

Presentation on Results for the 3rd Quarter FY 2014

Idemitsu Kosan Co.,Ltd.

February 3, 2015



1. FY 2014 3rd Quarter Financials

(1) Overview

(2) Segment Information

2. Outlook for FY 2014 Performance

(1) Overview

(2) Segment Information

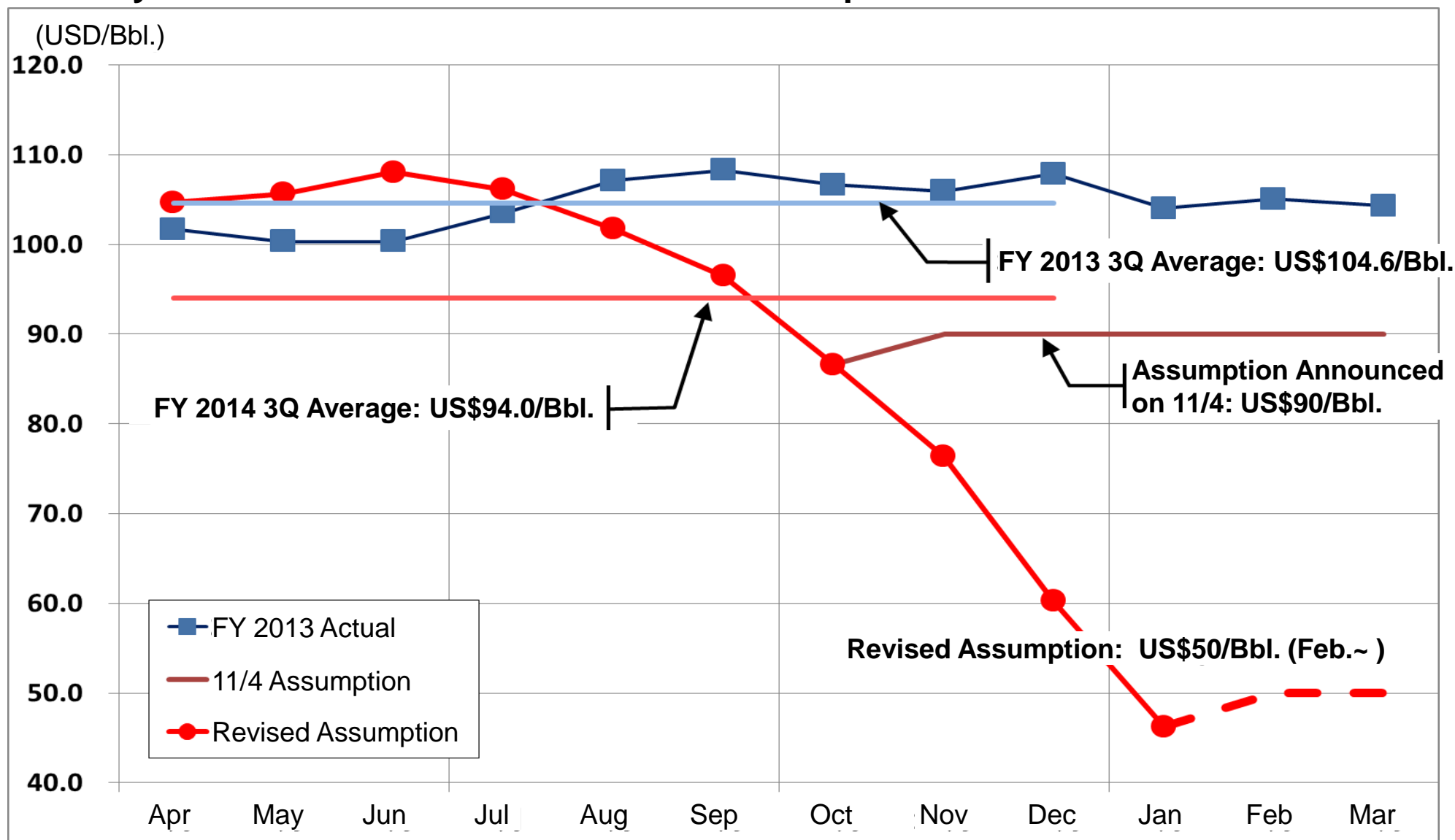
(3) Streamlining

3. Reference Materials

Crude Oil Price Trends

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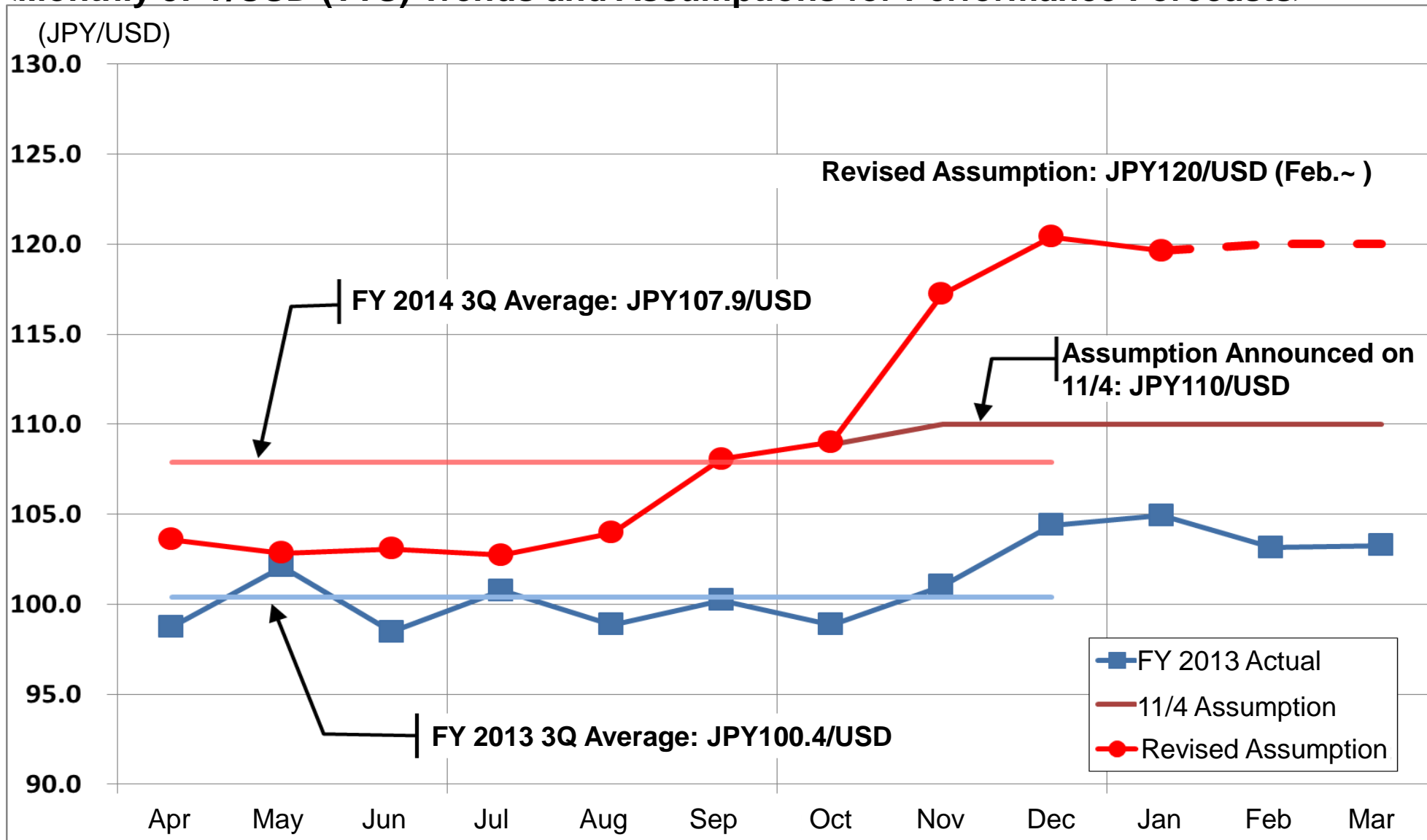
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends

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



<FY 2014 3Q Financials>

- Inventory impact decreased significantly by ¥101.9 billion year-on-year, to -¥69.7 billion, as the sharp decline in crude oil prices since October led to a sudden change in the business environment. Operating income excluding inventory impact decreased by ¥20.7 billion year-on-year, to ¥28.9 billion, mainly due to decreased petrochemical product margins and decreased profits in the oil exploration and production business
- Impairment losses of ¥26.7 billion were reported in the Australian coal and British/Norwegian oil exploration and production businesses mainly due to a decrease in resource prices. Net income decreased by ¥99.3 billion year-on-year, to a loss of ¥56.6 billion

<Outlook for FY 2014 Performance>

- We forecast that inventory impact will decrease by ¥117.0 billion year-on-year, to -¥137.0 billion, due to the sharp decline in crude oil prices. While we also forecast a significant decrease in operating income excluding inventory impact, this is mainly the result of decreased margins due to temporary unrecoverable costs following the fall in crude oil and naphtha prices which are expected to be resolved after February 2015
- We expect to record extraordinary gains on the sale of a portion of our stake in Australian Boggabri mine
- As a result of the above, we forecast operating losses of ¥120.0 billion (revised downward by ¥187.0 billion from the previous announcement), net losses of ¥98.0 billion (revised downward by ¥128.0 billion)

