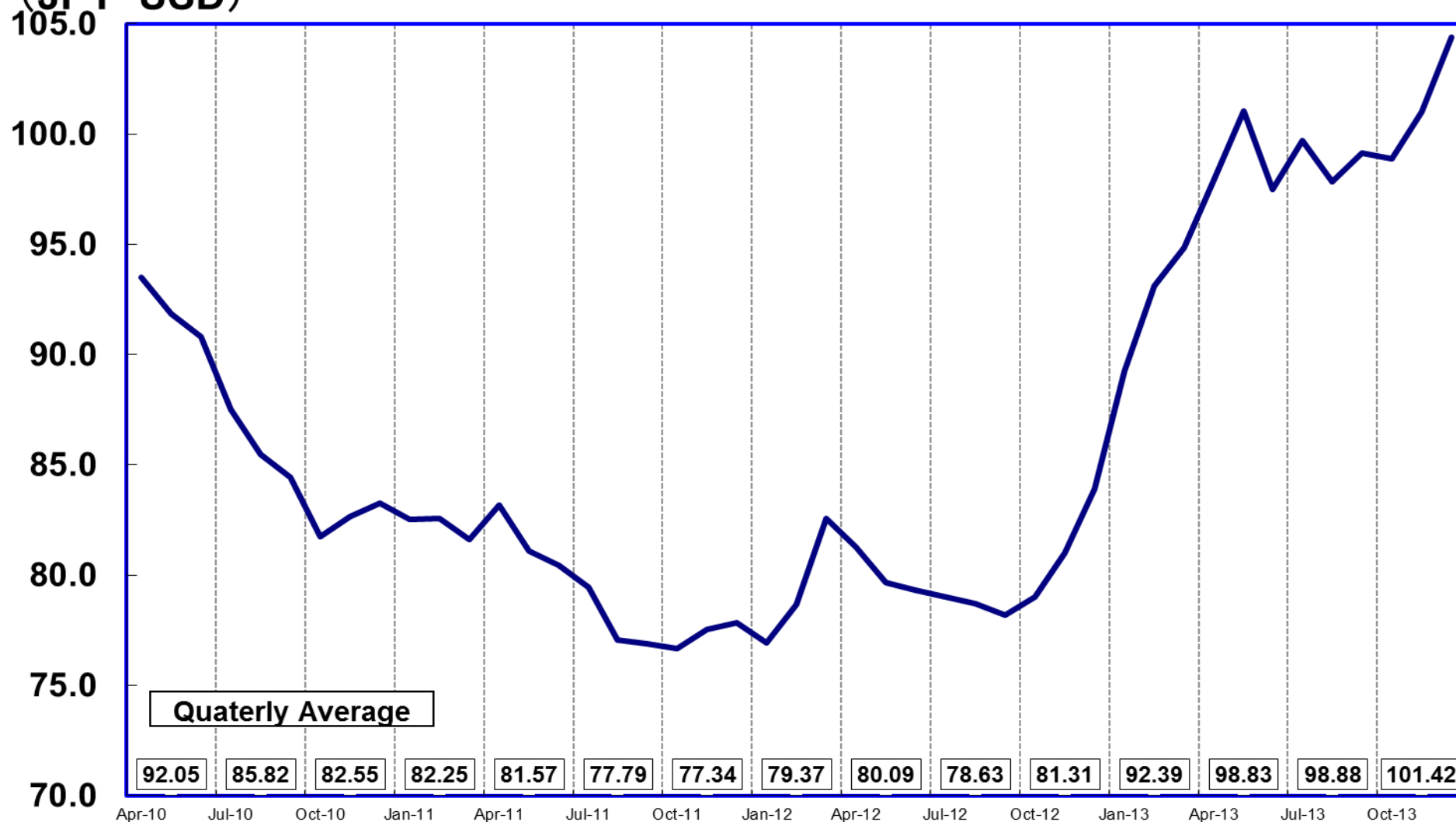
*Figures based on interest owned by Idemitsu Group

