

Presentation on Results for the 1st Quarter FY 2014

Idemitsu Kosan Co.,Ltd.

August 5, 2014



1. FY 2014 1st Quarter Financials

(1) Overview

(2) Segment Information

(3) Streamlining

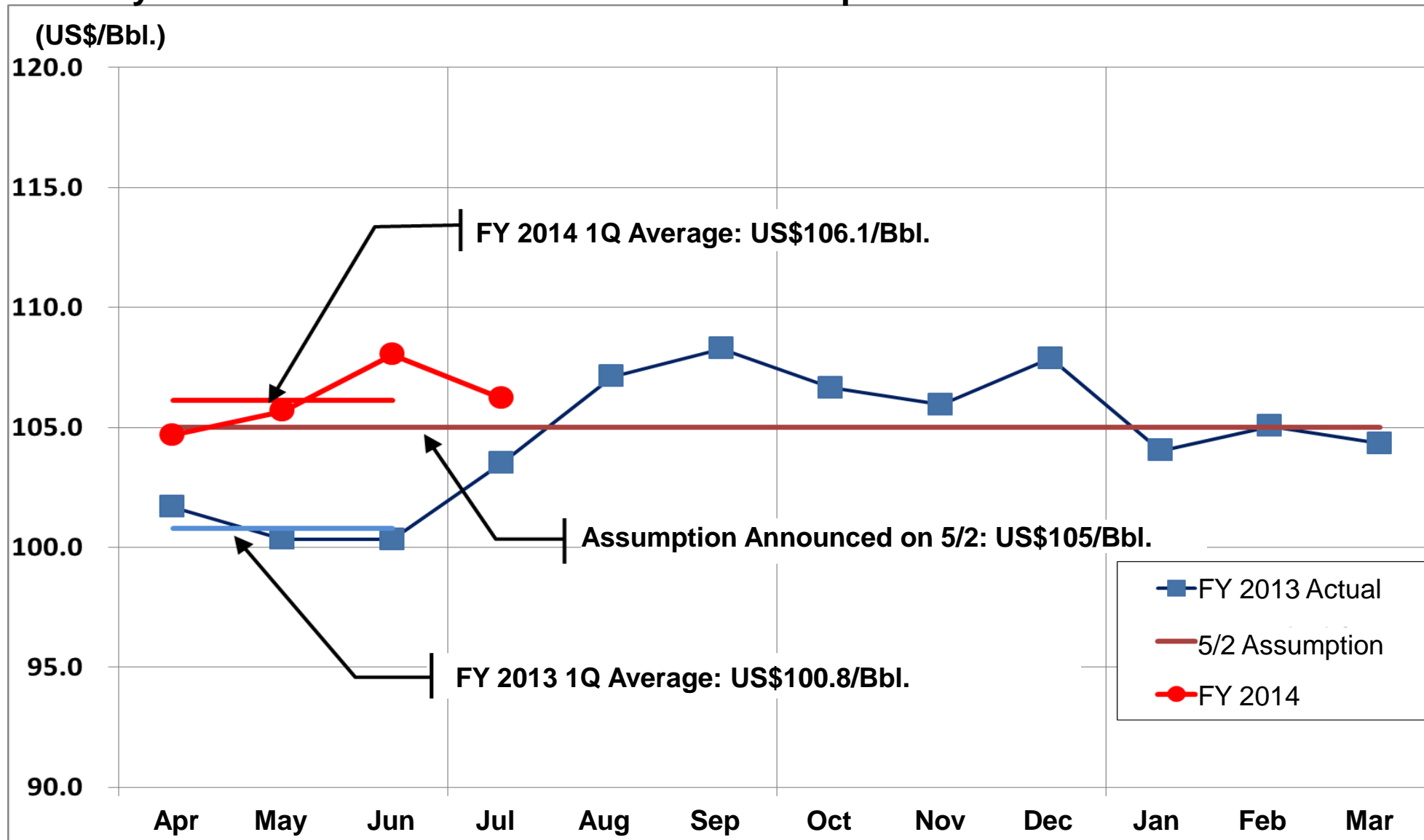
(4) Topics

2. Reference Materials

Crude Oil Price Trends



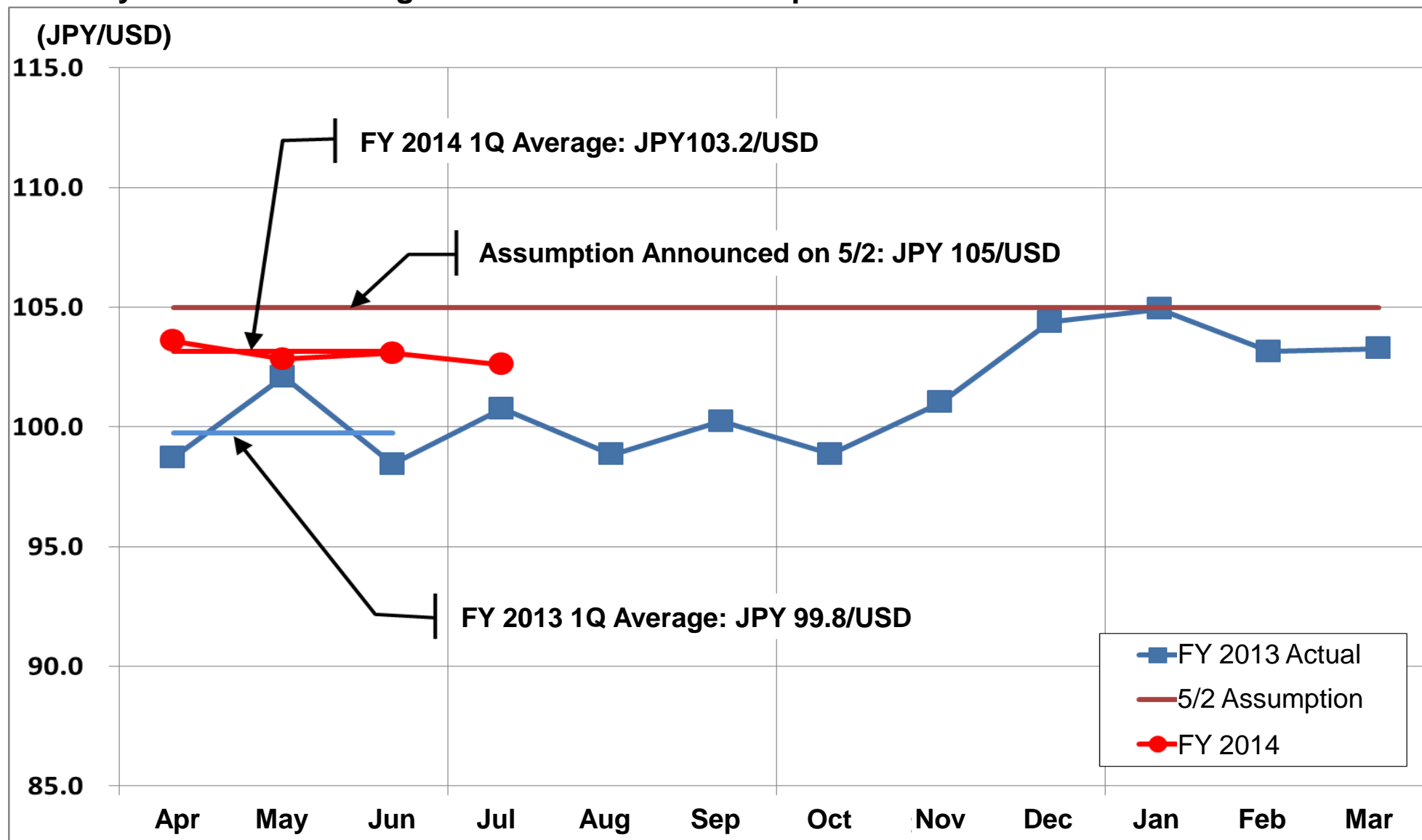
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends

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<Monthly JPY/USD Exchange Rate Trends and Assumptions for Performance Forecasts>



<1st Quarter FY 2014 Financials>

- Operating income increased by ¥8.4 billion year-on-year, to ¥22.0 billion, as the increase in petroleum product margins and improved profits in the resources segment more than offset the decrease in petrochemical product margins and the decrease in the impact of inventory valuation
- The impact of inventory valuation decreased by ¥ 13.8 billion to - ¥2.6 billion
- Net income decreased by ¥13.4 billion year-on-year, to ¥9.2 billion, mainly due to insurance payments received during the previous fiscal year

<Forecasts for FY 2014 Performance>

- No change from figures announced on May 2.