1. FY 2014 3rd Quarter Financials

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2013 3Q	FY2014 3Q	Change	
Crude Oil (DB FOB)	104.6	94.0	(10.6)	(10.1%)
Crude Oil (Brent)	108.5	106.6	(1.9)	(1.8%)
Naphtha Price (Customs)	928	913	(15)	(1.6%)
Exchange Rate (TTS)	100.4	107.9	7.5	7.5%

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2013 3Q	FY2014 3Q	Change	
Net Sales	3,659.3	3,578.4	(80.9)	(2.2%)
Operating Income	81.8	(40.7)	(122.6)	—
<i>(Inventory impact)</i>	32.2	(69.7)	(101.9)	—
<i>(Excluding inventory impact)</i>	49.6	28.9	(20.7)	(41.7%)
Non-operating Income/Loss	(2.1)	(1.4)	0.7	—
Ordinary Income	79.7	(42.1)	(121.9)	—
Extraordinary Income/Loss	4.9	(32.2)	(37.1)	—
Net Income	42.7	(56.6)	(99.3)	—

* 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 3Q	FY2014 3Q	Change	
Petroleum Products	32.2	(49.5)	(81.6)	—
<i>(Excluding inventory impact)</i>	<i>1.0</i>	<i>20.7</i>	<i>19.6</i>	<i>1,875.5%</i>
Petrochemical Products	32.5	(8.5)	(41.0)	—
<i>(Excluding inventory impact)</i>	<i>31.5</i>	<i>(9.0)</i>	<i>(40.4)</i>	—
Resources	20.0	16.7	(3.3)	(16.4%)
<i>Oil Exploration and Production</i>	<i>25.6</i>	<i>15.4</i>	<i>(10.1)</i>	<i>(39.6%)</i>
<i>Coal, etc.</i>	<i>(5.6)</i>	<i>1.3</i>	<i>6.9</i>	—
Other	0.5	2.5	2.0	449.7%
Adjustments	(3.3)	(2.0)	1.3	—
Total	81.8	(40.7)	(122.6)	—
<i>(Excluding inventory impact)</i>	<i>49.6</i>	<i>28.9</i>	<i>(20.7)</i>	<i>(41.7%)</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 (81.6)

Increase in product margins, etc.:	18.6	Streamlining:	1.1
Inventory impact:	(101.3)		

Petrochemical Products (41.0)

Decrease in product margins, etc.:	(27.0)	Cost-related:	(9.0)
Inventory impact/mfg. fuel costs, etc.:	(5.0)		

Oil Exploration and Production (10.1)

Volume, price-related:	(3.1)	Exploration costs, foreign exchange:	(7.0)
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Coal, etc./Other 10.2

Volume, price-related:	(4.2)	Cost-related, etc.	5.4
Foreign exchange:	5.7	Other/Adjustments	3.3

2. Outlook for FY 2014 Performance

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	Nov 4 Forecast	Revised Forecast	Change	
Crude Oil (DB FOB)	96.9	82.7	(14.2)	(14.7%)
Crude Oil (Brent)	103.2	99.0	(4.2)	(4.1%)
Naphtha Price (Customs)	886	820	(66)	(7.4%)
Exchange Rate (TTS)	107.0	110.9	3.9	3.6%

Assumptions (Feb~)
50.0
-
436
120.0

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	Nov 4 Forecast	Revised Forecast	Change	
Net Sales	5,000.0	4,540.0	(460.0)	(9.2%)
Operating Income	67.0	(120.0)	(187.0)	—
<i>(Inventory impact)</i>	(20.0)	(137.0)	(117.0)	—
<i>(Excluding inventory impact)</i>	87.0	17.0	(70.0)	(80.5%)
Non-operating Income/Loss	4.0	(2.0)	(6.0)	—
Ordinary Income	71.0	(122.0)	(193.0)	—
Extraordinary Income/Loss	(8.6)	(30.0)	(21.4)	—
Net Income	30.0	(98.0)	(128.0)	—

* 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 4 Forecast	Revised Forecast	Change	
Petroleum Products	32.0	(127.0)	(159.0)	—
<i>(Excluding inventory impact)</i>	<i>52.0</i>	<i>10.0</i>	<i>(42.0)</i>	<i>(80.8%)</i>
Petrochemical Products	15.0	(4.0)	(19.0)	—
<i>(Excluding inventory impact)</i>	<i>15.0</i>	<i>(4.0)</i>	<i>(19.0)</i>	<i>—</i>
Resources	22.0	13.0	(9.0)	(40.9%)
<i>Oil Exploration and Production</i>	<i>23.0</i>	<i>13.5</i>	<i>(9.5)</i>	<i>(41.3%)</i>
<i>Coal, etc.</i>	<i>(1.0)</i>	<i>(0.5)</i>	<i>0.5</i>	<i>—</i>
Other	2.0	2.0	0.0	0.0%
Adjustments	(4.0)	(4.0)	0.0	—
Total	67.0	(120.0)	(187.0)	—
<i>(Excluding inventory impact)</i>	<i>87.0</i>	<i>17.0</i>	<i>(70.0)</i>	<i>(80.5%)</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 (vs. 11/4 Announcement)

(Units: ¥billions)

Petroleum Products	(159.0)
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Decrease in product margins, etc.:	(42.0)	Inventory impact:	(117.0)
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Petrochemical Products	(19.0)
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Decrease in product margins, etc.:	(14.3)	Cost-related, etc.:	(4.7)
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Oil Exploration and Production	(9.5)
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Sales volume, price-related:	(10.3)	Exploration costs, foreign exchange:	0.8
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Coal, etc./Other	0.5
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Cost-related, etc.:	0.5
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(3) Streamlining

	(Reference) FY2013 Actual (1)	FY2014 Target	FY2014 3Q Actual	FY2014 Forecast (2)	2013-2014 Cumulative Forecast (1+2)
Petroleum Products <ul style="list-style-type: none"> Enhanced efficiency in facilities management Energy conservation/rationalization at refineries Rationalization of sales and logistics divisions etc. 	¥0.5 bn	¥0.5 bn	¥0.4 bn	¥0.5 bn	¥1.0 bn
Petrochemical Products <ul style="list-style-type: none"> Enhanced efficiency in facilities management etc. 	¥0.5 bn	¥0.5 bn	¥0.4 bn	¥0.5 bn	¥1.0 bn
Resources <ul style="list-style-type: none"> Enhanced efficiency at Australian coal mines Streamlining of oil exploration and production operations etc. 	¥4 bn	¥3 bn	¥2.3 bn	¥3 bn	¥7 bn
Costs at Indirect Divisions <ul style="list-style-type: none"> Streamlining of administrative divisions, etc. 	¥3 bn	¥1 bn	¥0.8 bn	¥1 bn	¥4 bn
Total	¥8 bn	¥5 bn	¥3.8 bn	¥5 bn	¥13 bn

3. Reference Materials

1. Financial Reporting

(1) Net Sales by Segment

(2) Extraordinary Income/Loss

(3) Breakdown of Impairment Loss

(4) Consolidated Balance Sheet

2. Sensitivity

3. Sales and Production

(1) Sales/Production Volume

(2) Sales/Production Volume Forecast

4. Foreign Exchange

5. Market Conditions

6. Capacity Utilization at Refineries

7. Number of Service Stations

1. Financial Reporting



(1) – 1. FY 2014 3Q Net Sales by Segment

(Units: ¥ billions)

	FY2013 3Q	FY2014 3Q	Change	
Petroleum Products	2,971.2	2,865.5	(105.7)	(3.6%)
Petrochemical Products	485.5	499.5	14.1	2.9%
Resources	167.4	172.3	4.9	2.9%
<i>Oil Exploration and Production</i>	70.5	69.8	(0.7)	(0.9%)
<i>Coal, etc.</i>	96.9	102.5	5.6	5.7%
Other/Adjustments	35.2	41.1	5.8	16.5%
Total	3,659.3	3,578.4	(80.9)	(2.2%)

1. Financial Reporting



(1) – 2. FY2014 Net Sales Forecast by Segment

(Units: ¥ billions)

	Nov 4 Forecast	Revised Forecast	Change	
Petroleum Products	4,040.0	3,650.0	(390.0)	(9.7%)
Petrochemical Products	660.0	600.0	(60.0)	(9.1%)
Resources	240.0	230.0	(10.0)	(4.2%)
<i>Oil Exploration and Production</i>	105.0	100.0	(5.0)	(4.8%)
<i>Coal, etc.</i>	135.0	130.0	(5.0)	(3.7%)
Other/Adjustments	60.0	60.0	0.0	0.0%
Total	5,000.0	4,540.0	(460.0)	(9.2%)

1. Financial Reporting

(2) Extraordinary Income/Loss

(Units: ¥ billions)

		FY2013 3Q	FY2014 3Q	Change
	Gain on Sales of Fixed Assets	0.7	0.5	(0.2)
	Insurance Proceeds	20.6	0.0	(20.6)
	Other	3.3	1.1	(2.2)
	Total Extraordinary Income	24.6	1.6	(23.0)
	Impairment Loss on Fixed Assets	16.6	28.9	12.2
	Loss on Sales of Fixed Assets	0.2	0.1	(0.0)
	Loss on disposals of Fixed Assets	1.9	3.7	1.8
	Other	0.9	1.0	0.1
	Total Extraordinary Loss	19.7	33.8	14.1
	Net Extraordinary Income/Loss	4.9	(32.2)	(37.1)

1. Financial Reporting



(3) Breakdown of Impairment Loss on Fixed Assets

¥26.7 billion of the ¥28.9 billion in impairment losses was attributable to the resources business. A breakdown is provided below.