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5. Foreign Exchange

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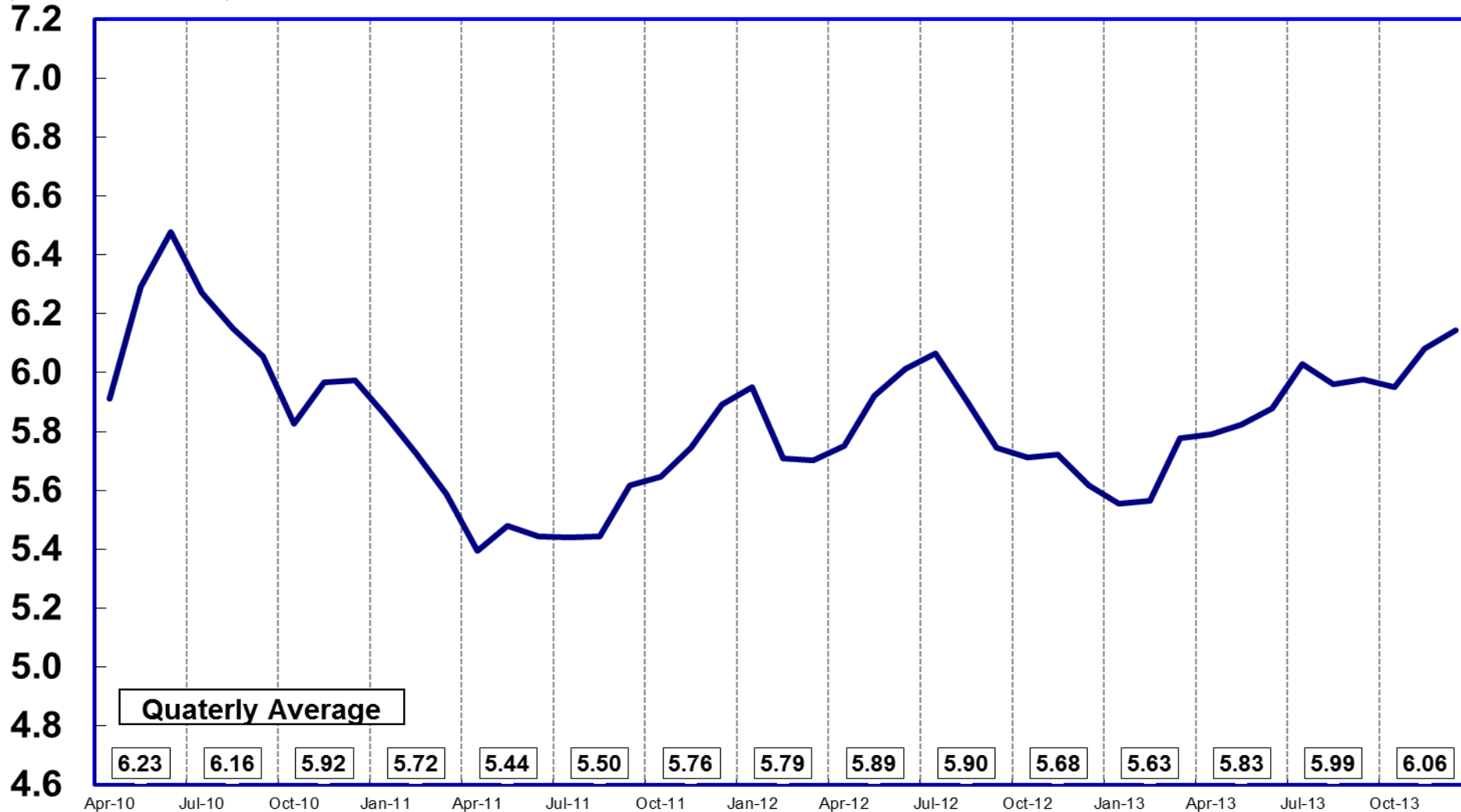
(1)USD
(JPY・USD)



5. Foreign Exchange

(2) Norwegian Krone

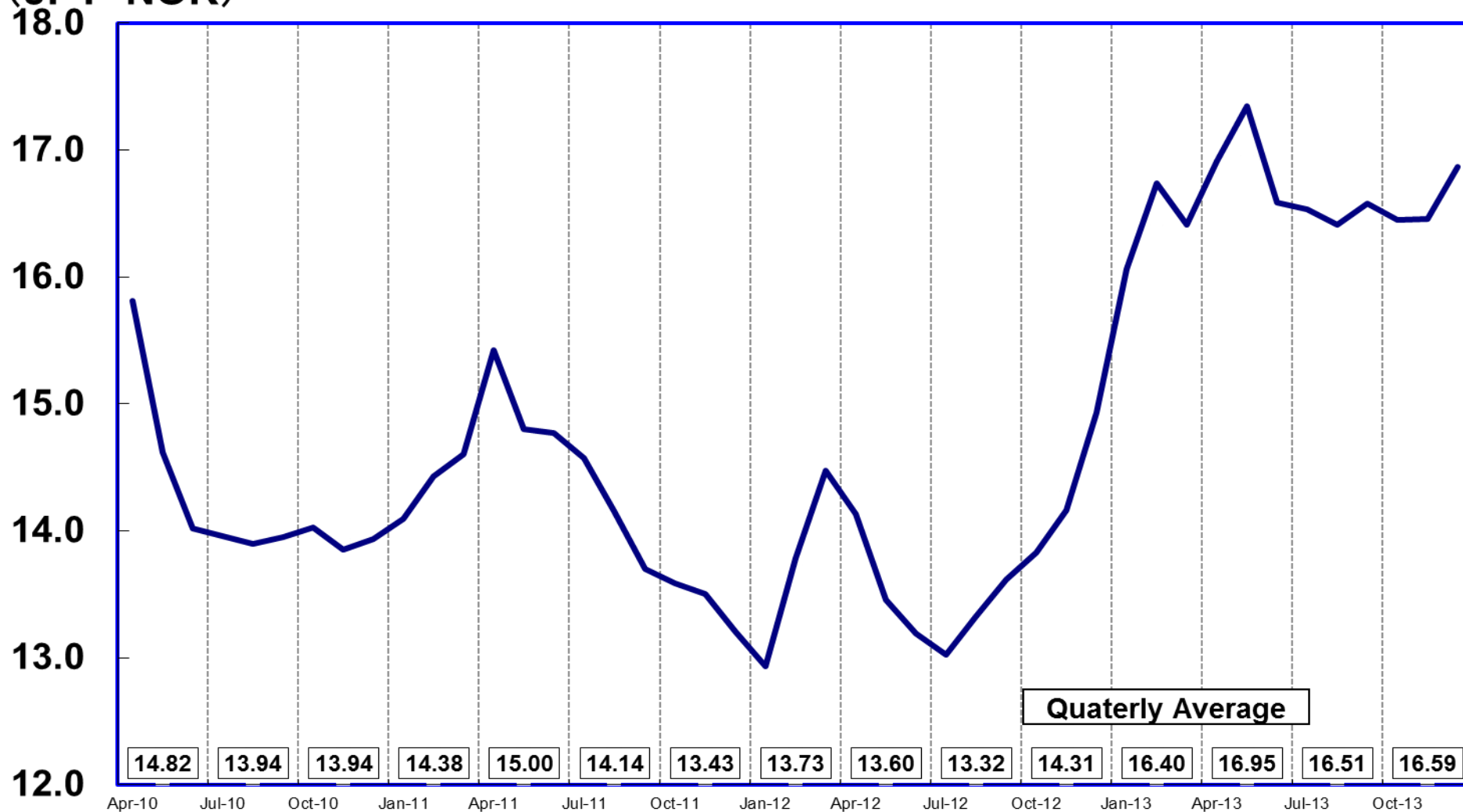
(NOK-USD)



