

# **Presentation on Results for the 1st Quarter FY 2015**

**Idemitsu Kosan Co.,Ltd.**

**August 4, 2015**



## **1. 1<sup>st</sup> Quarter FY 2015 Financials**

### **(1) Overview**

### **(2) Segment Information**

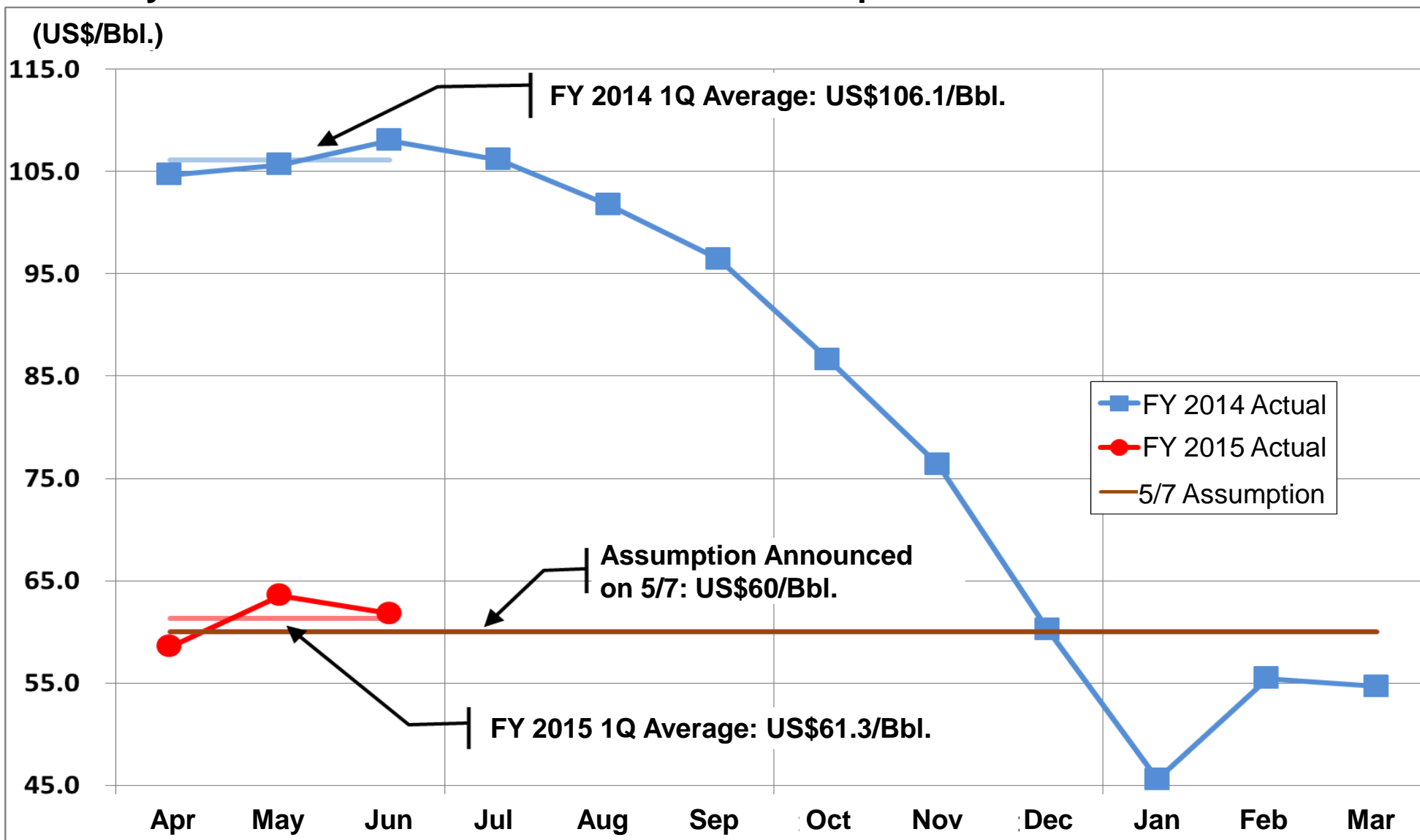
### **(3) Streamlining**

## **2. Reference Materials**

# Crude Oil Price Trends



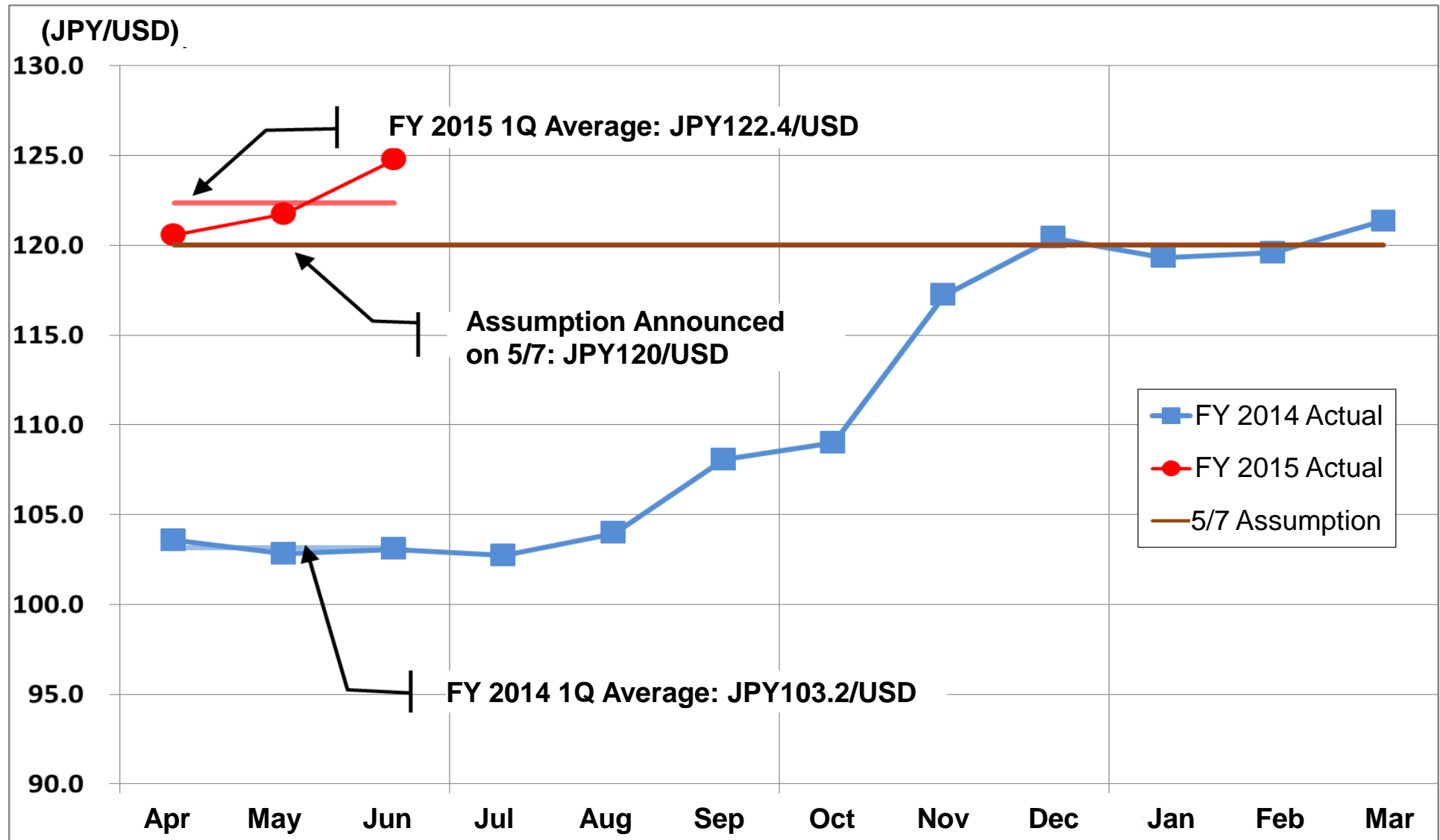
## <Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



# JPY/USD Exchange Rate (TTS) Trends

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



## <1<sup>st</sup> Quarter FY 2015 Financials>

- Operating income decreased by ¥4.0 billion year-on-year, to ¥18.0 billion, as inventory impact and the increase in petrochemical product margins was more than offset by the decrease in crude oil/coal prices and in petroleum product margins
- Net income attributable to owners of the parent increased by ¥2.2 billion year-on-year, to ¥11.4 billion, in part due to extraordinary income of ¥3.0 billion (+¥5.8 billion year-on-year)