(Units: ¥ billions)

		Amount	Relevant Assets, etc.
Australian Coal Business		16.2	Mining facilities, etc.
	UK North Sea	6.6	Oil field production facilities
	Norwegian North Sea	3.8	See above
Oil Exploration and Production Business		10.5	
Other		2.2	
Total		28.9	

1. Financial Reporting

(4) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2014	12/31/2014	Change		3/31/2014	12/31/2014	Change
Cash and Deposits	161.5	129.5	(32.0)	Payables	438.6	396.9	(41.7)
Receivables	418.9	459.7	40.8	Short-term Borrowings	494.5	527.6	33.1
Inventory	717.4	639.7	(77.6)	Other Current Liabilities	369.0	427.0	58.1
Other Current Assets	124.7	146.8	22.1	Total Current Liabilities	1,302.0	1,351.5	49.5
				Long-term Borrowings	584.5	582.7	(1.8)
				Other Fixed Liabilities	364.7	376.0	11.3
Total Current Assets	1,422.5	1,375.7	(46.7)	Total Fixed Liabilities	949.2	958.7	9.5
Tangible Fixed Assets	1,087.6	1,107.7	20.1	Total Liabilities	2,251.3	2,310.2	58.9
(Land)	591.5	591.7	0.2	Shareholders' Equity	539.5	472.4	(67.2)
(Other)	496.1	516.0	19.9	Other Comprehensive Income	162.9	164.4	1.5
Other Fixed Assets	485.0	507.9	22.9	Minority Interests	41.4	44.4	3.0
Total Fixed Assets	1,572.6	1,615.6	43.0	Total Net Assets	743.8	681.1	(62.7)
Total Assets	2,995.1	2,991.3	(3.7)	Total Liabilities and Net Assets	2,995.1	2,991.3	(3.7)

Total Interest-bearing Debt	1,081.9	1,110.3	28.3
Equity Ratio	23.5%	21.3%	(2.2%)

2. Sensitivity

(1) Impact of a US\$1/bbl. Decrease in Crude Oil Prices on 4th Quarter FY Earnings

Petroleum Products	Decrease in refinery fuel costs, etc.	¥ 0.1 billion
	Inventory impact	(¥ 2.1 billion)
		(¥ 2.0 billion)
Oil Exploration & Production		—

(2) Impact of a 1 JPY/USD Depreciation on 4th Quarter FY Earnings

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.0 billion)
	Inventory impact	¥ 0.9 billion
		¥ 0.9 billion
Oil Exploration & Production		—

* The resources and other businesses are not impacted by fluctuations in any exchange rates, because fiscal year for the above businesses operations end in December.

3. Sales and Production



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

(Units:Thousand KL,%)

	FY 2013 3Q	FY 2014 3Q	Change	
Gasoline	6,468	6,232	(236)	(3.6%)
(Premium-Unleaded)	763	691	(71)	(9.4%)
(Regular-Unleaded)	5,705	5,541	(164)	(2.9%)
Naphtha	169	240	71	42.1%
Jet Fuel	1,275	1,262	(13)	(1.0%)
Kerosene	1,723	1,603	(120)	(6.9%)
Diesel Oil	4,471	4,644	173	3.9%
Heavy Fuel Oil A	2,014	1,973	(41)	(2.0%)
Heavy Fuel Oil C	2,442	1,955	(487)	(19.9%)
Toal Domestic Sales Volume	18,562	17,910	(652)	(3.5%)
Exported Volume	3,080	2,129	(951)	(30.9%)
(General Exports)	667	462	(205)	(30.8%)
Total Sales Volume	21,642	20,039	(1,603)	(7.4%)

3. Sales and Production



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

(Units: Thousand tons, %)

	FY 2013 3Q	FY 2014 3Q	Change	
Petrochemical Products-Total	2,359	2,281	(79)	(3.3%)
(Basic Chemicals)	2,316	2,246	(70)	(3.0%)
(Performance Chemicals)	43	35	(9)	(20.0%)

(1) — 3. Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2013 3Q	FY 2014 3Q	Change	
Lubricants	777	779	2	0.3%

*Includes sales of overseas licenses

3. Sales and Production

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

(Units:Thousand BOED)

	FY 2013 3Q	FY 2014 3Q	Change	
Norway	24.4	25.5	1.2	4.8%
United Kingdom	2.8	2.1	(0.8)	(25.2%)
Vietnam	0.4	0.4	0.0	0.8%
Total('000BOED)	27.5	28.0	0.5	1.7%
Total('000BOE)	7,509	7,638	128	1.7%

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

(1) —5. Coal – Production Volume

(Units:Thousand tons)

	FY 2013 3Q	FY 2014 3Q	Change	
Ensham(85%)	2,804	2,606	(198)	(7.1%)
Muswellbrook	856	1,219	363	42.4%
Boggabri	3,277	3,947	670	20.5%
Tarawonga(30%)	494	497	3	0.6%
Total Production Volume	7,431	8,269	838	11.3%

*Figures based on interest owned by Idemitsu Group

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

3. Sales and Production

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

(Units: Thousand KL, %)

	Nov-4 Forecast	Revised Forecast	Change	
Gasoline	8,330	8,220	(110)	(1.3%)
(Premium-Unleaded)	960	920	(40)	(4.2%)
(Regular-Unleaded)	7,370	7,300	(70)	(0.9%)
Naphtha	260	300	40	15.4%
Jet Fuel	1,640	1,640	0	0.0%
Kerosene	3,120	2,940	(180)	(5.8%)
Diesel Oil	6,270	6,100	(170)	(2.7%)
Heavy Fuel Oil A	2,900	2,850	(50)	(1.7%)
Heavy Fuel Oil C	2,670	2,750	80	3.0%
Toal Domestic Sales Volume	25,190	24,800	(390)	(1.5%)
Exported Volume	2,880	2,880	0	0.0%
(General Exports)	620	620	0	0.0%
Total Sales Volume	28,070	27,680	(390)	(1.4%)

3. Sales and Production

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

(Units:Thousand tons, %)

	Nov-4 Forecast	Revised Forecast	Change	
Petrochemical Products-Total	3,280	3,180	(100)	(3.0%)
(Basic Chemicals)	3,230	3,130	(100)	(3.1%)
(Performance Chemicals)	50	50	0	0.0%

(2) — 3.Sales Forecasts (Lubricants)

(Units:Thousand KL,%)

	Nov-4 Forecast	Revised Forecast	Change	
Lubricants	1,130	1,050	(80)	(7.1%)

*Includes sales of overseas licenses

3. Sales and Production



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

(Units:Thousand BOED)

	Nov-4 Forecast	Revised Forecast	Change	
Norway	26.2	26.2	(0.1)	(0.3%)
United Kingdom	2.2	2.5	0.3	13.0%
Vietnam	0.4	0.4	(0.0)	(6.7%)
Total('000BOED)	28.8	29.0	0.2	0.7%
Total('000BOE)	10,530	10,600	70	0.7%

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

(2) —5. Coal – Production Volume Forecasts

(Units:Thousand tons)

	Nov-4 Forecast	Revised Forecast	Change	
Ensham(85%)	3,620	3,440	(180)	(5.0%)
Muswellbrook	1,780	1,610	(170)	(9.6%)
Boggabri	5,410	5,530	120	2.2%
Tarawonga(30%)	670	630	(40)	(6.0%)
Total Production Volume	11,480	11,210	(270)	(2.4%)