5. Foreign Exchange

(3) Norwegian Krone

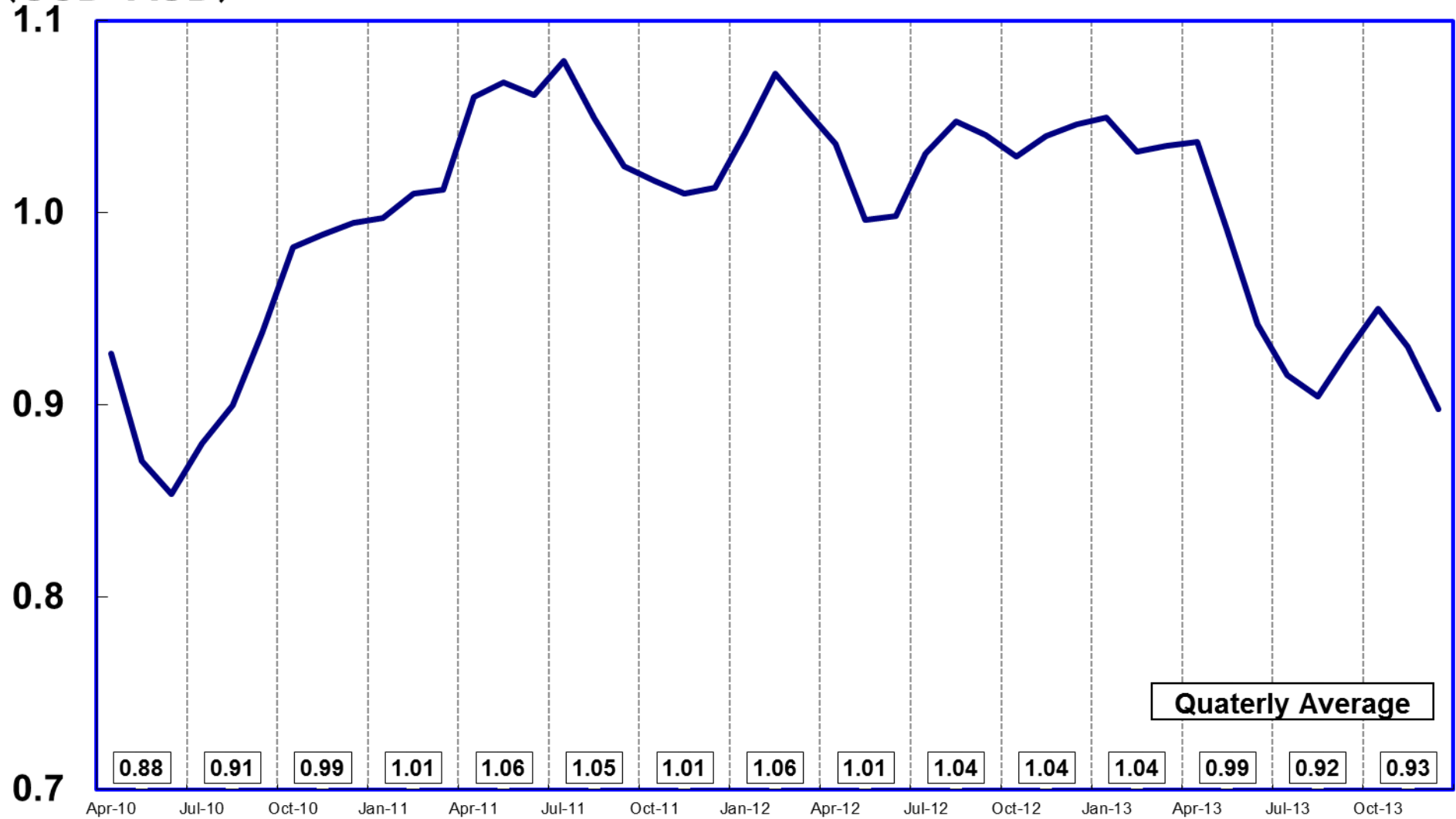
(JPY・NOK)



5. Foreign Exchange

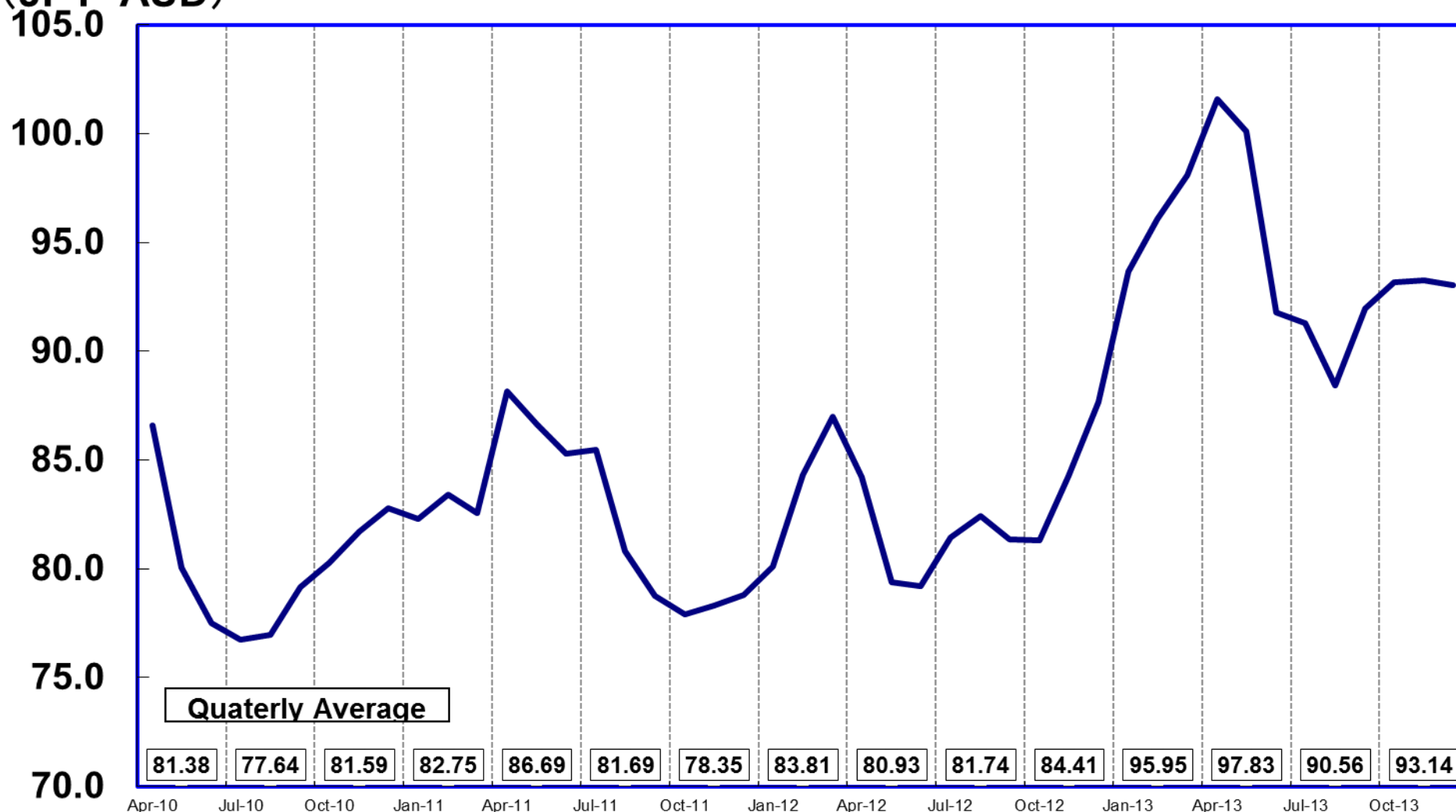
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(4) Australian Dollar (USD·AUD)



