



August 4, 2015

Consolidated Financial Results for the First Quarter of Fiscal Year 2015 (From April 1, 2015 to June 30, 2015) [Japan GAAP]

Company Name: **Idemitsu Kosan Co., Ltd.** (URL <http://www.idemitsu.com>)

Company Code: 5019, Shares listed on: Tokyo Stock Exchange

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Scheduled date of filing of quarterly securities report: August 14, 2015

Scheduled date of commencement of dividend payments: —

Supplementary materials for the quarterly financial results: Yes

Quarterly financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

1. Consolidated Financial Results for the First Quarter of FY2015 (From April 1, 2015 to June 30, 2015)

(1) Consolidated operating results

(Percentage figures represent changes from the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
1Q FY2015	922,791	(22.2)	18,027	(18.1)	16,024	(32.4)	11,389	24.1
1Q FY2014	1,186,321	7.2	22,019	61.5	23,720	47.2	9,176	(59.4)

Notes: Comprehensive income 1Q FY2015 ¥ (1,696) million (—) % 1Q FY2014 ¥ 10,230 million (73.0) %

	Net income per share	Diluted net income per share
	¥	¥
1Q FY2015	71.21	71.21
1Q FY2014	57.37	57.37

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
1Q FY2015	2,660,747	626,652	22.0
FY2014	2,731,001	630,384	21.5

Reference: Total equity 1Q FY 2015 ¥ 584,637 million FY 2014 ¥ 587,249 million

2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2014	—	25.00	—	25.00	50.00
FY2015	—				
FY2015 (Forecasts)		25.00	—	25.00	50.00

Notes: Revisions of the forecasts of cash dividends since the latest announcement: None

3. Forecasts of Consolidated Financial Results for FY2015 (From April 1, 2015 to March 31, 2016)

(Percentage figures represent changes from the corresponding previous periods)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
First half of FY2015	2,080,000	(13.9)	24,000	(44.9)	21,000	(54.0)	18,000	(4.2)	112.53
FY2015	4,350,000	(6.0)	92,000	—	89,000	—	56,000	—	350.10

Notes: Revisions of the forecasts of consolidated financial results since the latest announcement: None

* Notes

- (1) Changes of number of material consolidated subsidiaries during the three months ended June 30, 2015: **None**
- (2) Application of the accounting method peculiar to the preparation of the quarterly financial statements: **Yes**
- (3) Changes in accounting policies, accounting estimates and restatement
 - a) Changes in accounting policies arising from revision of accounting standards: **Yes**
 - b) Changes arising from other factors: **None**
 - c) Changes in accounting estimates: **None**
 - d) Restatement: **None**
- (4) Number of shares issued (common stock)
 - a) Number of shares issued (including treasury stock)

As of June 30, 2015: 160,000,000	As of March 31, 2015: 160,000,000
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 - b) Number of shares of treasury stock

As of June 30, 2015: 46,796	As of March 31, 2015: 46,776
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 - c) Weighted average number of shares outstanding during the period

Three months ended June 30, 2015: 159,953,224	Three months ended June 30, 2014: 159,953,249
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*1 This document is out of the scope of the quarterly review procedures under the Financial Instruments and Exchange Act. The quarterly review procedures for the financial statements under this Act have been completed as of the date of disclosure of this document.

*2 The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 4.

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1. Qualitative Information on the Consolidated Operating Results for the First Quarter of FY 2015

(1) Explanation of Operating Results

The overall domestic demand for petroleum products during the first quarter of fiscal 2015 remained in line with the corresponding period of the previous fiscal year, while domestic demand for gasoline increased compared with the level of the same period last year, which was impacted by the consumption tax hike last year.

Dubai crude oil prices had fallen significantly since the summer of the previous year and had bottomed out in January. Since the beginning of fiscal 2015, the prices had followed an upward trend due to increased tensions over geopolitical risks in the Middle East and forecast for shale-oil production cut in the U.S. and the prices had hovered around \$60/bbl in May and thereafter. The average crude oil price for the first quarter of fiscal 2015 was \$61.3/bbl, a decline of \$44.8/bbl against the same period of the previous year.