*Figures based on interest owned by Idemitsu Group

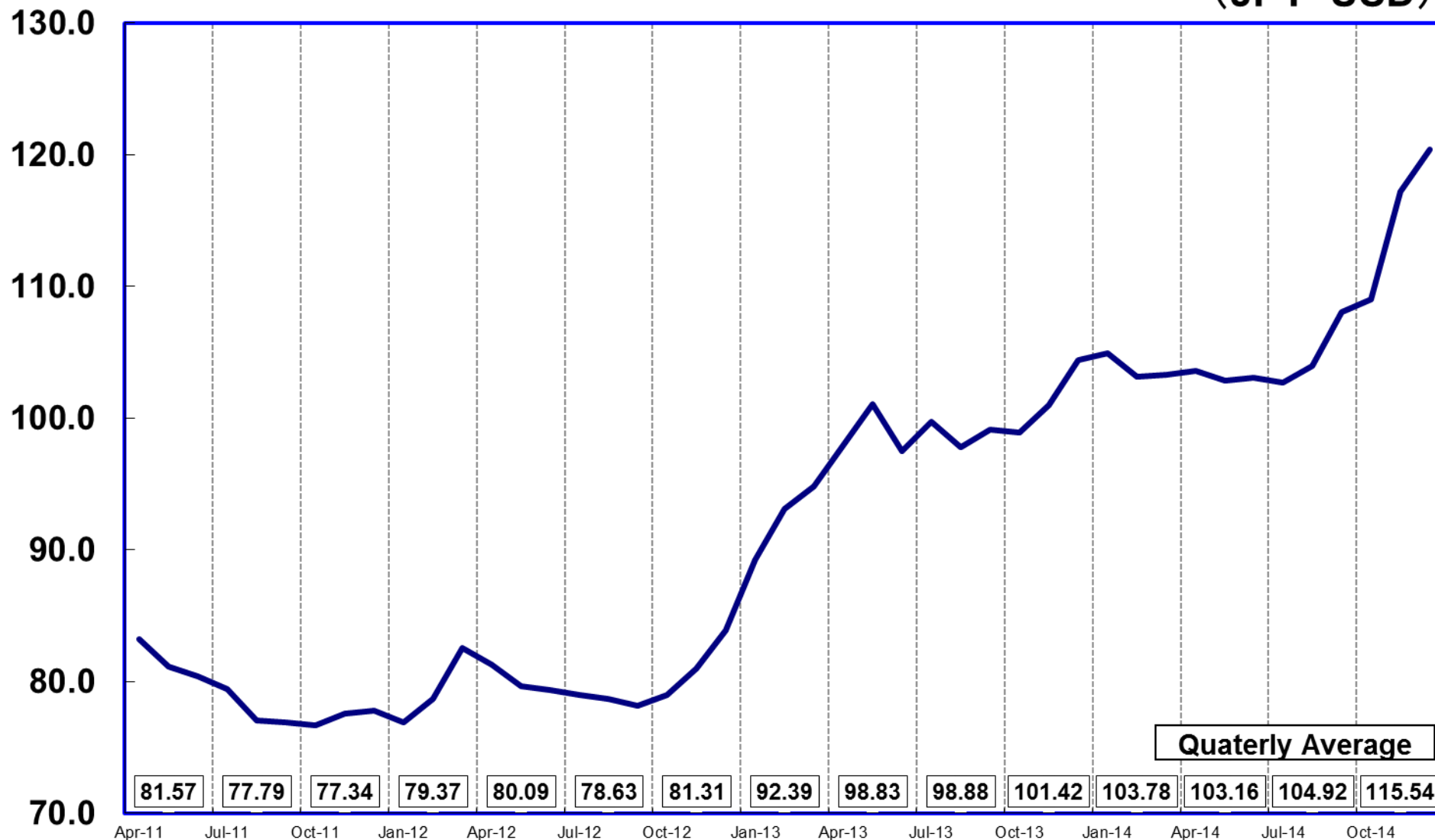
*Fiscal years for Oil Exploration and Production and Australian coal operations end in December

4. Foreign Exchange

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(1)USD

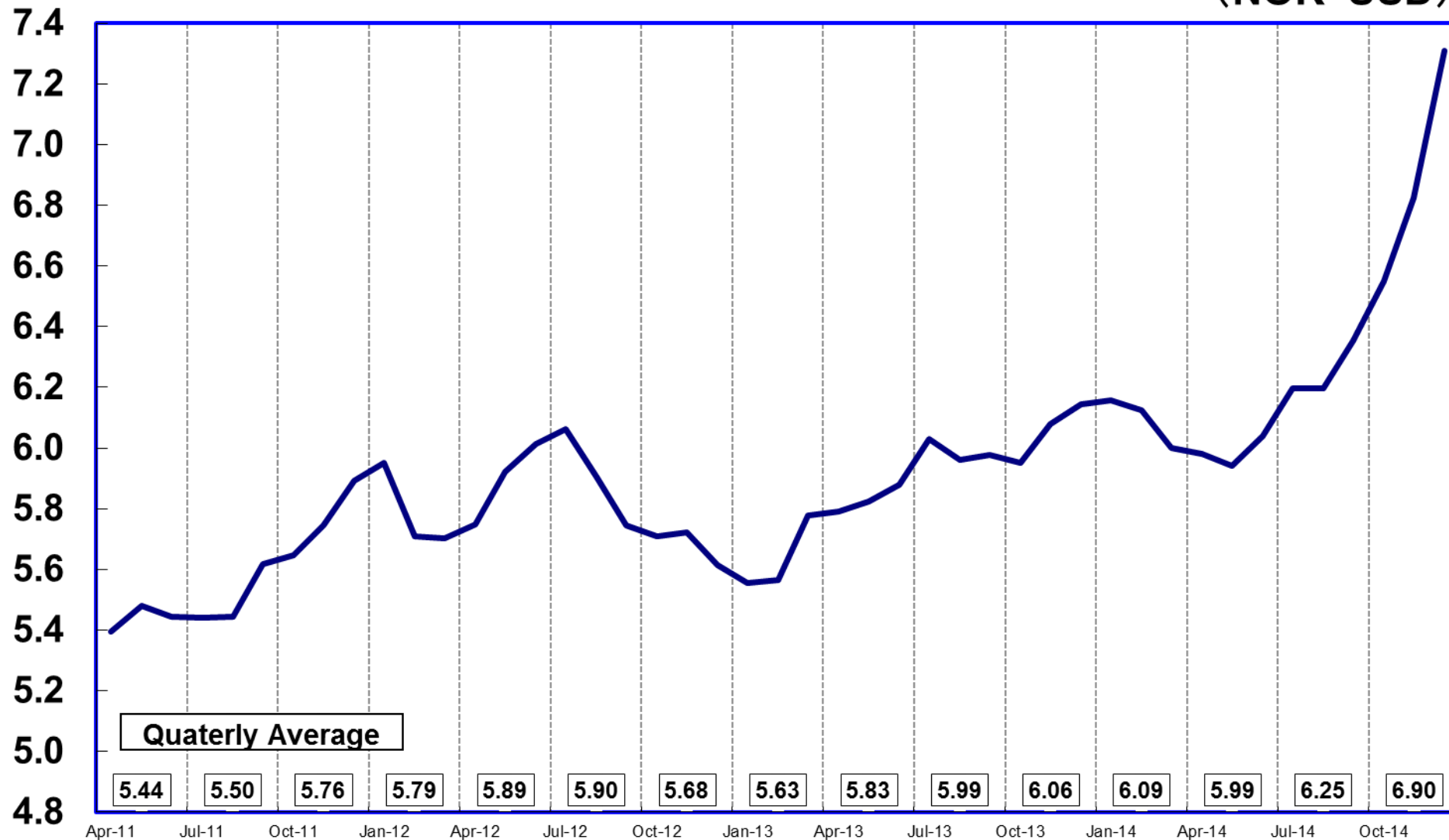
(JPY・USD)