5. Foreign Exchange

(5) Australian Dollar (JPY・AUD)

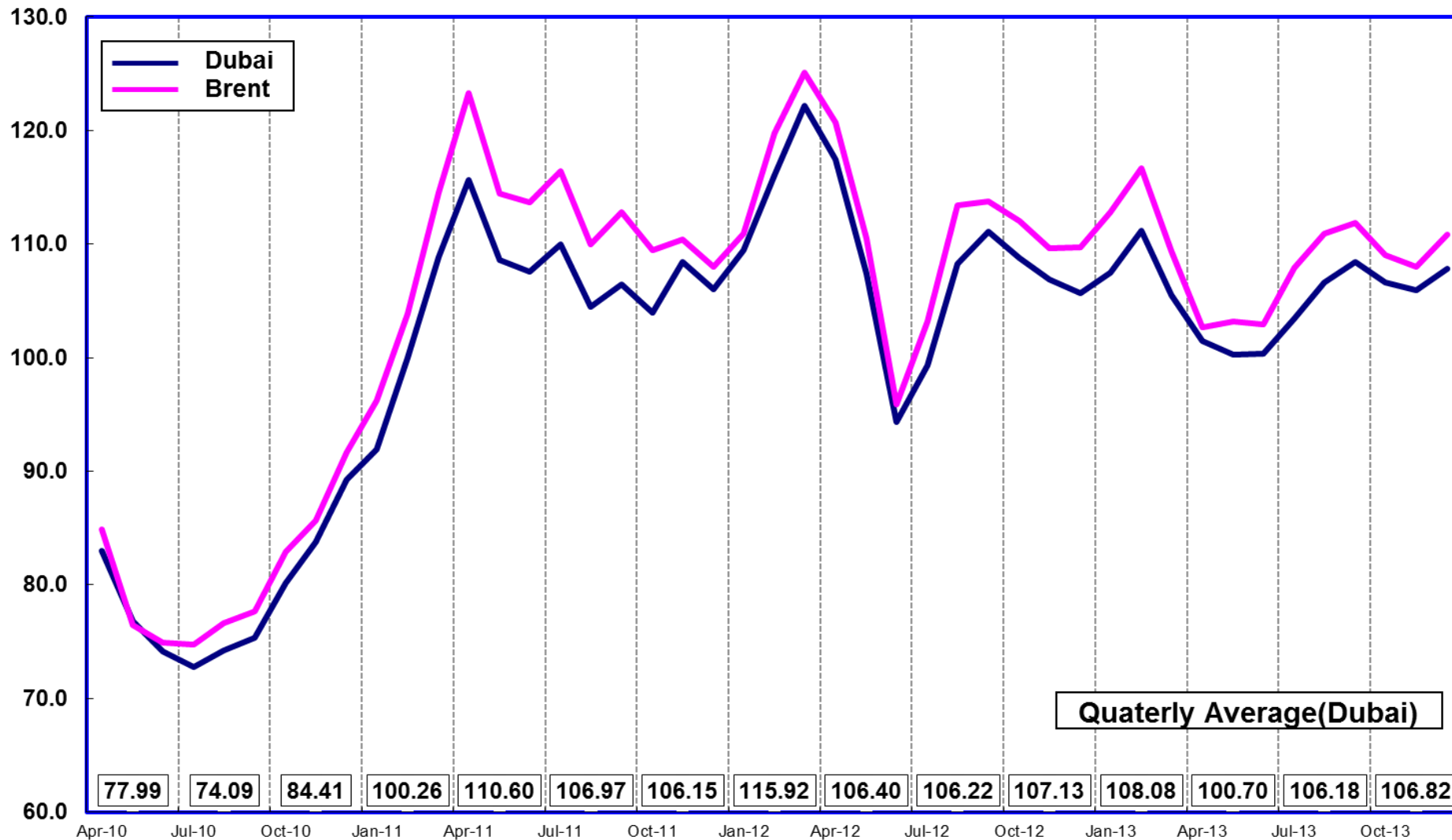


6. Market Conditions



(1) Crude Oil Prices (Dubai and Brent)