Demand for petrochemical products during the first quarter of fiscal 2015 was consistent with the same period of fiscal 2014. The price for naphtha, a petrochemical raw material, fell by \$400/ton against the same period of last year to \$554/ton.

(Crude oil price, naphtha price and exchange rate)

	Three months ended June 30, 2014	Three months ended June 30, 2015	Change	
Dubai Crude Oil (\$/bbl)	106.1	61.3	(44.8)	(42.2) %
Naphtha (\$/ton)	955	554	(400)	(41.9) %
Exchange Rate (¥/\$)	103.2	122.4	+19.2	+18.6%

The Idemitsu Group's net sales for the first quarter of fiscal 2015 were ¥922.8 billion, a decrease of 22.2% compared with the same period of the preceding year, due mainly to decreased import prices for crude oil.

Operating income declined by 18.1% against the same period of the preceding year to ¥18.0 billion, due mainly to reduced margins of petroleum products and lower crude oil prices, which was partly offset by the effect of inventory valuation and increased margins of petrochemical products. Net non-operating income turned to a loss of ¥2.0 billion, down ¥3.7 billion compared with the corresponding period of the prior year, mainly reflecting decreased equity in earnings of nonconsolidated subsidiaries and affiliates. As a result, ordinary income was ¥16.0 billion, a decrease of 32.4% from the same period of last year.

Net income attributable to owners of the parent increased by 24.1% compared with the same period of fiscal 2014 to ¥11.4 billion, due mainly to gain on sale of affiliate stock and a reduction in loss on disposals of fixed assets.

The performance of each business segment for the three months ended June 30, 2015 is as follows:

As to quarterly reporting periods, domestic subsidiaries use June 30 as their balance sheet date whereas overseas subsidiaries use March 31 as their balance sheet date, except for certain subsidiaries. As such, the following performance of the business segments includes

the operating results of overseas subsidiaries for the three months ended March 31, 2015, and those of domestic subsidiaries for the three months ended June 30, 2015.

In addition, as stated in “3. (3) 3) Consolidated Segment Information,” net sales and operating income of the coal sales business is included in the resources segment from the second quarter of fiscal 2014. Previously, the coal sales business was included in the petroleum products segment. Segment information for the three months ended June 30, 2014 also has been updated to conform to the current segmentation.

[Petroleum products segment]

Net sales of the petroleum products segment for the three months ended June 30, 2015 were ¥730.8 billion, a decrease of 21.8% compared with the same period of the previous year, due partly to declines in import prices for crude oil.

Operating income increased by 41.7% against the same period of the preceding year to ¥9.7 billion, mainly due to the effect of inventory valuation, which was partially offset by factors such as decreased product margins.

[Petrochemical products segment]

Net sales of the petrochemical products segment for the three months ended June 30, 2015 were ¥123.4 billion, a decrease of 32.0% from the same period of fiscal 2014, due largely to declines in naphtha prices on a customs clearance basis.

Operating income was ¥9.0 billion, up 39.6% from the same period of the previous year, helped by increased product margins due to the market prices of styrene monomer and other products hovering at high levels.

[Resources segment]

(Oil exploration and production business)

Net sales of the oil exploration and production business for the three months ended June 30, 2015 were ¥20.2 billion, down 23.3% from the corresponding period of the previous year, due in large part to a significant decline in crude oil prices. Operating income was ¥1.5 billion, down 83.1% against the same period of the preceding year.

(Coal business and others)

Net sales of the coal business and others for the three months ended June 30, 2015 were ¥32.1 billion, up 0.5% compared with the same period of last year, partly due to an increase in sales of the uranium business in Canada despite a decrease in sales price in the coal business. Operating loss was ¥1.4 billion, representing a decline of ¥1.9 billion from the corresponding period of the previous year.

As a result, total net sales of the resource businesses declined by 10.3% compared with the same period of the previous year to ¥52.3 billion, and operating income decreased by 98.5% compared with the same period of fiscal 2014 to ¥0.1 billion.

[Other segments]

Net sales of the other segments for the three months ended June 30, 2015 increased by 28.5% from the same period of last year to ¥16.4 billion, and operating income increased by 83.2% to ¥0.8 billion compared with the same period of the previous year.