4. Foreign Exchange

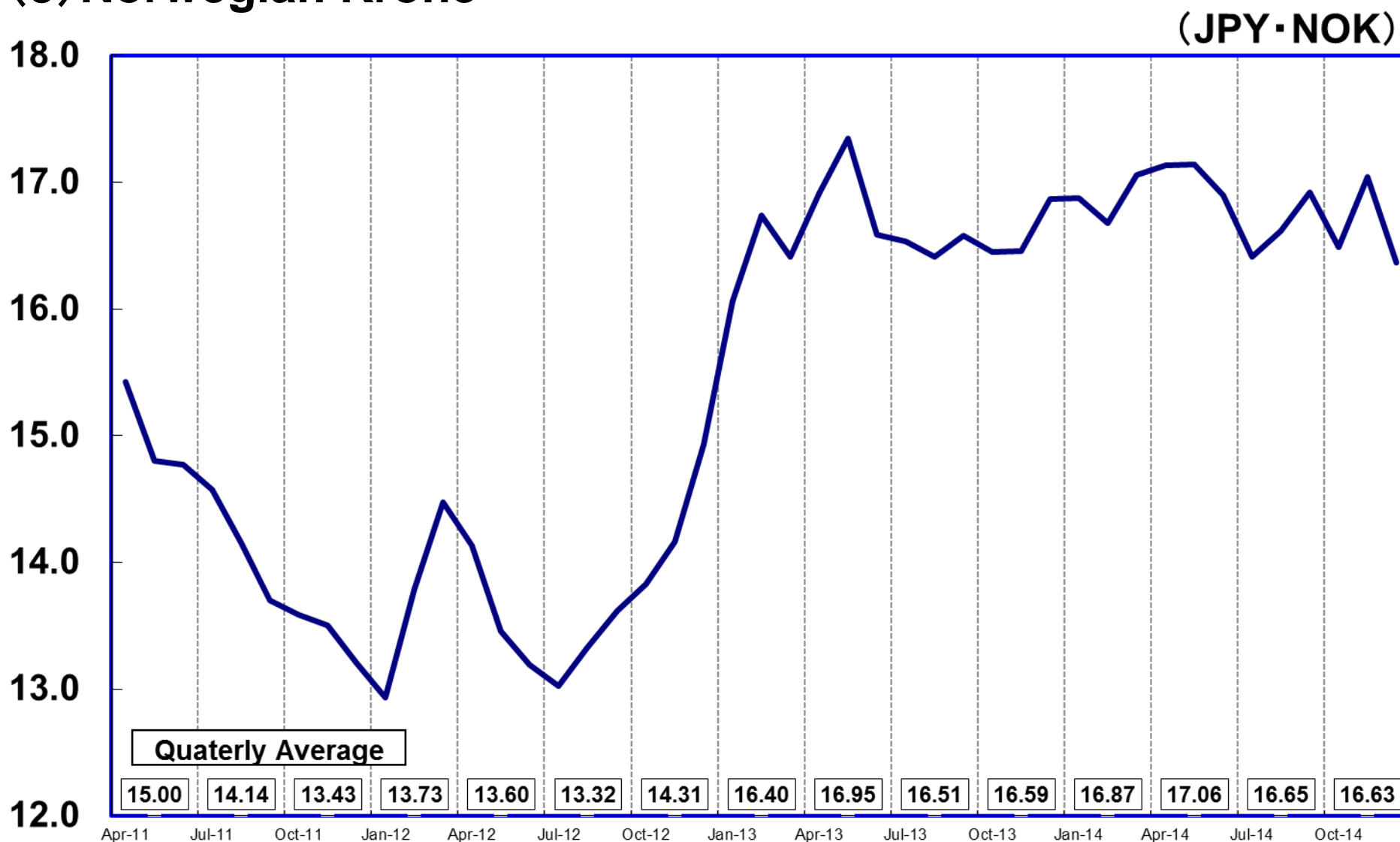
(2) Norwegian Krone

(NOK-USD)



4. Foreign Exchange

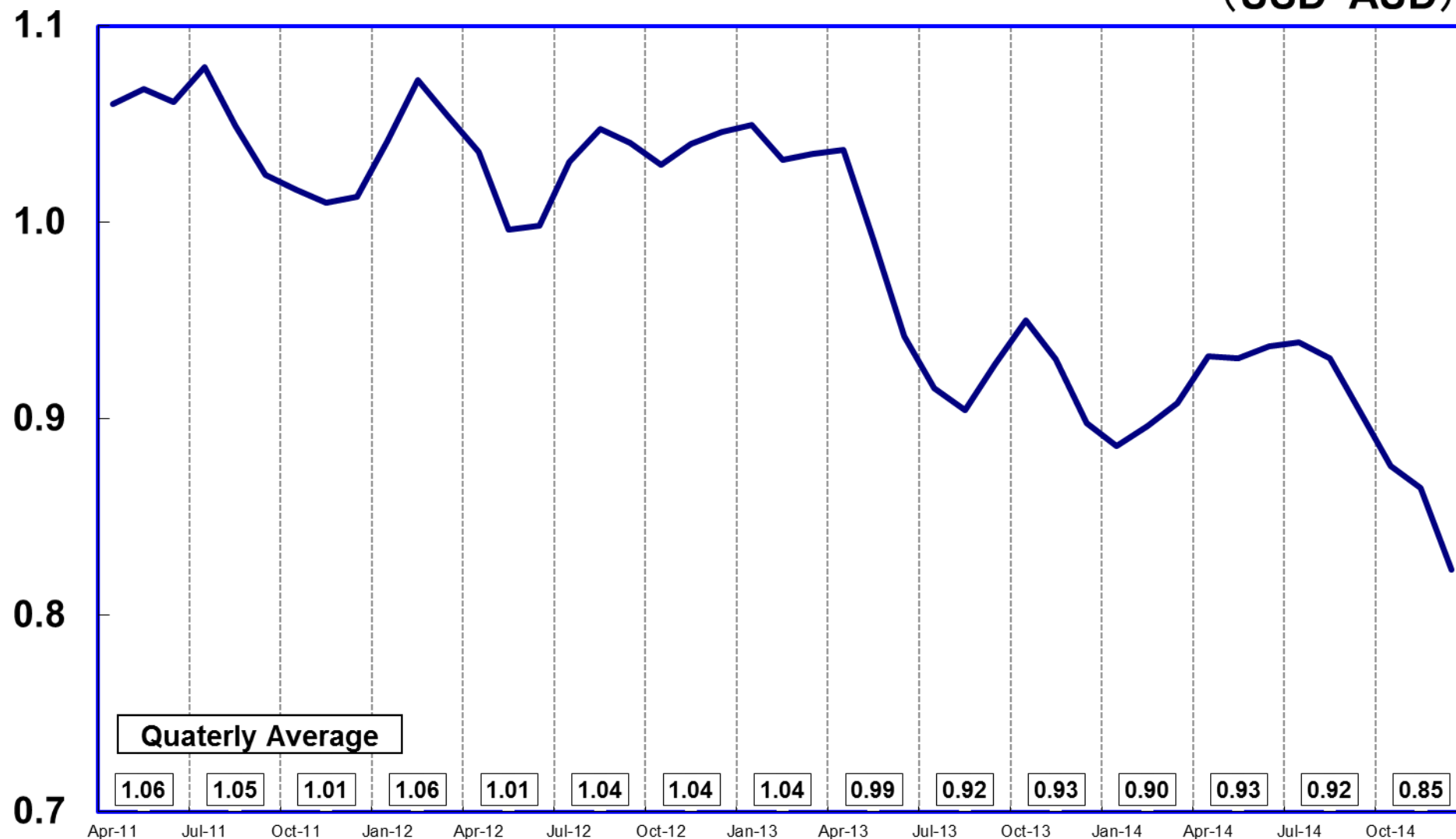
(3) Norwegian Krone



4. Foreign Exchange

(4) Australian Dollar

(USD·AUD)