(\$/B)



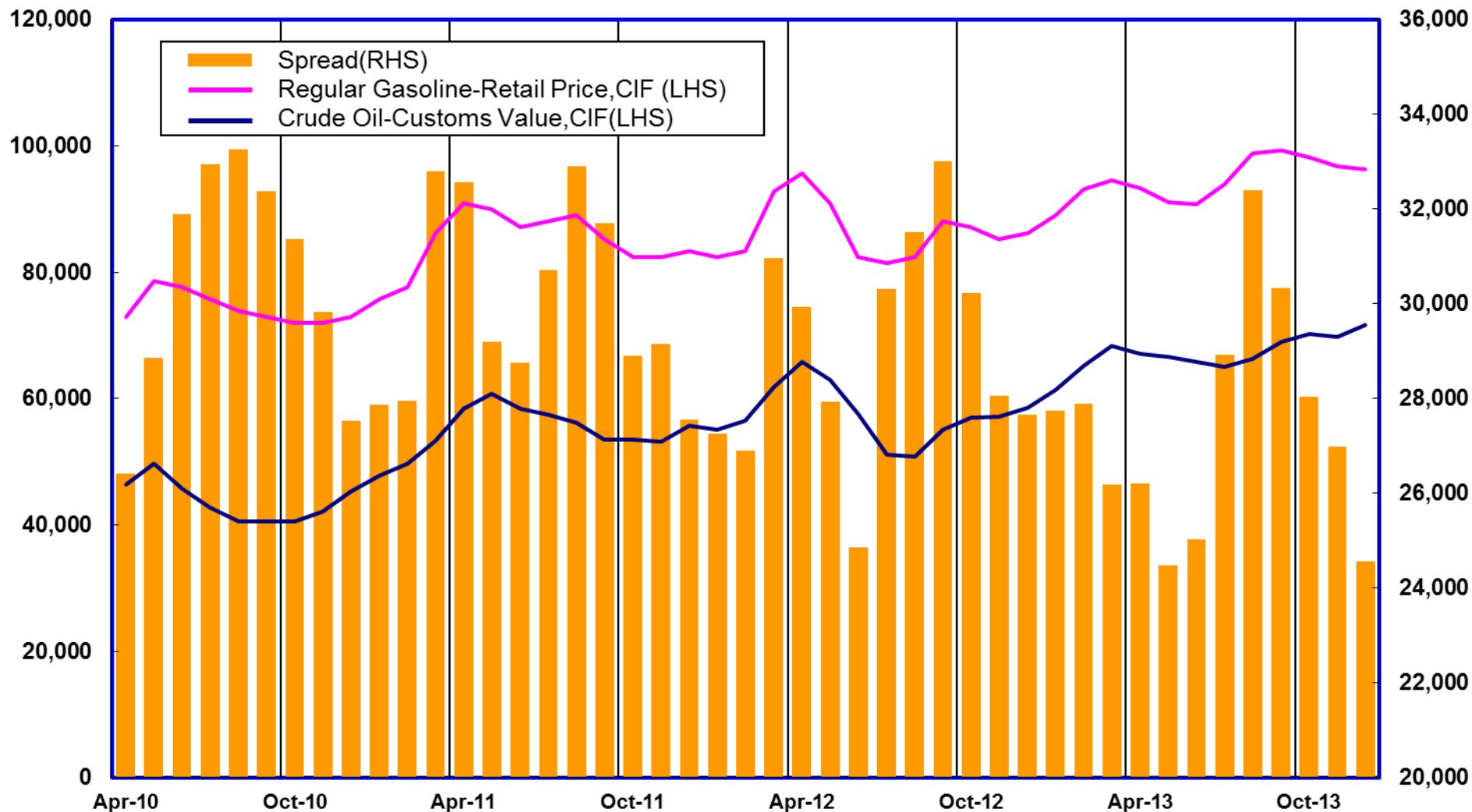
6. Market Conditions



(2) Gasoline, Crude Oil CIF (Prices and Spreads)