(2) Explanation of Financial Position

Total assets as of June 30, 2015 decreased by ¥70.3 billion from the end of the previous fiscal year to ¥2,660.7 billion, due mainly to decreases in cash and deposits, notes and accounts receivable-trade as well as in tangible fixed assets despite an increase in inventories. Total liabilities as of June 30, 2015 decreased by ¥66.5 billion from the end of the preceding fiscal year to ¥2,034.1 billion, due mainly to decreases in notes and accounts payable-trade and accounts payable-other despite an increase in interest-bearing debt (¥1,020.0 billion as of June 30, 2015).

Total net assets as of June 30, 2015 decreased by ¥3.7 billion from the end of the preceding fiscal year to ¥626.7 billion and the equity ratio was 22.0% (up 0.5 percentage points from the end of fiscal 2014).

(3) Explanation of Forecasts of Consolidated Financial Results for FY2015

The Company has not revised the forecasts of the consolidated financial results for the six months ending September 30, 2015 and for the year ending March 31, 2016 released on May 7, 2015.

2. Summary Information

(1) Changes in the Material Subsidiaries

None

(2) Application of the Accounting Method Peculiar to the Preparation of the Quarterly Financial Statements

Income taxes are calculated by multiplying the income before income taxes for the three months ended June 30, 2015 by the estimated effective tax rate that is reasonably estimated for income before income taxes for the fiscal year that includes the current quarter.

However, if the calculation using the relevant estimated effective tax rate leads to significantly irrational results, income taxes are calculated by multiplying the quarterly income before income taxes by the effective statutory tax rate, after adjusting important differences that do not constitute temporary differences.

(3) Changes of Accounting Policies, Changes in Accounting Estimates and Restatement (Change in Accounting Policies)

Effective April 1, 2015, the Company adopted revised Accounting Standard Board of Japan ("ASBJ") Statement No.21, "Accounting Standard for Business Combinations," revised ASBJ Statement No.22, "Accounting Standard for Consolidated Financial Statements," and revised ASBJ Statement No.7, "Accounting Standard for Business Divestitures." In accordance with these standards, the Company changed the method of accounting whereby any difference arising from the changes in ownership interest in subsidiaries is accounted for as capital surplus as long as the parent retains control over its subsidiary and acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred. With respect to the business combinations occurring on or after April 1, 2015, the Company changed the accounting method whereby adjustments to the allocation of purchase costs using provisional amounts are retrospectively recognized in the consolidated financial statements for the period in which the business combination occurs. In addition, presentation of net income has been changed in the consolidated statement of income and minority interests have been changed to noncontrolling interests on the consolidated balance sheet. Comparative figures have been reclassified to reflect these changes.

The Company applies these revised standards to business combinations occurring on or after April 1, 2015 in accordance with certain transitional provisions prescribed in these standards.

The adoption of these revised standards has no impact on profit or losses.

3. Consolidated Financial Statements for the First Quarter of FY2015

(1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY 2014 (As of March 31, 2015)	1st Quarter of FY2015 (As of June 30, 2015)
Assets		
Current assets:		
Cash and deposits	112,959	93,945
Notes and accounts receivable, trade	321,703	305,335
Inventories	513,801	534,072
Other	138,351	114,801
Less: Allowance for doubtful accounts	(1,874)	(2,116)
Total current assets	1,084,940	1,046,038
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	248,906	298,536
Land	589,485	588,417
Other, net	297,351	229,671
Total property, plant and equipment	1,135,743	1,116,625
Intangible fixed assets	25,213	25,321
Investments and other assets:		
Oil field premium assets	80,190	67,467
Other	405,103	405,486
Less: Allowance for doubtful accounts	(191)	(191)
Total investments and other assets	485,102	472,761
Total fixed assets	1,646,060	1,614,709
Total assets	2,731,001	2,660,747
Liabilities		
Current liabilities:		
Notes and accounts payable, trade	366,559	336,530
Short-term loans payable	376,525	413,046
Commercial paper	26,997	41,996
Accounts payable, other	232,565	206,062
Income taxes payable	6,061	11,189
Provision for bonuses	6,299	2,400
Other	112,609	109,937
Total current liabilities	1,127,619	1,121,162
Non-current liabilities:		
Bonds payable	65,000	65,000
Long-term loans payable	537,658	499,994
Liability for employees' retirement benefits	15,642	14,974
Reserve for repair work	26,530	28,830
Asset retirement obligations	93,813	88,531
Oil field premium liabilities	83,098	70,839
Other	151,253	144,760
Total non-current liabilities	972,997	912,932
Total liabilities	2,100,616	2,034,095