## <Forecasts for FY 2015 Performance>

- No change from figures announced on May 7

## **1. 1st Quarter FY 2015 Financials**

# (1) Overview

## 1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2014 1Q	FY2015 1Q	Change	
Crude Oil (DB FOB)	106.1	61.3	(44.8)	(42.2%)
Crude Oil (Brent)	108.2	54.0	(54.2)	(50.1%)
Naphtha Price (Customs)	955	554	(400)	(41.9%)
Exchange Rate (TTS)	103.2	122.4	19.2	18.6%

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

## 2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2014 1Q	FY2015 1Q	Change	
Net Sales	1,186.3	922.8	(263.5)	(22.2%)
Operating Income	22.0	18.0	(4.0)	(18.1%)
<i>(Inventory impact)</i>	(2.6)	6.2	8.8	—
<i>(Excluding inventory impact)</i>	24.6	11.8	(12.8)	(52.1%)
Non-operating Income/Loss	1.7	(2.0)	(3.7)	—
Ordinary Income	23.7	16.0	(7.7)	(32.4%)
Extraordinary Gain/Loss	(2.7)	3.0	5.8	—
Net income attributable to owners of the parent	9.2	11.4	2.2	24.1%

\* 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)

	FY2014 1Q	FY2015 1Q	Change	
<b>Petroleum Products</b>	<b>6.8</b>	<b>9.7</b>	<b>2.9</b>	<b>41.7%</b>
<i>(Excluding inventory impact)</i>	<b>10.1</b>	<b>4.2</b>	<b>(5.8)</b>	<b>(58.0%)</b>
<b>Petrochemical Products</b>	<b>6.5</b>	<b>9.0</b>	<b>2.6</b>	<b>39.6%</b>
<i>(Excluding inventory impact)</i>	<b>5.8</b>	<b>8.3</b>	<b>2.4</b>	<b>41.4%</b>
<b>Resources</b>	<b>9.6</b>	<b>0.1</b>	<b>(9.5)</b>	<b>(98.5%)</b>
<i>Oil Exploration and Production</i>	<b>9.1</b>	<b>1.5</b>	<b>(7.5)</b>	<b>(83.1%)</b>
<i>Coal, etc.</i>	<b>0.5</b>	<b>(1.4)</b>	<b>(1.9)</b>	<b>—</b>
<b>Others</b>	<b>0.4</b>	<b>0.8</b>	<b>0.4</b>	<b>83.2%</b>
<b>Reconciliation</b>	<b>(1.3)</b>	<b>(1.6)</b>	<b>(0.3)</b>	<b>—</b>
<b>Total</b>	<b>22.0</b>	<b>18.0</b>	<b>(4.0)</b>	<b>(18.1%)</b>
<i>(Excluding inventory impact)</i>	<b>24.6</b>	<b>11.8</b>	<b>(12.8)</b>	<b>(52.1%)</b>

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

\* FY2014 1Q results are adjusted for the FY2014 2Q reclassification of the coal sales business



## (2) Segment Information



### 2) Factors Causing Changes in Operating Income (YoY)

(Units: ¥ billions)

#### **Petroleum Products** **+2.9**

Decrease in Product Margins, etc. Inventory Impact	(8.4) +8.7	Refinery fuel costs/Streamlining	+2.6
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#### **Petrochemical Products** **+2.6**

Sales Volume/Product Margins	+2.1	Refinery fuel costs/Streamlining	+0.5
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#### **Oil Exploration and Production** **(7.5)**

Sales Volume/Price-related	(10.2)	Exploration Costs/Foreign Exchange	+2.7
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#### **Coal, etc. / Others** **(1.9)**

Sales Volume/Price-related	(7.3)	Cost-related/Foreign Exchange	+5.4
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### (3) Status of Streamlining Efforts



(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.

1.0

6.0

2.1

6.0

#### Petrochemical Products

- Enhanced efficiency in facilities management etc.

1.0

2.0

1.2

2.0

#### Resources

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

7.0

9.0

7.5

9.0

#### Costs at Indirect Divisions

- Streamlining of administrative divisions, etc.