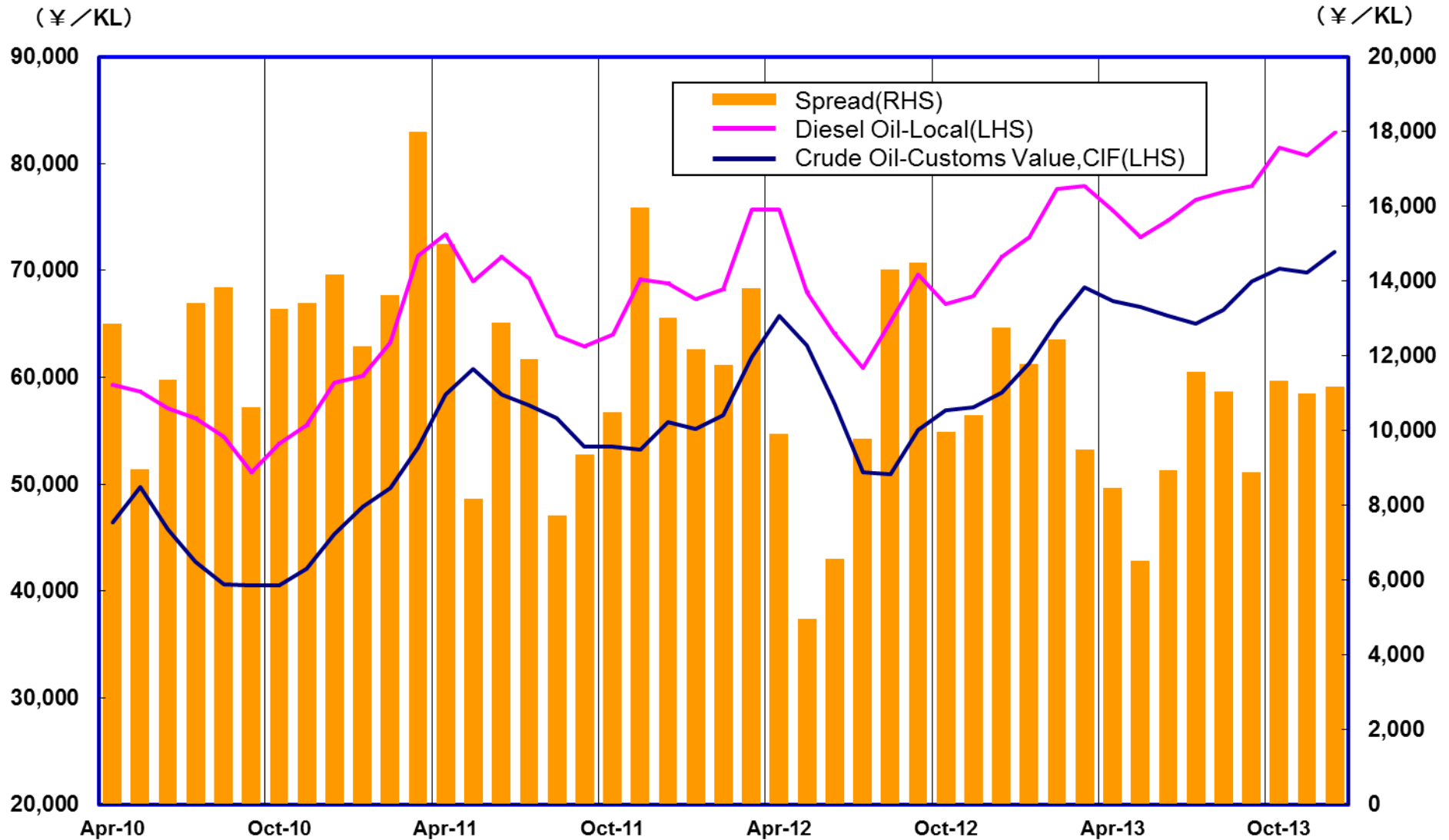
(¥/KL)

(¥/KL)



6. Market Conditions

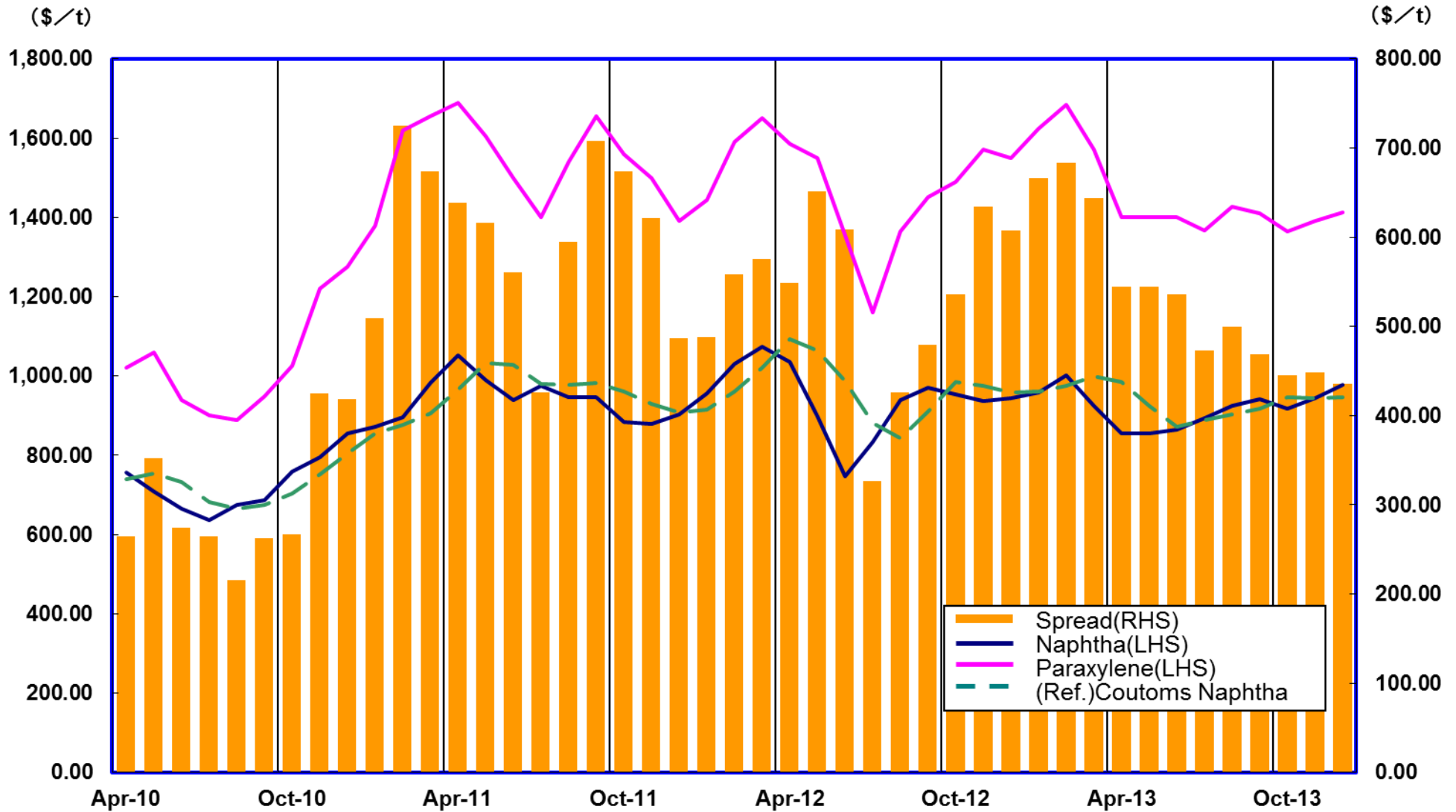
(3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