(Unit: ¥Million)

	FY 2014 (As of March 31, 2015)	1st Quarter of FY2015 (As of June 30, 2015)
Net assets		
Shareholders' equity:		
Common stock	108,606	108,606
Capital surplus	71,131	71,131
Retained earnings	212,119	220,458
Treasury stock	(130)	(130)
Total shareholders' equity	391,727	400,065
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	9,920	12,185
Deferred gains (losses) on hedging activities, net	(7,896)	(8,798)
Surplus from land revaluation	157,460	157,435
Foreign currency translation adjustments	34,795	22,477
Defined retirement benefit plans	1,243	1,271
Total accumulated other comprehensive income	195,522	184,571
Noncontrolling interests	43,134	42,015
Total net assets	630,384	626,652
Total liabilities and net assets	2,731,001	2,660,747

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	1st Quarter of FY2014 (From April 1, 2014 to June 30, 2014)	1st Quarter of FY2015 (From April 1, 2015 to June 30, 2015)
Net sales	1,186,321	922,791
Cost of sales	1,096,021	835,121
Gross profit	90,299	87,670
Selling, general and administrative expenses	68,280	69,643
Operating income	22,019	18,027
Non-operating income:		
Interest income	443	302
Dividend income	1,828	998
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	2,619	1,059
Other	1,037	645
Total non-operating income	5,928	3,006
Non-operating expenses:		
Interest expense	3,213	2,711
Loss on foreign exchange, net	339	1,923
Other	674	374
Total non-operating expenses	4,227	5,009
Ordinary income	23,720	16,024
Extraordinary income:		
Gain on sales of fixed assets	99	20
Gain on sale of affiliate stock	—	3,628
Gain on transfer of business	796	—
Other	83	17
Total extraordinary income	979	3,665
Extraordinary loss:		
Impairment loss on fixed assets	1,248	299
Loss on sales of fixed assets	6	4
Loss on disposals of fixed assets	2,411	341
Other	54	11
Total extraordinary loss	3,721	656
Income before income taxes	20,978	19,033
Income taxes	10,034	6,257
Net income	10,944	12,775
Noncontrolling interests	1,767	1,385
Net income attributable to owners of the parent	9,176	11,389

2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	1st Quarter of FY2014 (From April 1, 2014 to June 30, 2014)	1st Quarter of FY2015 (From April 1, 2015 to June 30, 2015)
Net income	10,944	12,775
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	473	2,250
Deferred gains (losses) on hedging activities, net	1,834	(1,636)
Foreign currency translation adjustments	(1,694)	(15,006)
Defined retirement benefit plans	12	33
Share of other comprehensive income in equity method affiliates	(1,339)	(113)
Total other comprehensive income	(713)	(14,472)
Comprehensive income	10,230	(1,696)
Comprehensive income attributable to:		
Owners of the parent	8,558	(272)
Noncontrolling interests	1,672	(1,424)

(3) Notes to the Consolidated Financial Statements

1) Notes on the Assumption of a Going Concern

None

2) Notes on Significant Changes in Shareholders' Equity

None

3) Consolidated Segment Information

First Quarter of FY2014 (From April 1, 2014 to June 30, 2014)

(a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment				Others	Total	Reconciliation	Consolidated
	Petroleum products	Petro-chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	933,961	181,368	58,239	1,173,569	12,751	1,186,321	—	1,186,321
Inter-segment	2,781	1,512	4	4,298	965	5,264	(5,264)	—
Total	936,743	182,881	58,243	1,177,868	13,717	1,191,585	(5,264)	1,186,321
Operating income	6,844	6,450	9,614	22,908	430	23,339	(1,320)	22,019

Notes:

1. The segment "Others" refers to the total of other business segments that are not included in the reportable segments, including engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments was reconciled to the amount of operating income in the consolidated quarterly statement of income.