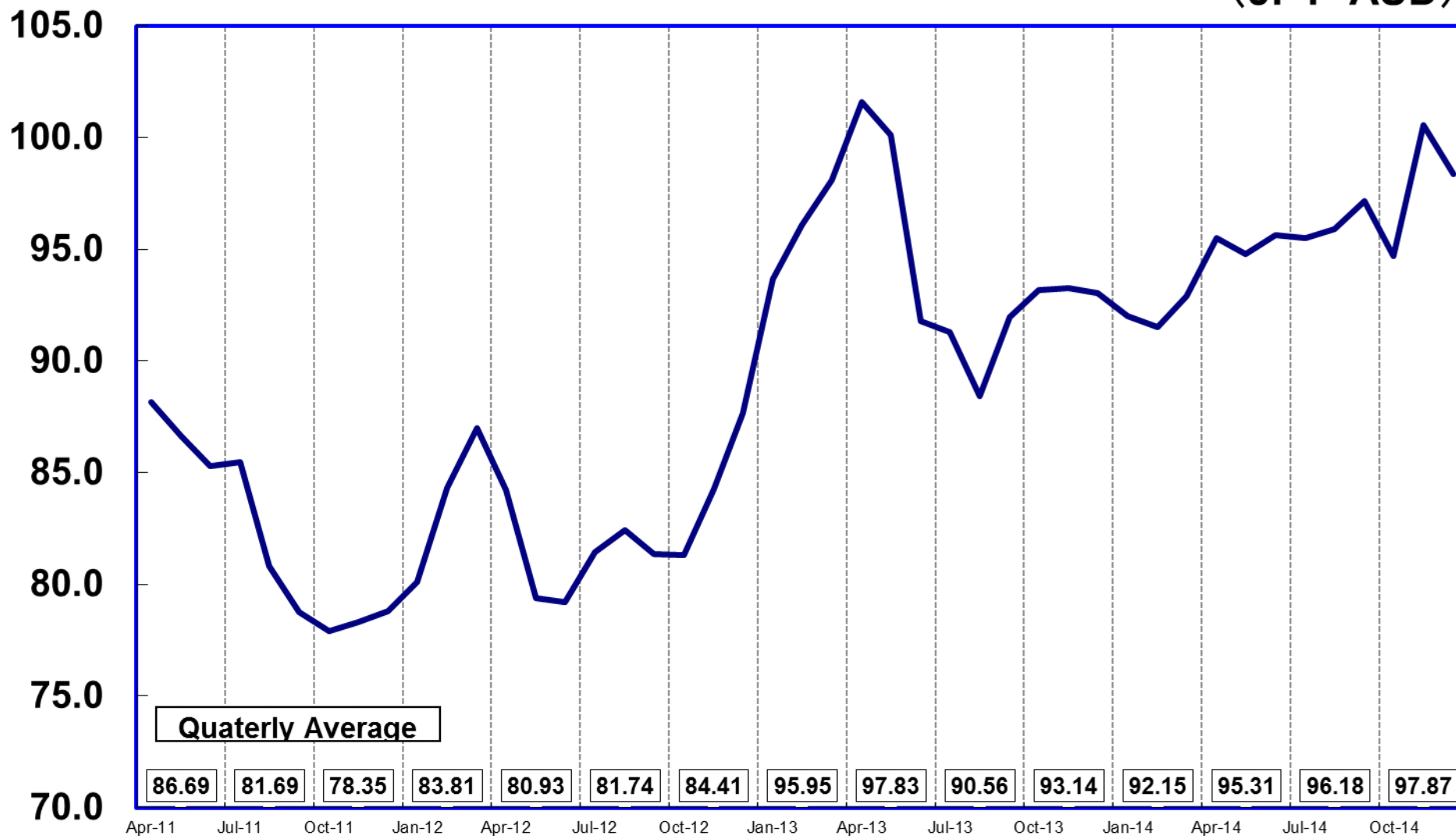


4. Foreign Exchange

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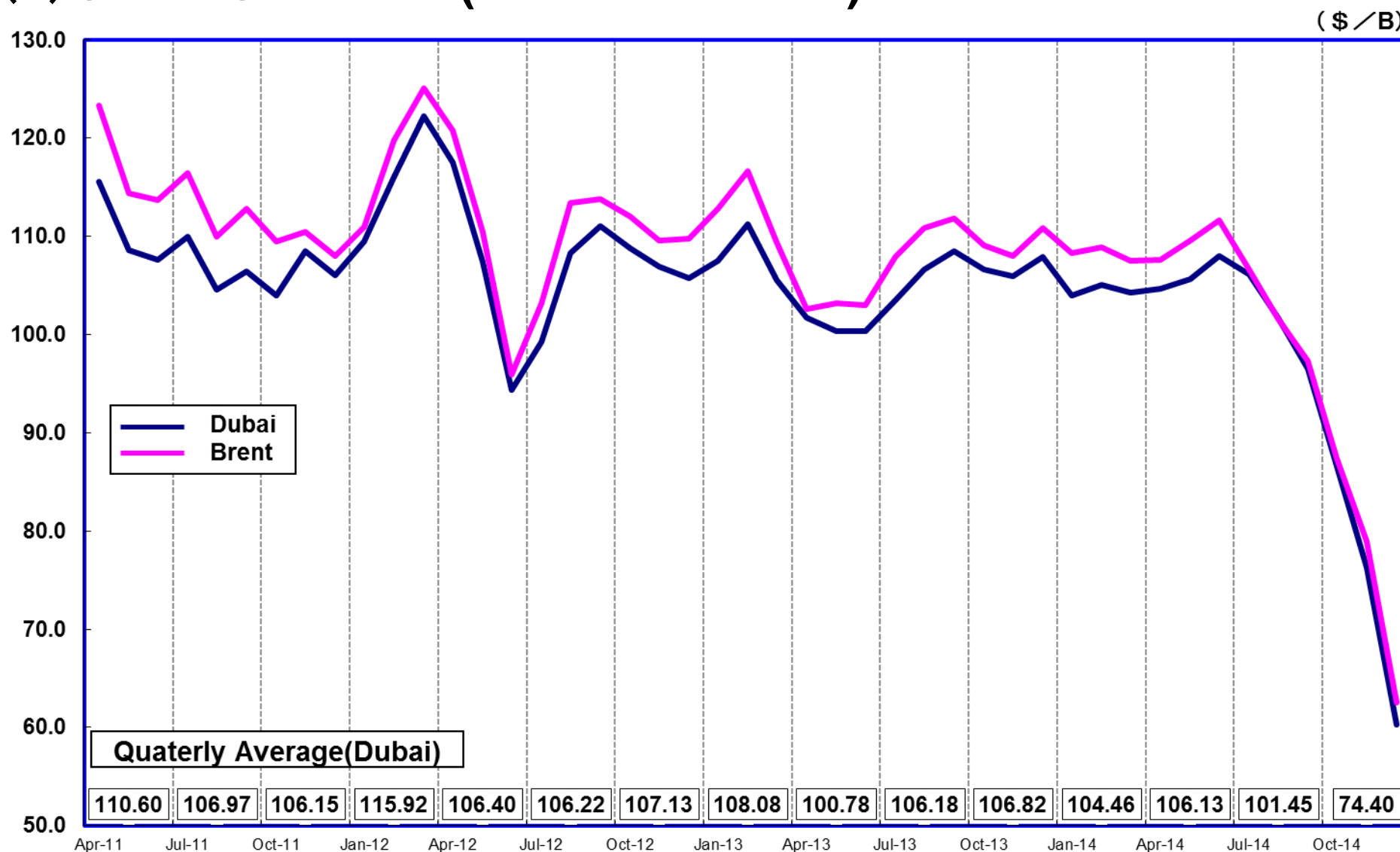
(5) Australian Dollar

(JPY・AUD)



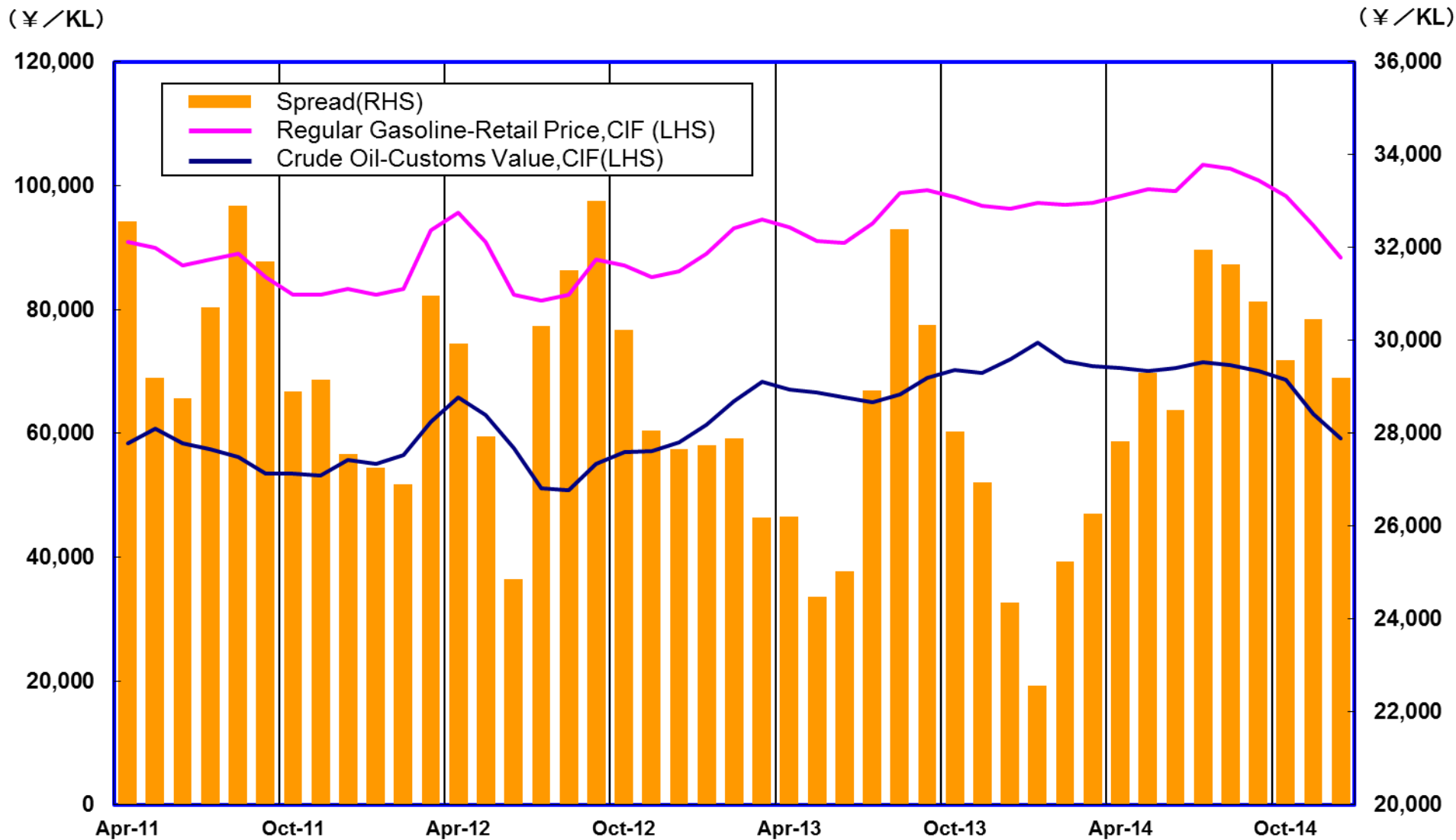
5. Market Conditions

(1) Crude Oil Prices (Dubai and Brent)