1. FY 2014 1st Quarter Financials

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2013 1Q	FY2014 1Q	Change	
Crude Oil (DB FOB)	100.8	106.1	5.3	5.3%
Crude Oil (Brent)	112.6	108.2	(4.4)	(3.9%)
Naphtha Price (Customs)	931	955	24	2.6%
Exchange Rate (TTS)	99.8	103.2	3.4	3.4%

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion, %)

	FY2013 1Q	FY2014 1Q	Change	
Net Sales	1,106.2	1,186.3	80.2	7.2%
Operating Income	13.6	22.0	8.4	61.5%
<i>(Inventory impact)</i>	11.2	(2.6)	(13.8)	—
<i>(Excluding inventory impact)</i>	2.4	24.6	22.2	924.2%
Non-operating Income/Loss	2.5	1.7	(0.8)	(31.3%)
Ordinary Income	16.1	23.7	7.6	47.2%
Extraordinary Gain/Loss	20.6	(2.7)	(23.3)	—
Net Income	22.6	9.2	(13.4)	(59.4%)

* 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)

	FY2013 1Q	FY2014 1Q	Change	
Petroleum Products	4.1	7.1	3.0	73.2%
<i>(Excluding inventory impact)</i>	<i>(6.5)</i>	<i>10.3</i>	<i>16.8</i>	<i>—</i>
Petrochemical Products	9.9	6.5	(3.5)	(35.2%)
<i>(Excluding inventory impact)</i>	<i>9.3</i>	<i>5.8</i>	<i>(3.5)</i>	<i>(37.3%)</i>
Resources	1.5	9.4	7.8	506.1%
<i>Oil Exploration and Production</i>	<i>4.0</i>	<i>9.1</i>	<i>5.1</i>	<i>127.4%</i>
<i>Coal, etc.</i>	<i>(2.4)</i>	<i>0.3</i>	<i>2.7</i>	<i>—</i>
Other	(0.2)	0.4	0.6	—
Adjustments	(1.8)	(1.3)	0.4	—
Total	13.6	22.0	8.4	61.5%
<i>(Excluding inventory impact)</i>	<i>2.4</i>	<i>24.6</i>	<i>22.2</i>	<i>924.2%</i>

* 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 **3.0**

Increase in product margins, etc.:	17.5	Refinery fuel costs, streamlining:	(0.7)
Inventory impact:	(13.8)		

Petrochemical Products **(3.5)**

Decrease in product margins, etc.:	(3.2)	Mfg. fuel costs, streamlining:	(0.3)
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Oil Exploration and Production **5.1**

Volume, price-related:	4.8	Exploration costs, foreign exchange:	0.3
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Coal, etc./Other **3.7**

Volume, price-related:	(0.6)	Foreign exchange:	2.3
Cost-related:	1.0	Other, adjustments:	1.0

(3) Streamlining

(Units: ¥ billions)

* **Cost reduction targets and progress vs. FY 2012**

Petroleum Products

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

(Reference)
FY2013
Actual

**FY2014
Target**

**FY2014
1Q Actual**

**FY2014
Forecast**

0.5

1.0

0.6

1.0

Petrochemical Products

- Enhanced efficiency in facilities management etc.

0.5

1.0

0.6

1.0

Resources

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

4.0

7.0

4.8

7.0

Costs at Indirect Divisions

- Streamlining of administrative divisions

3.0

4.0

3.2

4.0

Total

8.0

13.0

9.2

13.0

(4) Topics



May Successful Exploration Well in the Norwegian North Sea (F-West Structure)

Successful Delineation Well in the Norwegian North Sea (Titan Structure)

Sold off adamantane derivatives business

Jul Successful Exploration Well in the Norwegian Barents Sea (Hansen Structure)

Share acquisition of Indonesian coal company (Pt Mitrabara Adiperdana Tbk)

Aug LPG Exports from Ferndale Washington LPG Terminal

2. Reference Materials

1. Financial Reporting

(1) Net Sales by Segment

(2) Extraordinary Gains/Losses

(3) Consolidated Balance Sheet

2. Sensitivity

3. Sales and Production

4. Foreign Exchange

5. Market Conditions

6. Capacity Utilization at Refineries

7. Number of Service Stations

1. Financial Reporting

(1) FY 2014 1Q Net Sales by Segment

(Units: ¥ billions)

	FY2013 1Q	FY2014 1Q	Change	
Petroleum Products	918.2	941.7	23.4	2.6%
Petrochemical Products	149.0	181.4	32.4	21.8%
Resources	30.1	50.5	20.4	67.9%
<i>Oil Exploration and Production</i>	13.6	26.3	12.7	93.6%
<i>Coal, etc.</i>	16.5	24.2	7.7	46.7%
Other/Adjustments	8.9	12.8	3.9	43.7%
Total	1,106.2	1,186.3	80.2	7.2%

1. Financial Reporting



(2) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY2013 1Q	FY2014 1Q	Change
Gain on Sale of Fixed Assets	0.1	0.1	(0.0)
Insurance Payments Received	20.9	-	(20.9)
Gain on transfer of business	-	0.8	0.8
Other	0.0	0.1	0.1
Total Extraordinary Gains	21.0	1.0	20.0
Loss on Sale and Depletion of Fixed Assets	0.3	2.4	2.1
Impairment Loss on Fixed Assets	-	1.2	1.2
Other	0.1	0.1	(0.1)
Total Extraordinary Losses	0.4	3.7	3.3
Total Extraordinary Gains/Losses	20.6	(2.7)	(23.3)

1. Financial Reporting



(3) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2014	6/30/2014	Change		3/31/2014	6/30/2014	Change
Cash and Deposits	161.5	121.3	(40.2)	Payables	438.6	401.6	(37.0)
Receivables	418.9	386.9	(32.0)	Short-term Borrowings	494.5	443.0	(51.4)
Inventory	717.4	704.7	(12.7)	Other Current Liabilities	369.0	358.7	(10.2)
Other Current Assets	124.7	117.6	(7.1)	Total Current Liabilities	1,302.0	1,203.4	(98.7)
				Long-term Borrowings	584.5	588.0	3.5
				Other Fixed Liabilities	364.7	377.0	12.3
Total Current Assets	1,422.5	1,330.4	(92.1)	Total Fixed Liabilities	949.2	965.0	15.8
Tangible Fixed Assets	1,087.6	1,101.1	13.5	Total Liabilities	2,251.3	2,168.4	(82.9)
(Land)	591.5	590.9	(0.6)	Shareholders' Equity	539.5	542.4	2.9
(Other)	496.1	510.2	14.1	Other Comprehensive Income	162.9	162.2	(0.7)
Other Fixed Assets	485.0	484.5	(0.5)	Minority Interests	41.4	43.0	1.6
Total Fixed Assets	1,572.6	1,585.5	12.9	Total Net Assets	743.8	747.5	3.8
Total Assets	2,995.1	2,915.9	(79.1)	Total Liabilities and Net Assets	2,995.1	2,915.9	(79.1)

Total Interest-bearing Debt	1,081.9	1,033.9	(48.0)
Equity Ratio	23.5%	24.2%	0.7%

2. Sensitivity

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

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.4 billion)
	Inventory impact	¥ 3.4 billion
		¥ 3.0 billion
Oil Exploration & Production		¥ 0.7 billion

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

Petroleum Products	Decrease in refinery fuel costs, etc.	¥ 0.4 billion
	Inventory impact	(¥ 3.5 billion)
		(¥ 3.1 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.)**

3. Sales and Production



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

(Units:Thousand KL,%)