(b) Impairment loss on fixed assets and goodwill by reportable segment

There was no significant item during the period.

First Quarter of FY2015 (From April 1, 2015 to June 30, 2015)

(a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment				Others	Total	Reconciliation	Consolidated
	Petroleum products	Petro-chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	730,761	123,377	52,263	906,402	16,389	922,791	—	922,791
Inter-segment	2,882	1,392	5	4,280	1,174	5,455	(5,455)	—
Total	733,644	124,770	52,269	910,683	17,563	928,247	(5,455)	922,791
Operating income	9,700	9,005	145	18,850	789	19,639	(1,612)	18,027

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments was reconciled to the amount of operating income in the consolidated quarterly statement of income.

(b) Changes in the reportable segment

The Idemitsu Group assessed that further enhancement of the coal business in the total value chain from the supply to sales and strengthening of the operational efficiency were required for the Group in response to changes in the environment surrounding the coal business, and consequently changed its business organization on July 1, 2014 in order to operate the coal mining business and coal sales business as a whole.

As a result, the coal sales business is included in the resources segment from the second quarter of fiscal 2014. Previously, the coal sales business was included in the petroleum products segment.

Segment information for the three months ended June 30, 2014 also has been updated to conform to the reportable segments for the three months ended June 30, 2015.

(c) Impairment loss on fixed assets and goodwill by reportable segment

There was no significant item during the period.

4) Significant Subsequent Event

On July 30, 2015, the Company's board of directors meeting reached a resolution to purchase Showa Shell Sekiyu K.K. ("Showa Shell") shares with 33.3% voting rights from subsidiary companies of Royal Dutch Shell plc and a share purchase agreement has been entered into by between the Company and such subsidiary companies on the same day. The details are as follows:

(a) Background for share acquisition

Although the oil business in Japan is a significant industry that ensures national energy security, it is facing various structural challenges such as the medium and long-term fall-off in demand for petroleum products and a low earnings structure caused by overcapacity and excessive competition. Forming competitive business groups that have a solid management foundation, that is, industry consolidation is necessary in order for the oil business to perform its social mission. Given this business environment, the Company has conducted merger discussions with Showa Shell in the context of considering wide-scale strategic options.

Through this share acquisition, the Company would like to advance these merger discussions with Showa Shell even further. The Company firmly believes that Showa Shell is an excellent company with outstanding human resources and a high level of competitiveness and together, both Showa Shell and the Company could maximize their overall corporate value as an "Integrated Energy Company" that possesses a clear-cut growth strategy and market presence by integrating the management resources and know-how of both Showa Shell and the Company.

The Company is aiming for a merger based on a spirit of equals that would lead to benefits for all stakeholders, including customers, business partners, dealers, employees, labor unions, and shareholders of both Showa Shell and the Company.

Both Showa Shell and the Company have agreed to sincerely advance the discussions toward a merger, and the Company would like to progress discussions in good faith with Showa Shell.

(b) Names of sellers

The Shell Petroleum Company Limited
The Anglo-Saxon Petroleum Company Limited

(c) Overview of acquiree

- i. Company name: Showa Shell Sekiyu K.K.
- ii. Main business: oil business and energy solutions business
- iii. Scale:
 - Capital: ¥ 34,197 million
 - Consolidated sales: ¥ 2,997,984 million (fiscal year ended December 31, 2014)

(d) Schedule for share transfer

The transfer of the shares is planned for the first half of 2016.

Note:

Execution of the share transfer is contingent upon the completion of the Japan Fair Trade Commission's corporate merger review, potential merger reviews in a small number of other jurisdictions and other conditions.

(e) Number of shares to be purchased, purchase price, and shareholding after purchase

Number of shares to be purchased: 125,261,200

Purchase price: ¥ 169,103 million (¥ 1,350 per share)

Shareholding after purchase: 33.3% of voting rights

(f) Method of funding share purchase

The share purchase is planned to be funded through borrowings.