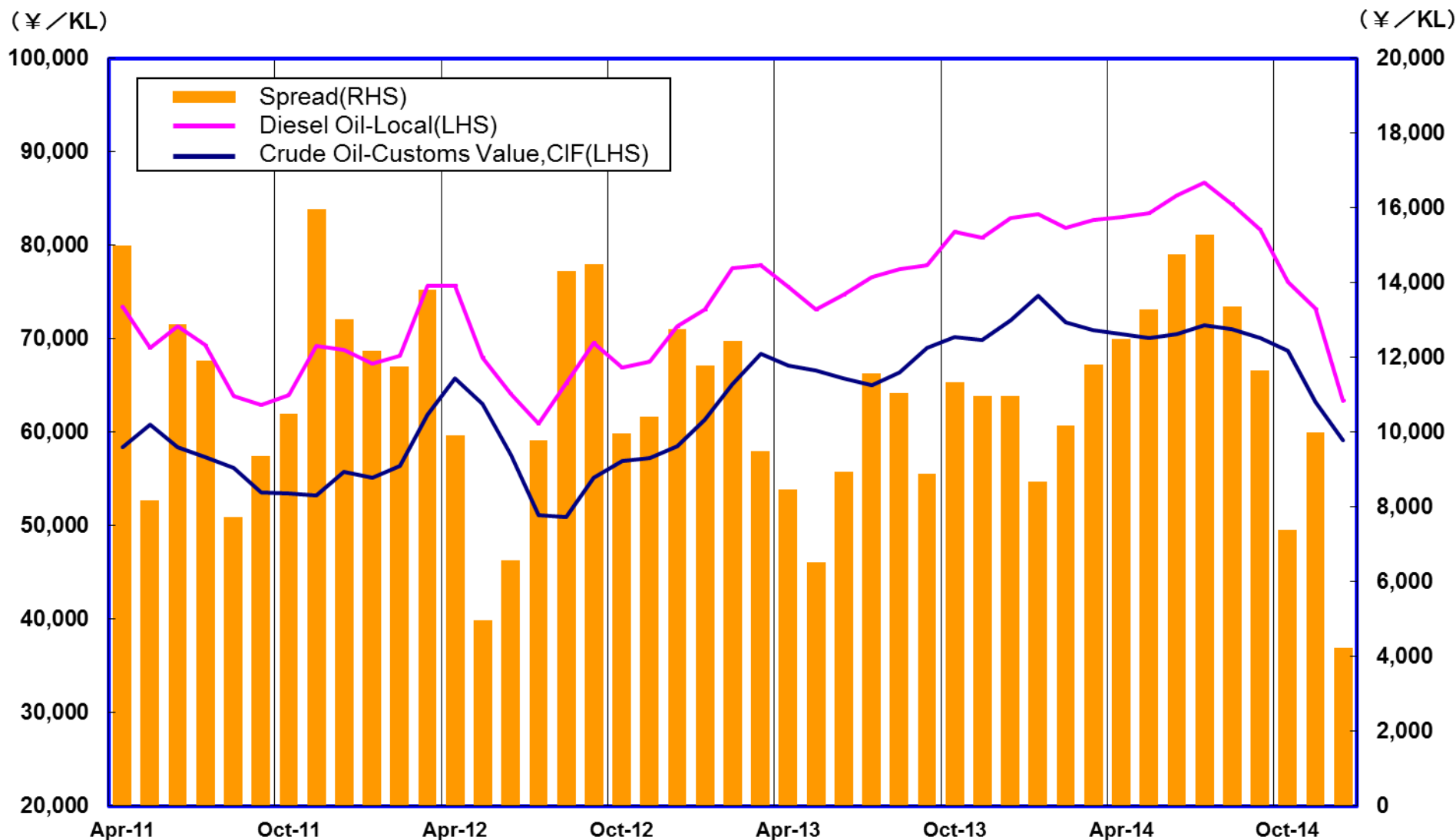
5. Market Conditions

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



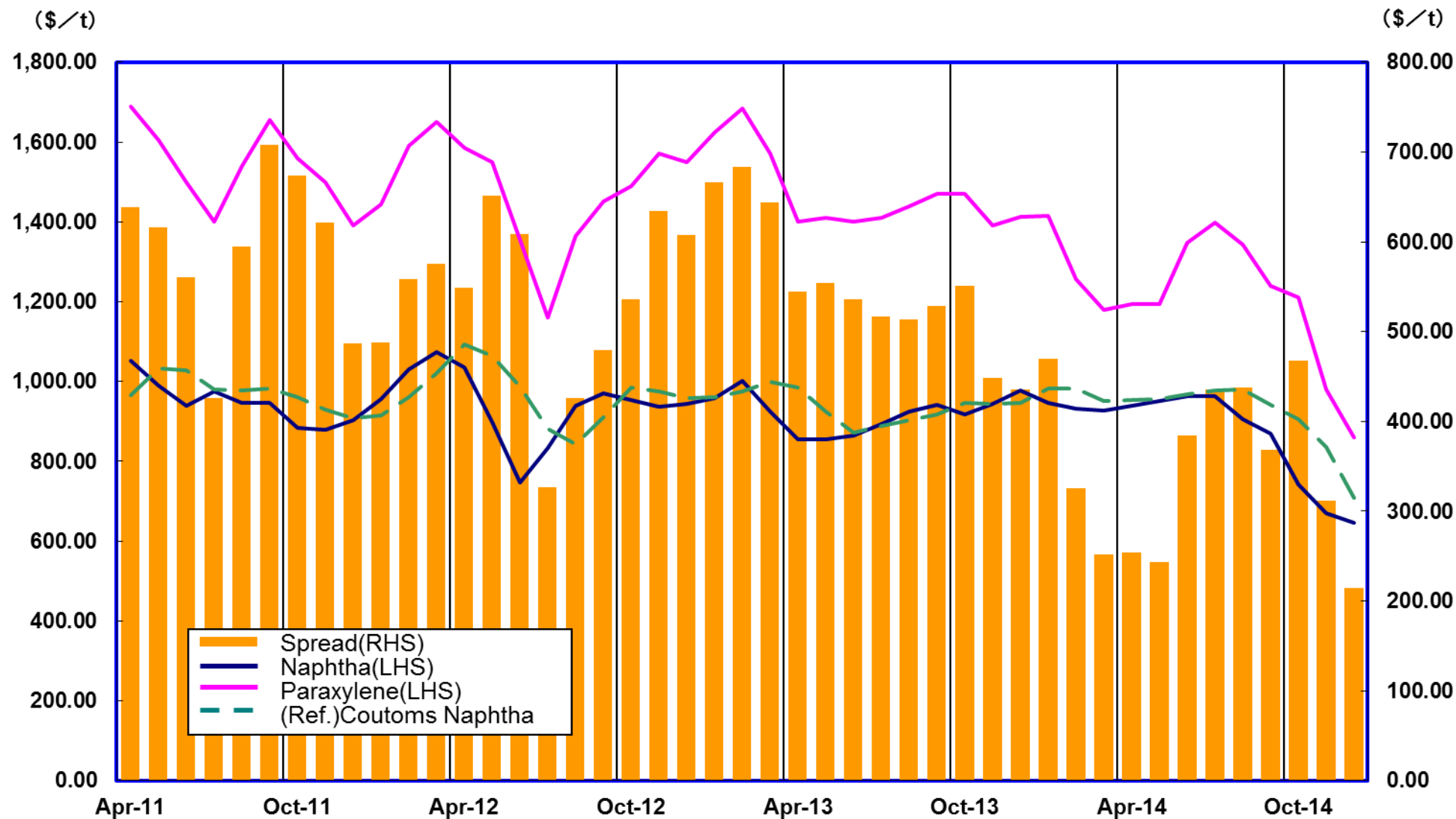
5. Market Conditions

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



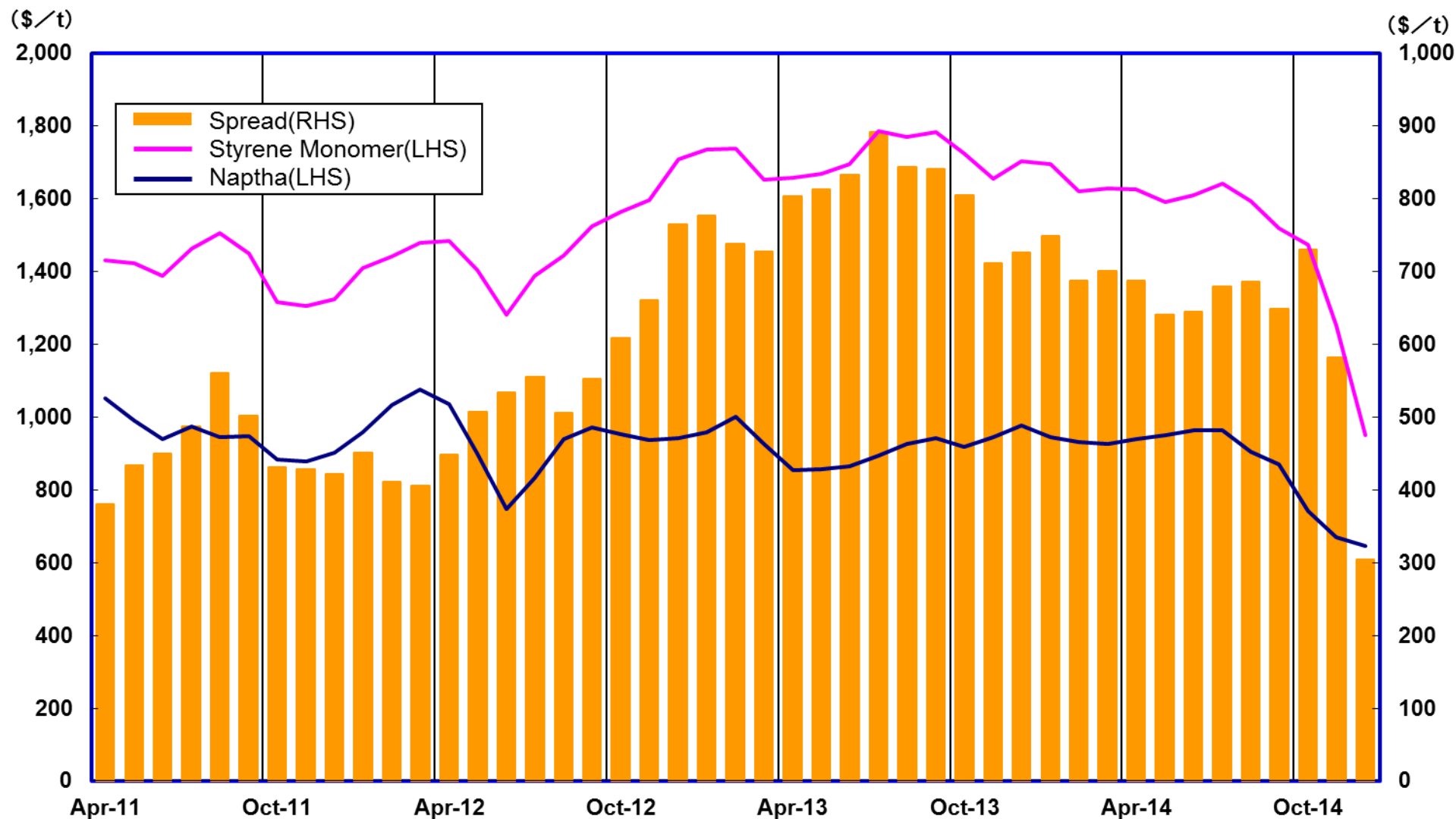
5. Market Conditions

(4) Paraxylene, Naptha (Prices and Spreads)