	FY 2013 1Q	FY 2014 1Q	Change	
Gasoline	2,032	1,977	(55)	(2.7%)
(Premium-Unleaded)	246	224	(23)	(9.1%)
(Regular-Unleaded)	1,786	1,753	(33)	(1.8%)
Naphtha	36	77	41	+113.7%
Jet Fuel	392	420	28	+7.2%
Kerosene	417	382	(35)	(8.3%)
Diesel Oil	1,386	1,548	162	+11.7%
Heavy Fuel Oil A	608	684	76	+12.6%
Heavy Fuel Oil C	744	571	(173)	(23.3%)
Toal Domestic Sales Volume	5,615	5,659	44	+0.8%
Exported Volume	1,037	808	(229)	(22.1%)
(General Exports)	187	213	27	+14.3%
Total Sales Volume	6,652	6,467	(185)	(2.8%)

3. Sales and Production



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

(Units: Thousand tons, %)

	FY 2013 1Q	FY 2014 1Q	Change	
Petrochemical Products-Total	754	815	61	+8.1%
(Basic Chemicals)	739	803	64	+8.7%
(Performance Chemicals)	15	12	(3)	(20.5%)

(1) — 3. Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2013 1Q	FY 2014 1Q	Change	
Lubricants	252	247	(5)	(2.0%)

*Includes sales of overseas licenses

3. Sales and Production

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

(Units: Thousand BOED)

	FY 2013 1Q	FY 2014 1Q	Change	
Norway	24.3	27.4	3.1	12.8%
United Kingdom	2.6	2.6	(0.1)	(3.2%)
Vietnam	0.5	0.3	(0.2)	(33.7%)
Total('000BOED)	27.4	30.3	2.9	10.4%
Total('000BOE)	2,469	2,727	258	10.4%

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

(1) — 5. Coal – Production Volume

(Units: Thousand tons)

	FY 2013 1Q	FY 2014 1Q	Change	
Ensham(85%)	733	980	247	33.6%
Muswellbrook	366	301	(65)	(17.8%)
Boggabri	837	1,201	364	43.5%
Tarawonga(30%)	171	112	(59)	(34.4%)
Total Production Volume	2,107	2,594	487	23.1%

*Figures based on interest owned by Idemitsu Group

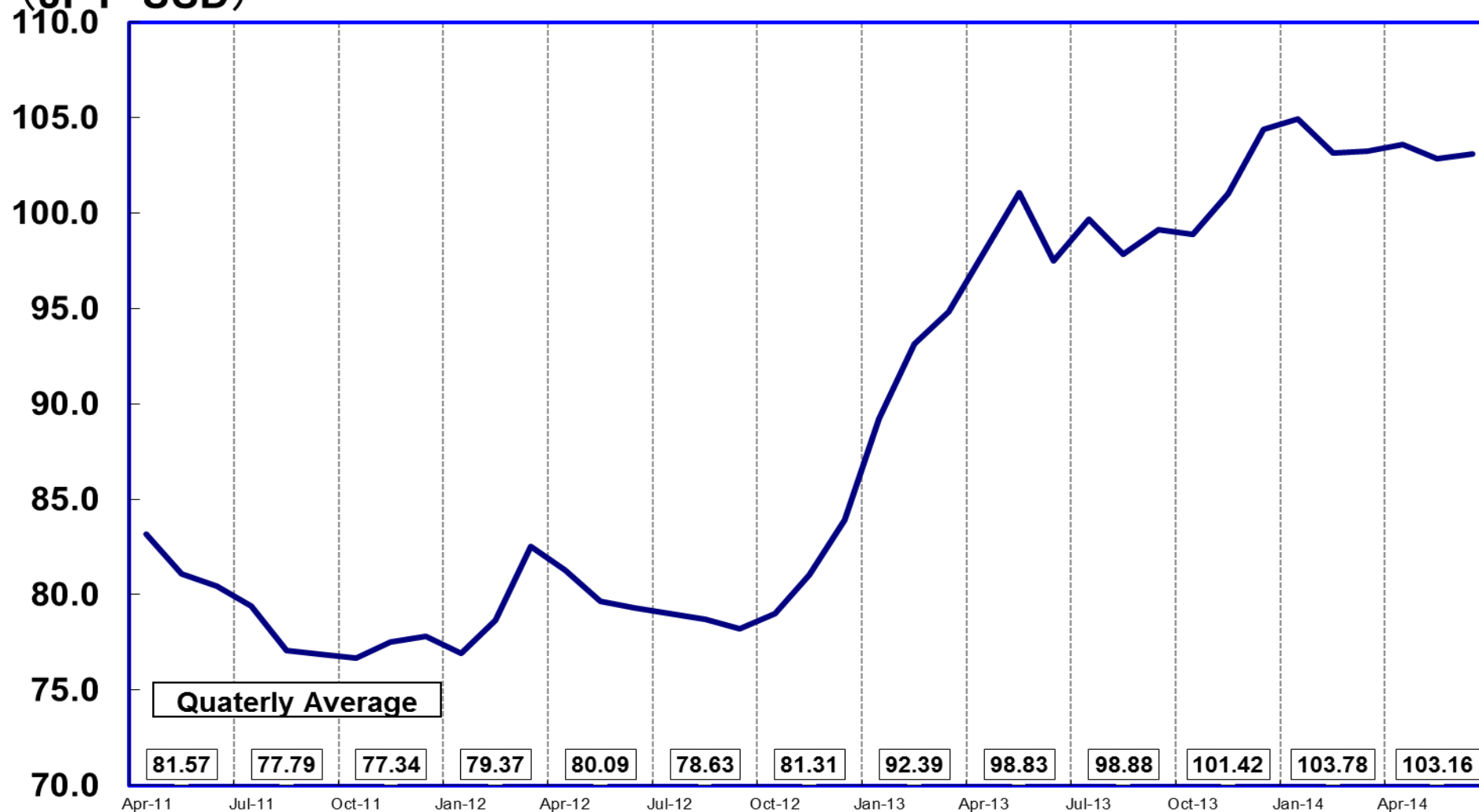
*Fiscal years for Oil Exploration and Production and Australian coal operations end in December

4. Foreign Exchange

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(1)USD

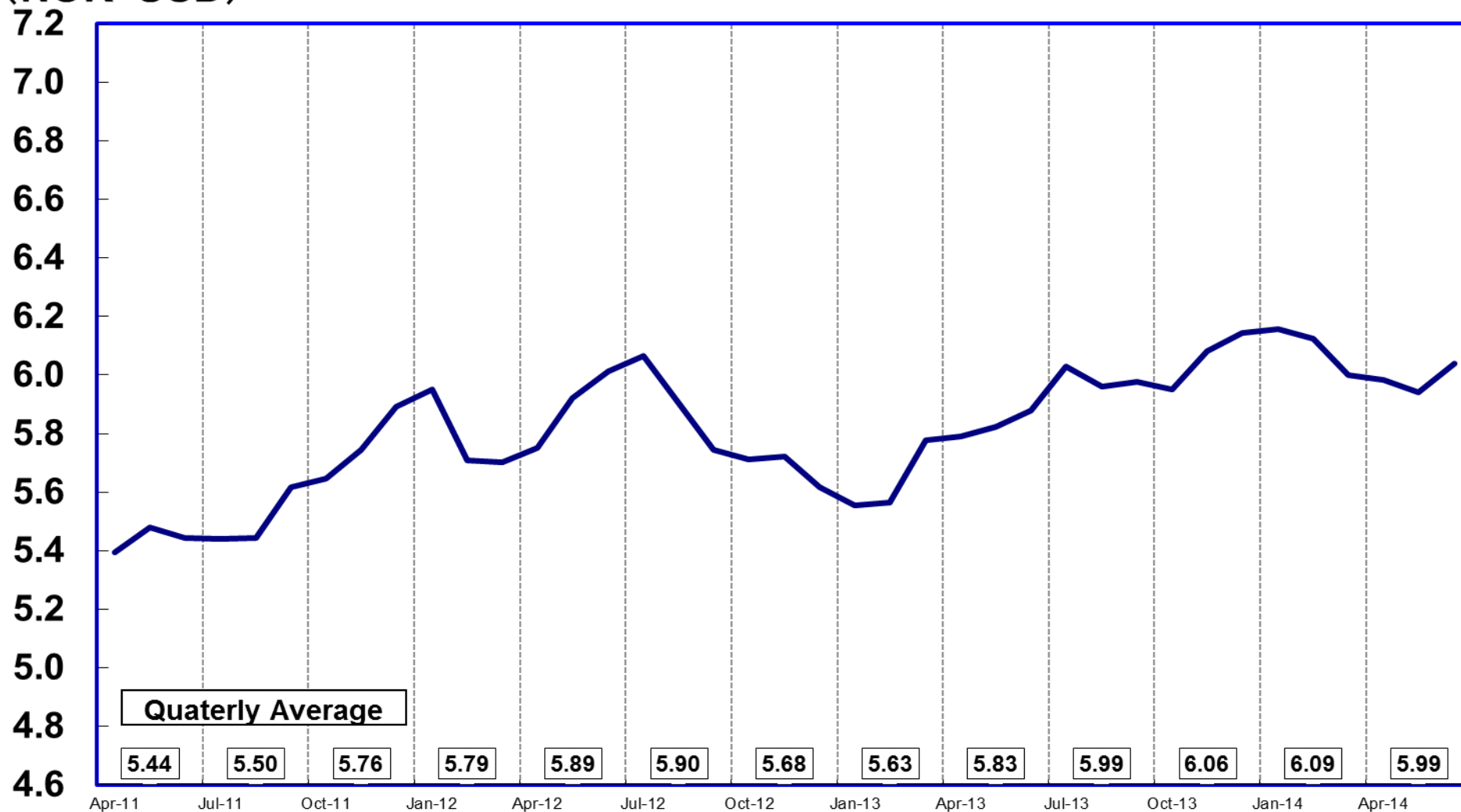
(JPY・USD)