6. Market Conditions

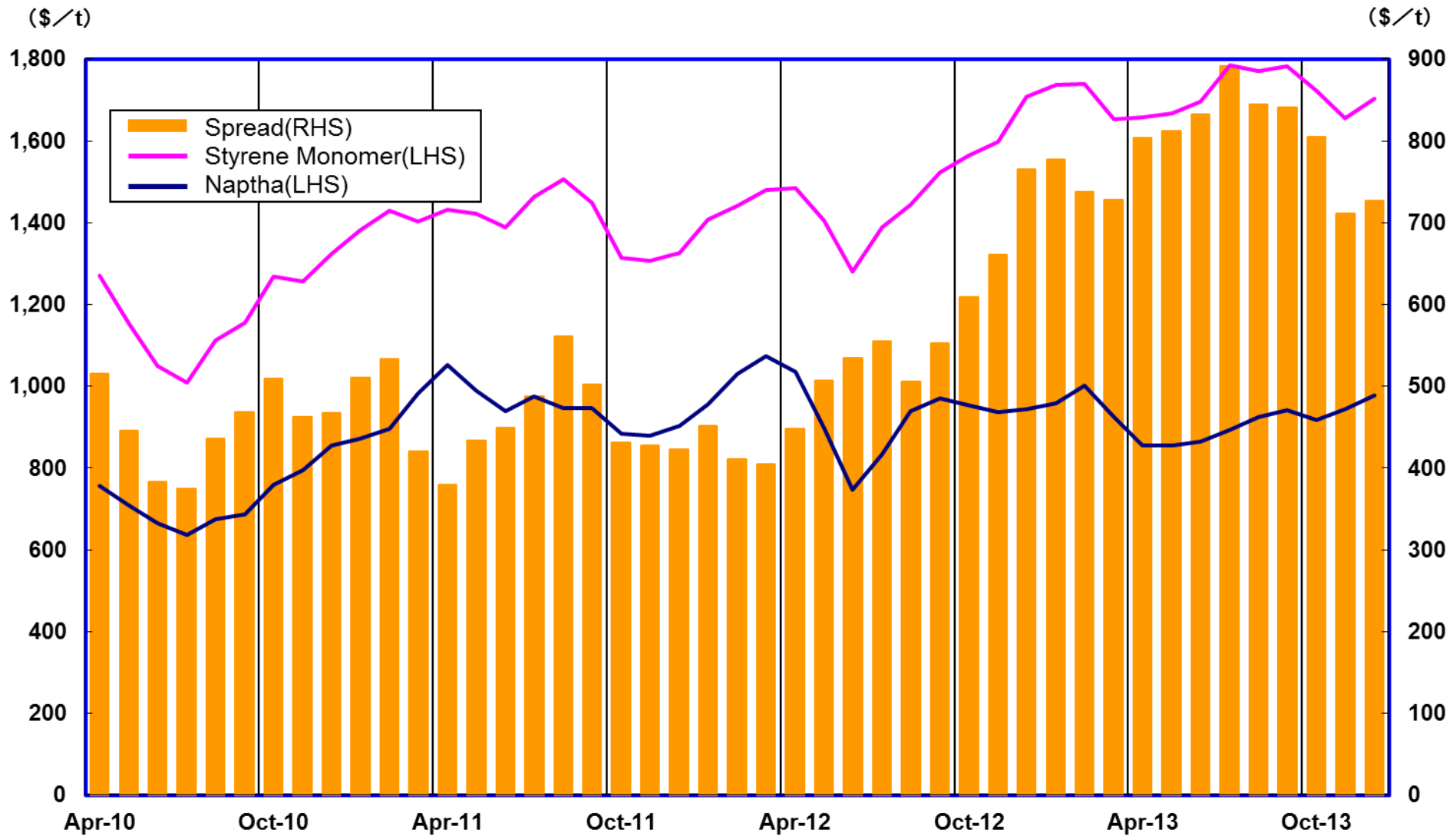


(4) Paraxylene, Naptha (Prices and Spreads)