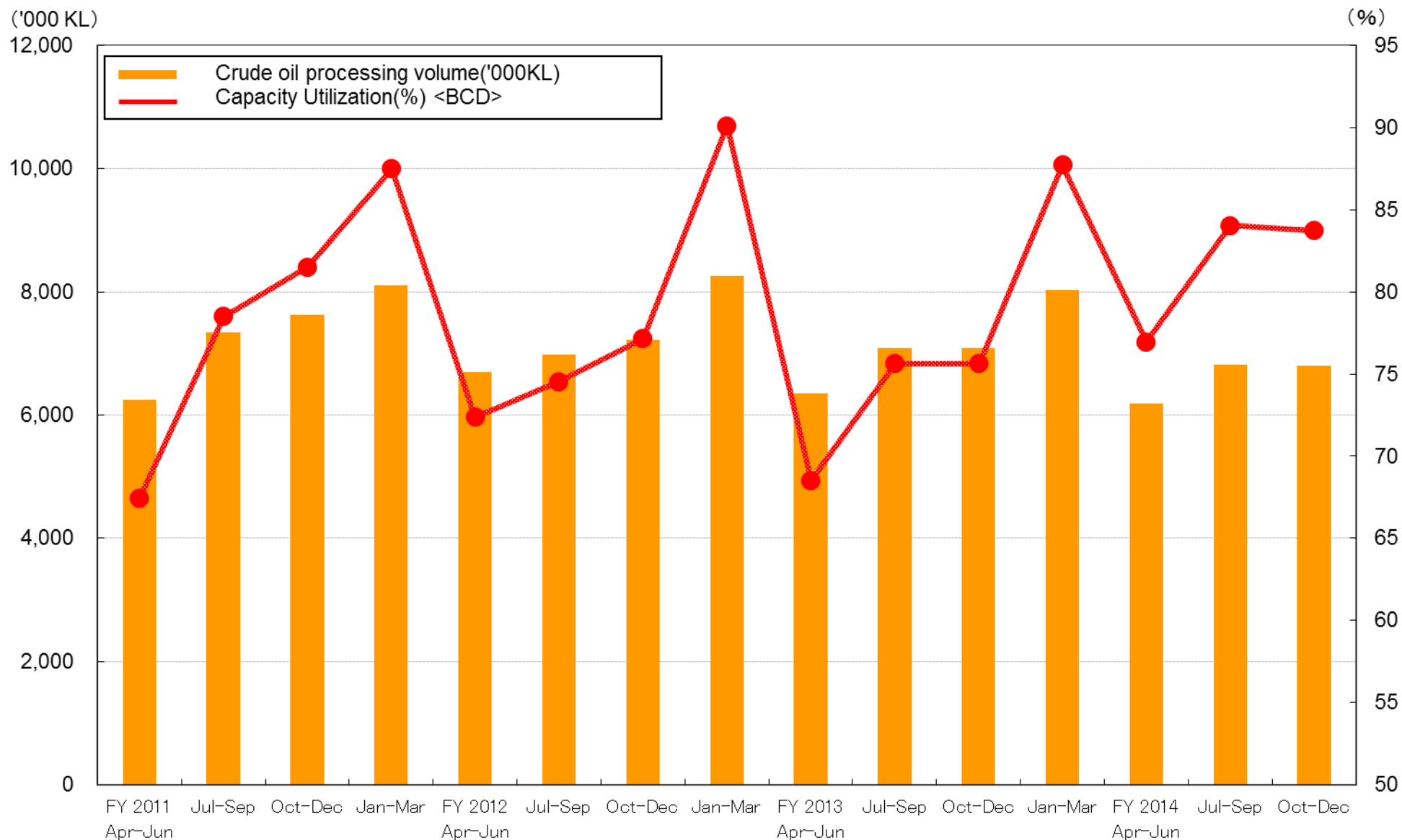


5. Market Conditions

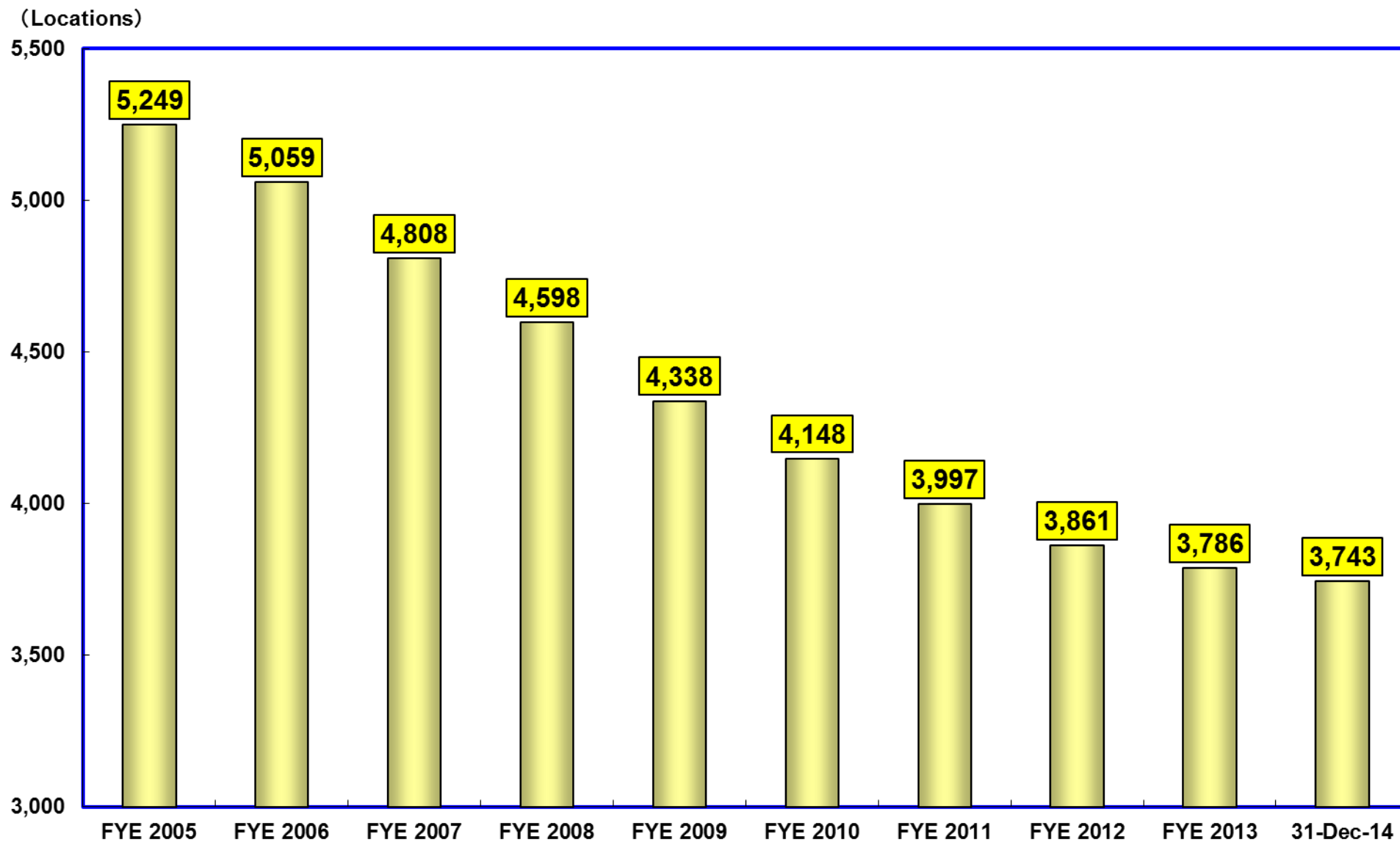
(5) Styrene Monomer, Naptha (Prices and Spreads)



6. Capacity Utilization at Refineries



7. Number of Service Stations



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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