4. Foreign Exchange

(2) Norwegian Krone

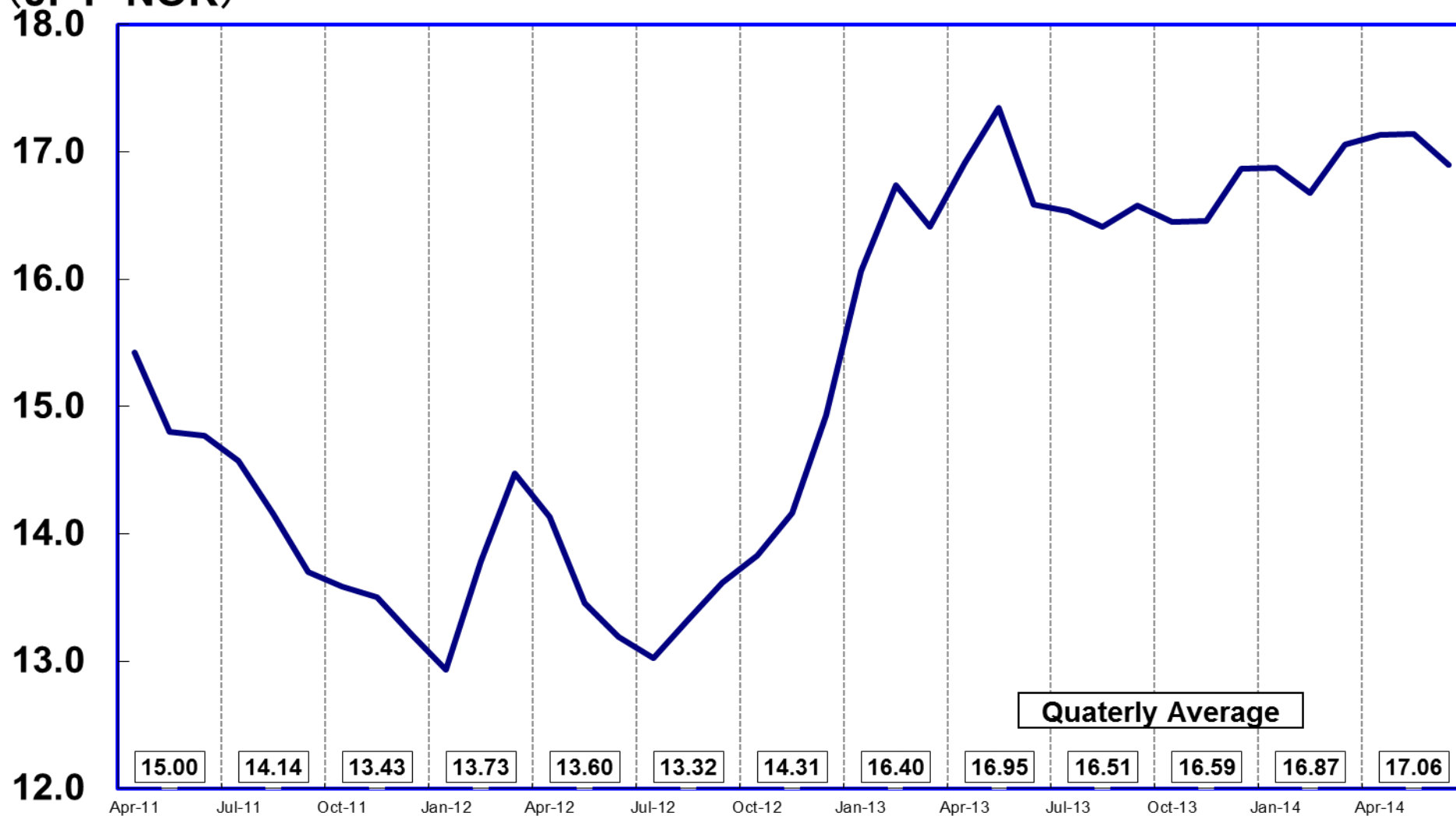
(NOK-USD)



4. Foreign Exchange

(3) Norwegian Krone

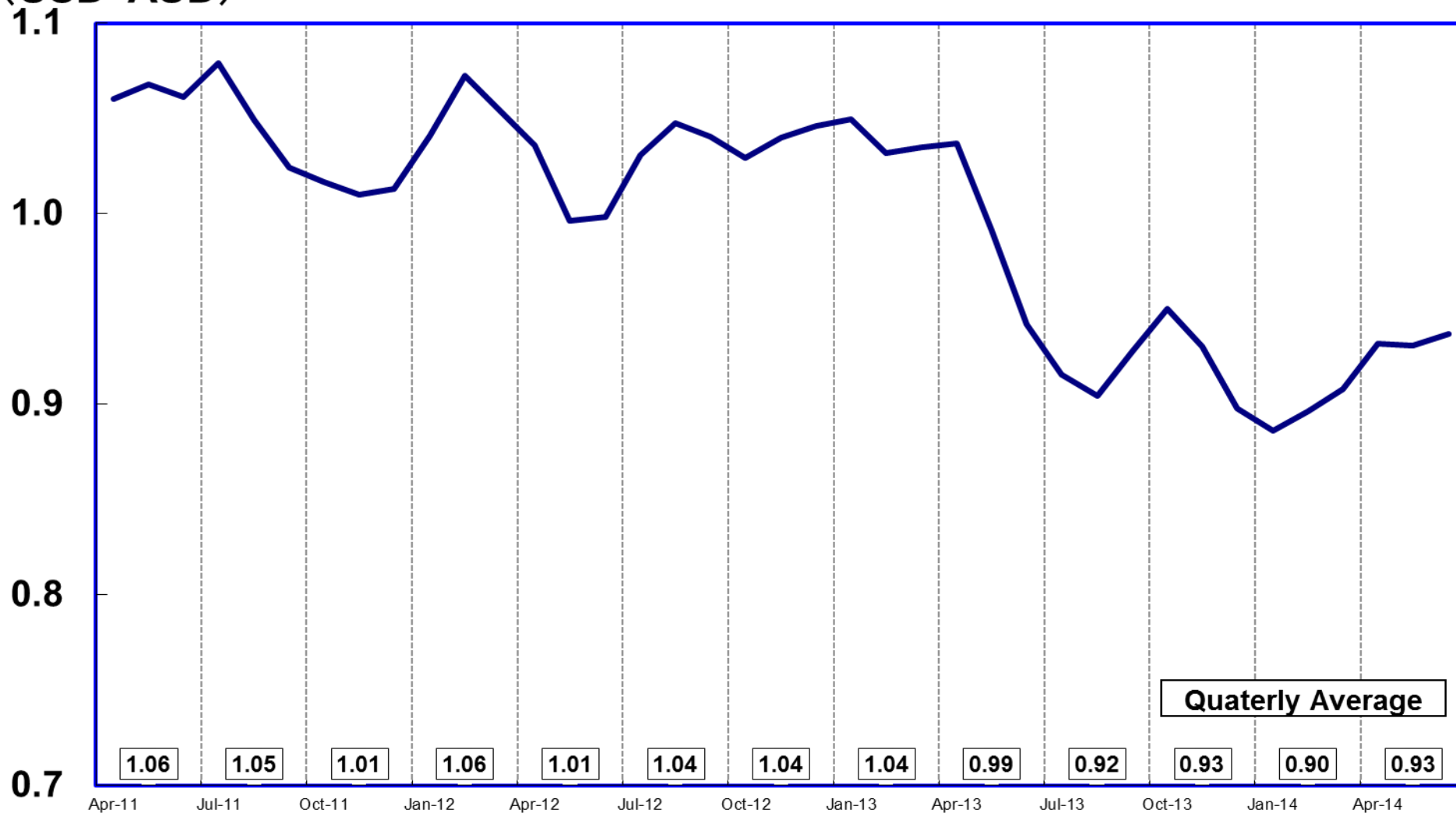
(JPY・NOK)