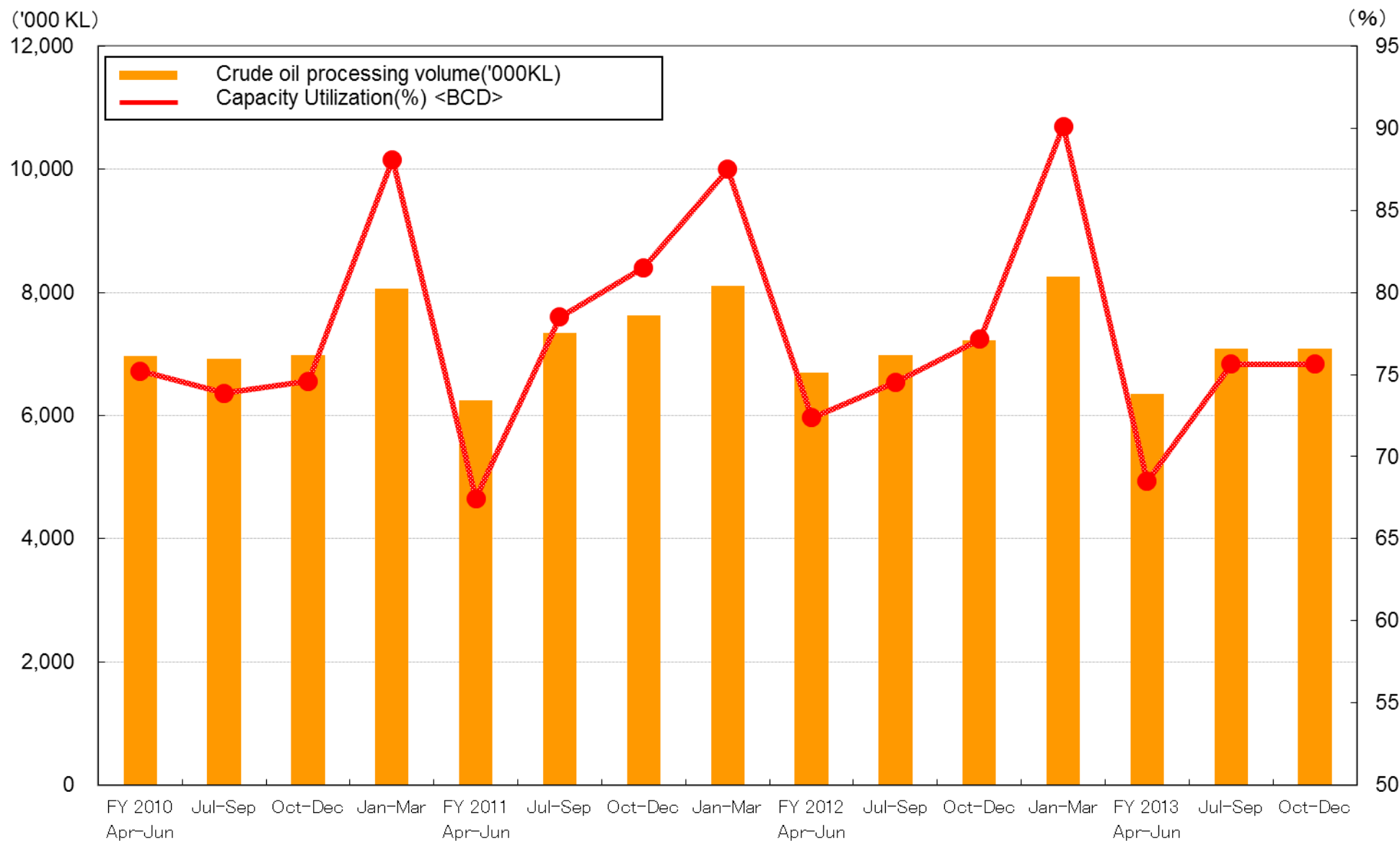


6. Market Conditions

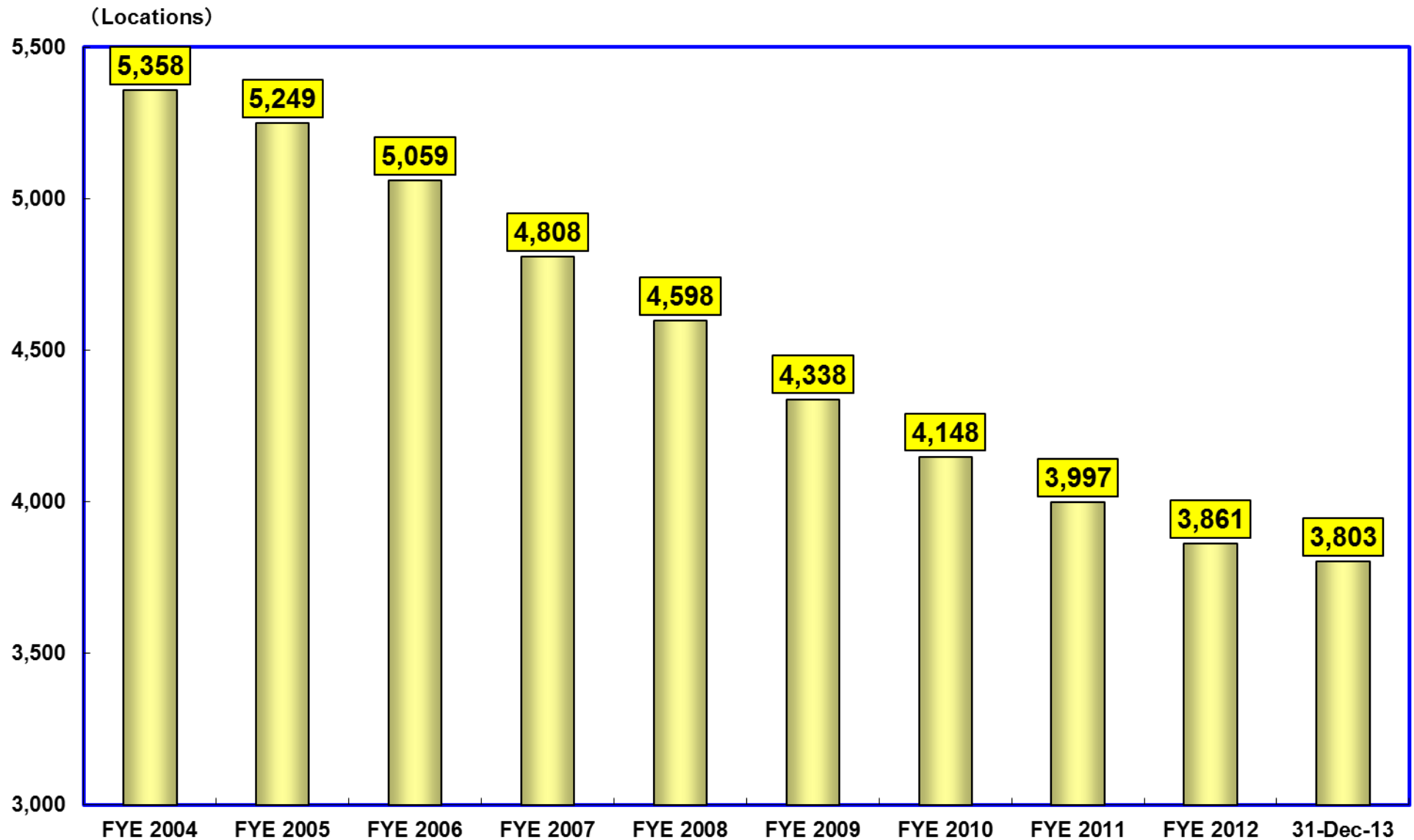
(5) Styrene Monomer, Naptha (Prices and Spreads)



7. Capacity Utilization at Refineries



8. Number of Service Stations



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.

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