4. Foreign Exchange

(4) Australian Dollar

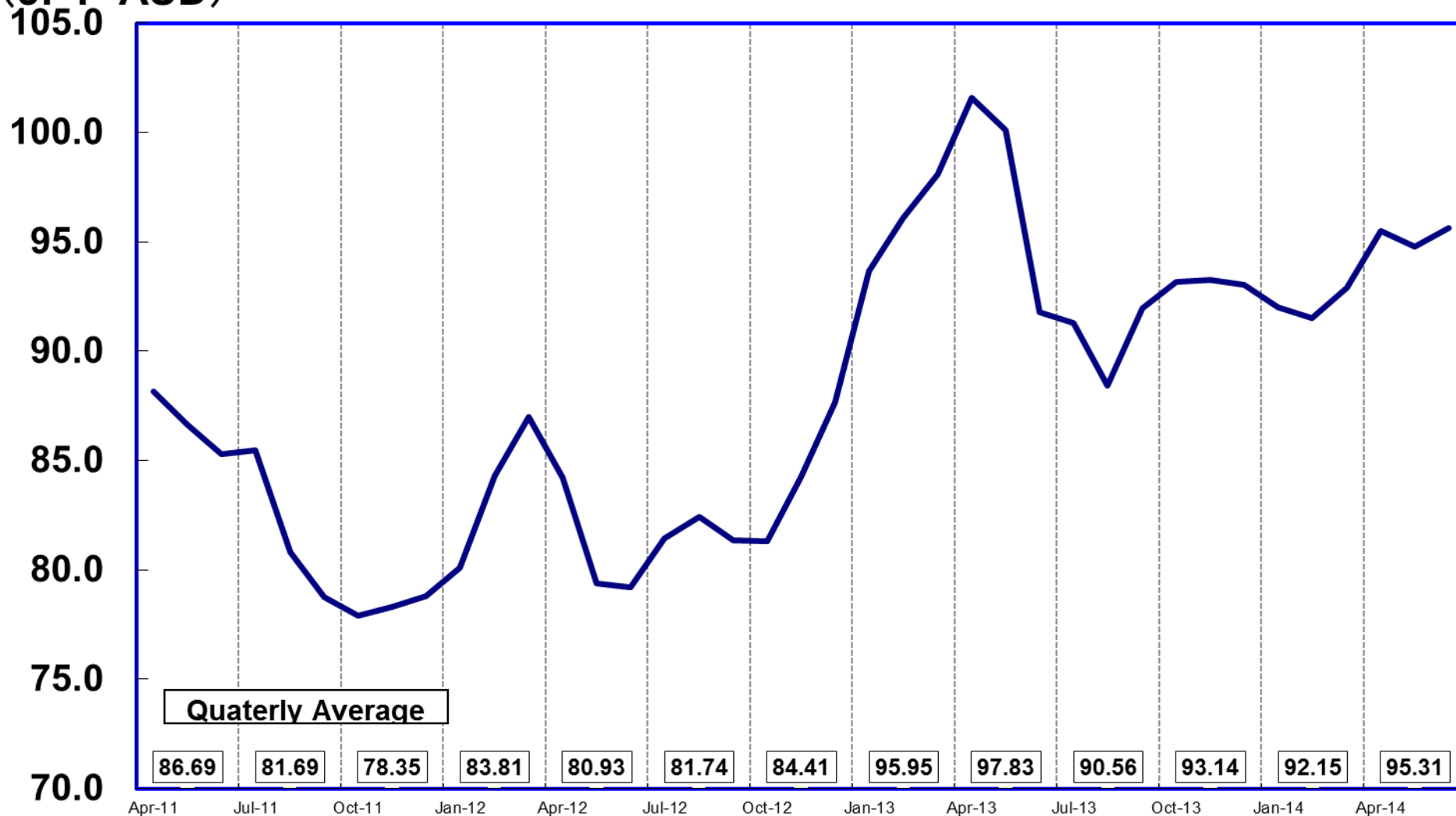
(USD·AUD)



4. Foreign Exchange

(5) Australian Dollar

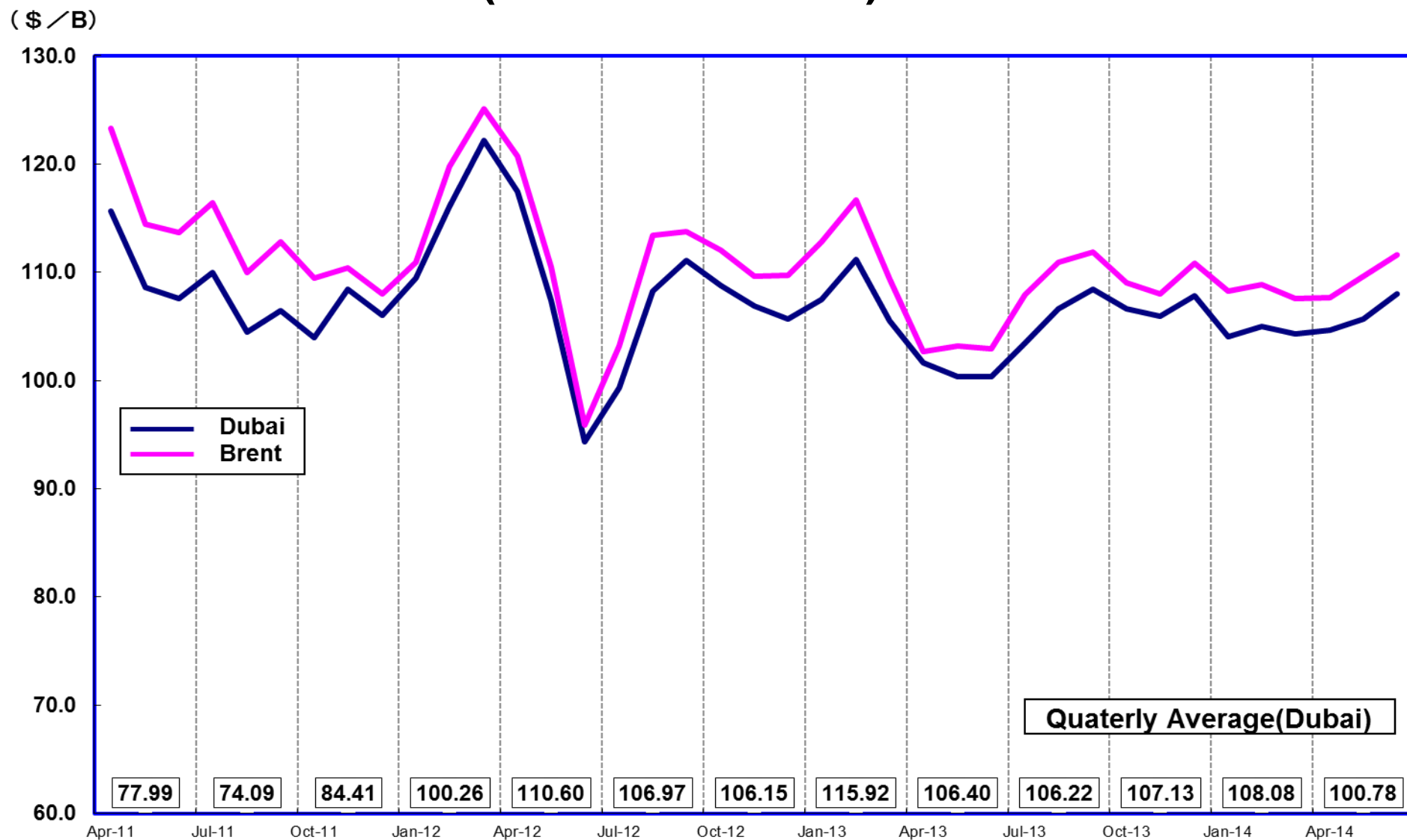
(JPY·AUD)



5. Market Conditions

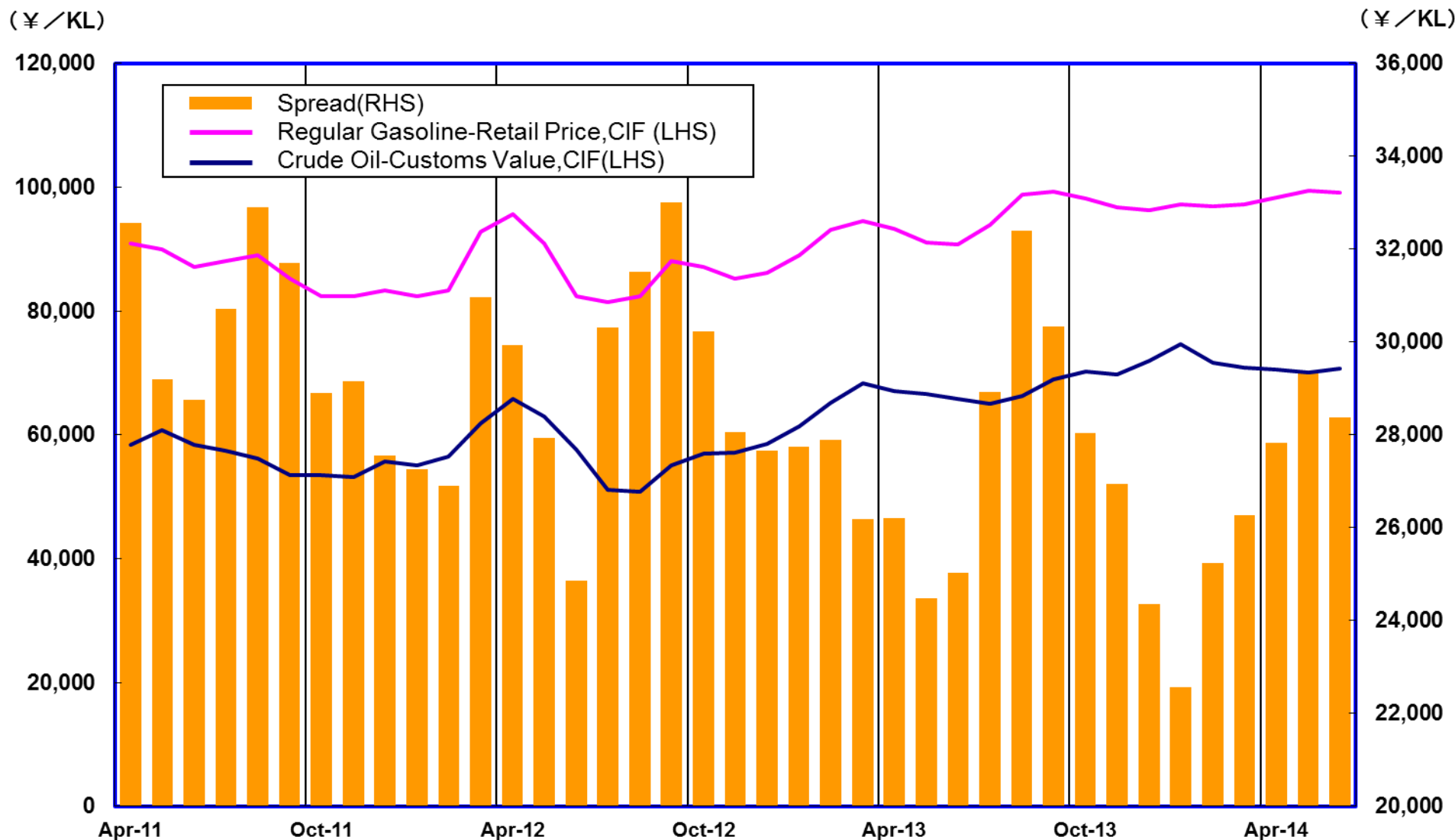
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(1) Crude Oil Prices (Dubai and Brent)



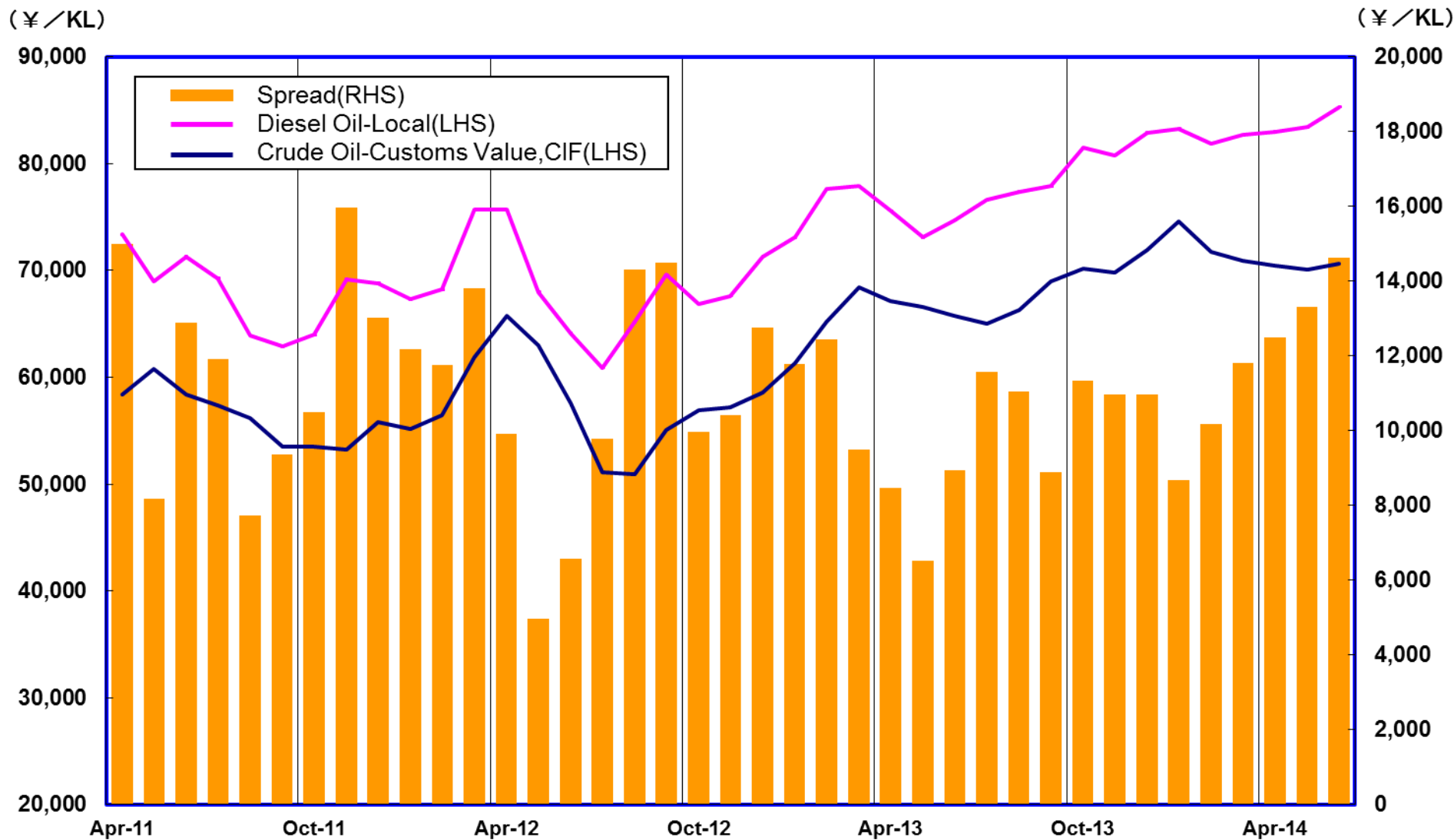
5. Market Conditions

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



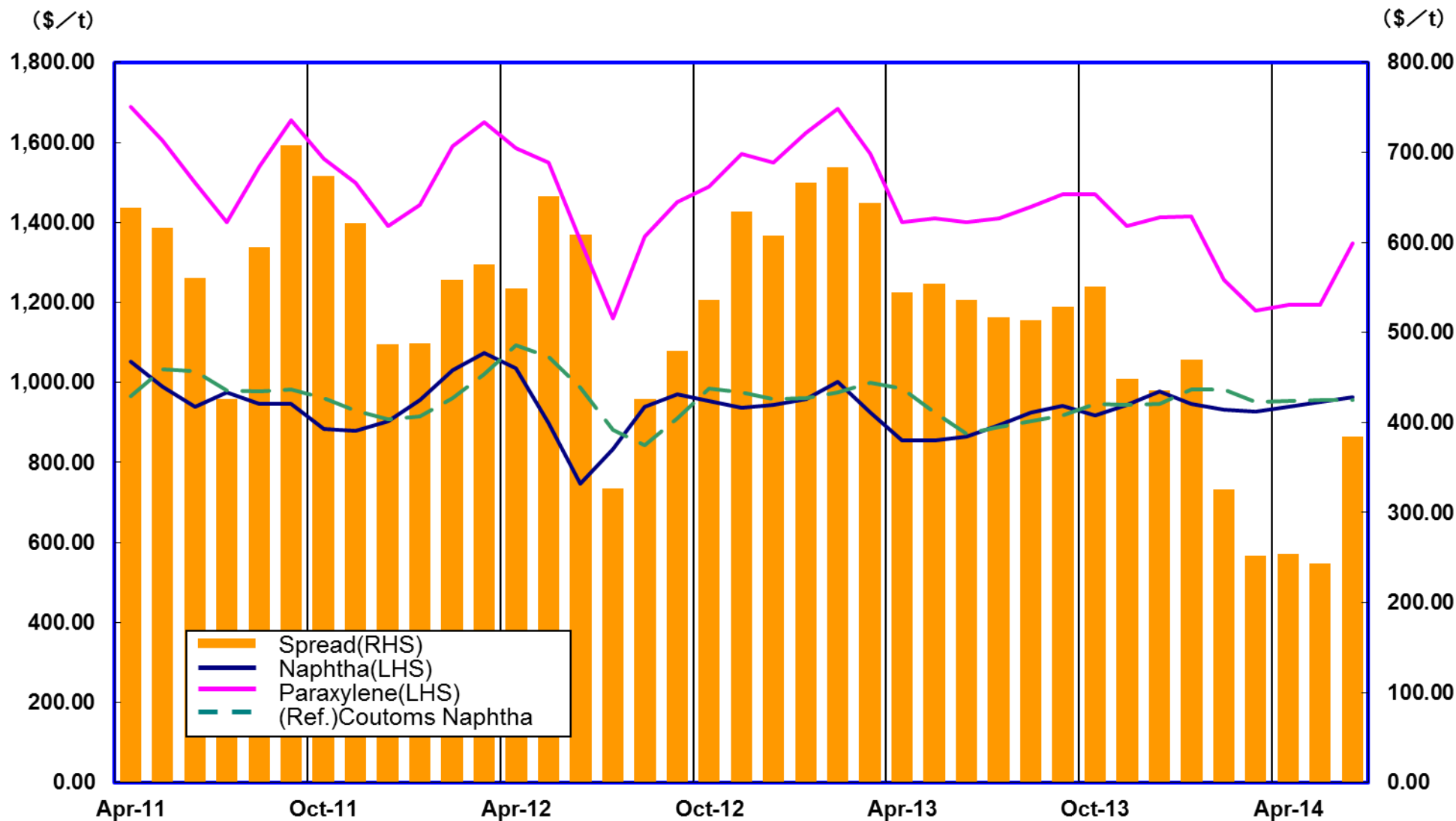
5. Market Conditions

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



5. Market Conditions

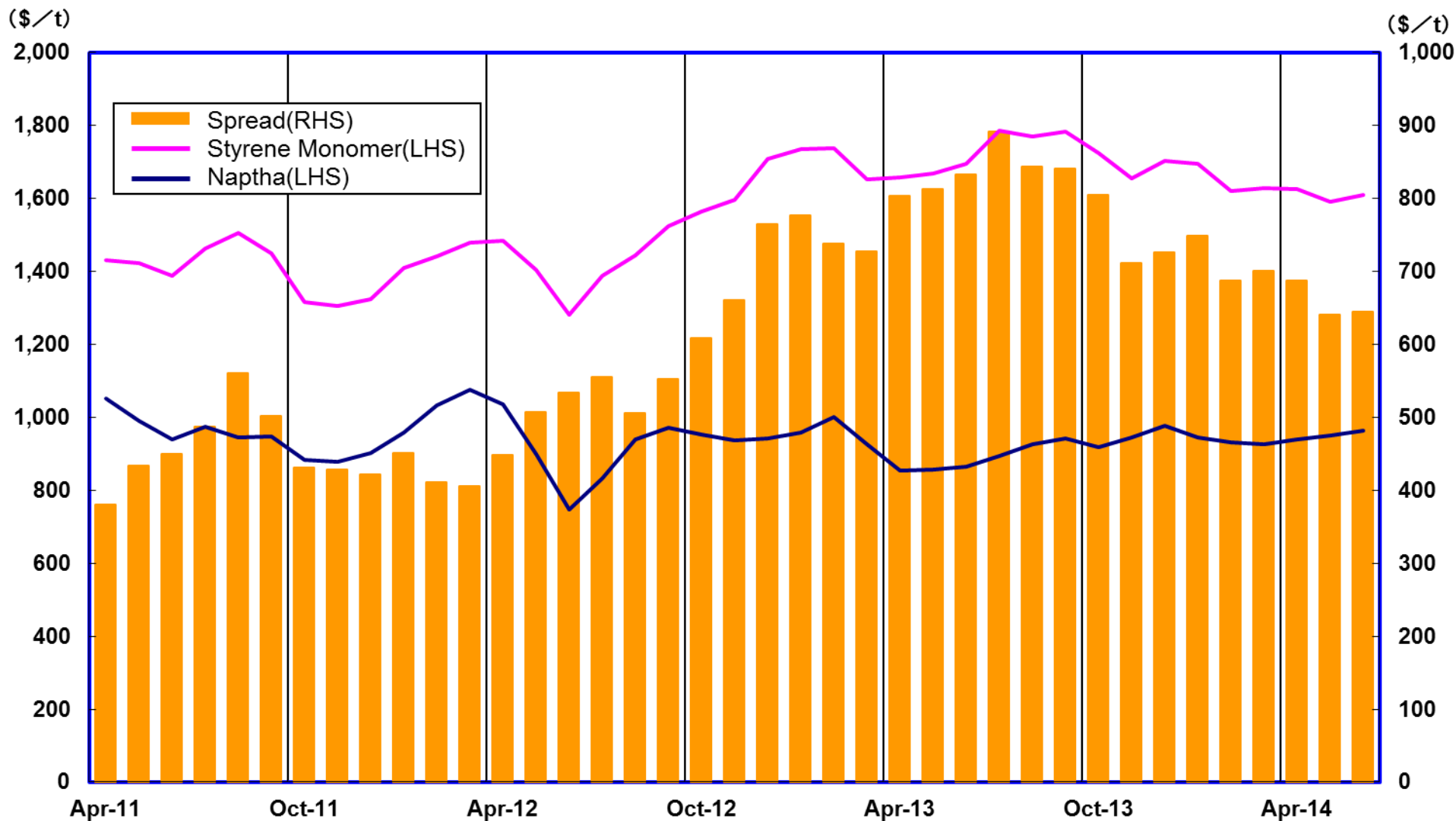
(4) Paraxylene, Naptha (Prices and Spreads)



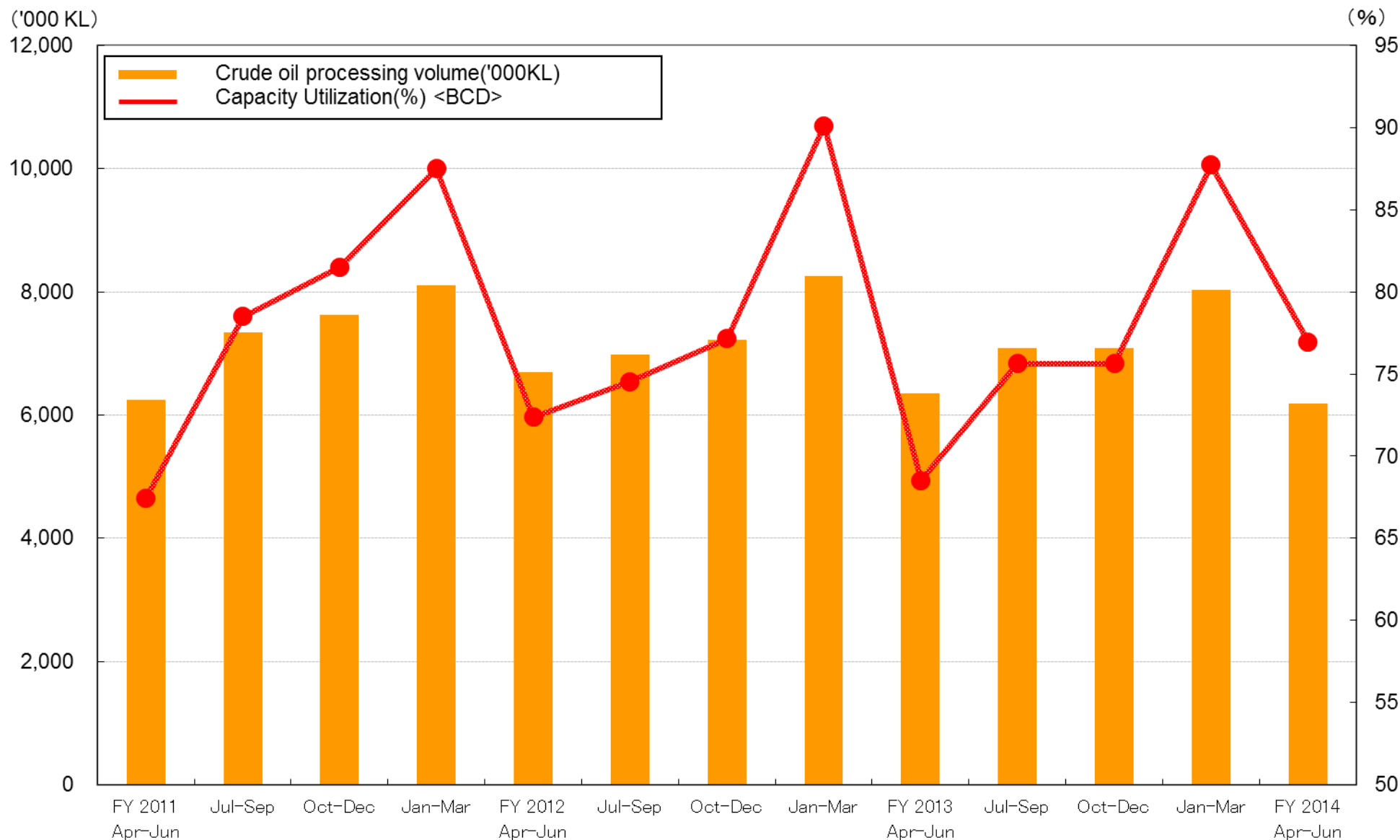
5. Market Conditions



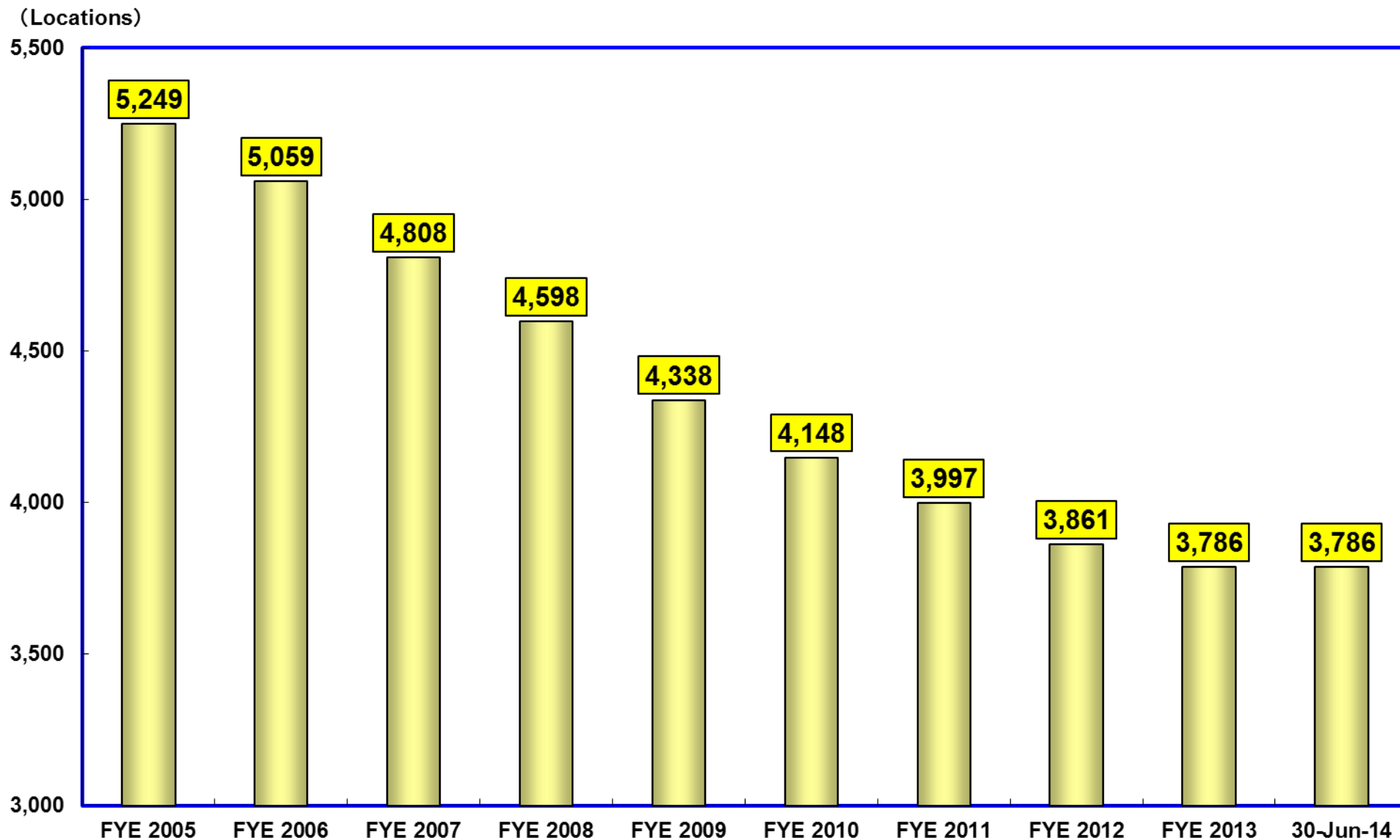
(5) Styrene Monomer, Naptha (Prices and Spreads)



6. Capacity Utilization at Refineries



7. Number of Service Stations



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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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