4.0

5.0

4.2

5.0

#### Total

13.0

22.0

15.0

22.0

## **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 2015 1Q Net Sales by Segment

(Units: ¥ billions)

	FY2014 1Q	FY2015 1Q	Change	
Petroleum Products	934.0	730.8	(203.2)	(21.8%)
Petrochemical Products	181.4	123.4	(58.0)	(32.0%)
Resources	58.2	52.3	(6.0)	(10.3%)
<i>Oil Exploration and Production</i>	26.3	20.2	(6.1)	(23.3%)
<i>Coal, etc.</i>	31.9	32.1	0.2	0.5%
Others/Reconciliation	12.8	16.4	3.6	28.5%
<b>Total</b>	<b>1,186.3</b>	<b>922.8</b>	<b>(263.5)</b>	<b>(22.2%)</b>

\* FY2014 1Q results are adjusted for the FY2014 2Q reclassification of the coal sales business

# 1. Financial Reporting

## (2) Extraordinary Gains/Losses

(Units: ¥ billions)

		FY2014 1Q	FY2015 1Q	Change
	Gain on Sale of Fixed Assets	0.1	0.0	(0.1)
	Gain on transfer of business	0.8	-	(0.8)
	Gain on Sale of Affiliate Stock	-	3.6	3.6
	Other	0.1	0.0	(0.1)
Total Extraordinary Gains		1.0	3.7	2.7
	Loss on Sale and disposals of Fixed Assets	2.4	0.3	(2.1)
	Impairment Losses	1.2	0.3	(0.9)
	Other	0.1	0.0	(0.1)
Total Extraordinary Losses		3.7	0.7	(3.1)
Total Extraordinary Gains/Losses		(2.7)	3.0	5.8

# 1. Financial Reporting



## (3) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2015	6/30/2015	Change		3/31/2015	6/30/2015	Change
Cash and Deposits	113.0	93.9	(19.0)	Payables	366.6	336.5	(30.0)
Receivables	321.7	305.3	(16.4)	Short-term Borrowings	403.5	455.0	51.5
Inventories	513.8	534.1	20.3	Other Current Liabilities	357.5	329.6	(27.9)
Other Current Assets	136.5	112.7	(23.8)	<b>Total Current Liabilities</b>	<b>1,127.6</b>	<b>1,121.2</b>	<b>(6.5)</b>
				Long-term Borrowings	602.7	565.0	(37.7)
				Other Fixed Liabilities	370.3	347.9	(22.4)
<b>Total Current Assets</b>	<b>1,084.9</b>	<b>1,046.0</b>	<b>(38.9)</b>	<b>Total Fixed Liabilities</b>	<b>973.0</b>	<b>912.9</b>	<b>(60.1)</b>
Tangible Fixed Assets	1,135.7	1,116.6	(19.1)	<b>Total Liabilities</b>	<b>2,100.6</b>	<b>2,034.1</b>	<b>(66.5)</b>
(Land)	589.5	588.4	(1.1)	Shareholders' Equity	391.7	400.1	8.3
(Other)	546.3	528.2	(18.1)	Other Comprehensive Income	195.5	184.6	(11.0)
Other Fixed Assets	510.3	498.1	(12.2)	Noncontrolling interests	43.1	42.0	(1.1)
<b>Total Fixed Assets</b>	<b>1,646.1</b>	<b>1,614.7</b>	<b>(31.4)</b>	<b>Total Net Assets</b>	<b>630.4</b>	<b>626.7</b>	<b>(3.7)</b>
<b>Total Assets</b>	<b>2,731.0</b>	<b>2,660.7</b>	<b>(70.3)</b>	<b>Total Liabilities and Net Assets</b>	<b>2,731.0</b>	<b>2,660.7</b>	<b>(70.3)</b>

Total Interest-bearing Debt	1,006.2	1,020.0	13.8
Equity Ratio	21.5%	22.0%	0.5%

## 2. Sensitivity

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

<b>Petroleum Products</b>	Decrease in refinery fuel costs, etc.	¥ 0.4 billion
	Inventory impact	( ¥ 2.6 billion)
		( ¥ 2.2 billion)
<b>Oil Exploration &amp; Production</b>		( ¥ 0.7 billion)

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

<b>Petroleum Products</b>	Increase in refinery fuel costs, etc.	( ¥ 0.2 billion)
	Inventory impact	¥ 1.2 billion
		¥ 1.0 billion
<b>Oil Exploration &amp; Production</b>		—

\* 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) Sales Volume (Domestic Fuel Oil Sales Volume: Non-consolidated)

(Units: Thousand KL, %)

	FY 2014 1Q	FY 2015 1Q	Change	
<b>Gasoline</b>	<b>1,977</b>	<b>2,018</b>	<b>41</b>	<b>+2.1%</b>
(Premium-Unleaded)	224	226	2	+0.9%
(Regular-Unleaded)	1,753	1,792	39	+2.2%
<b>Naphtha</b>	<b>77</b>	<b>66</b>	<b>(11)</b>	<b>(14.0%)</b>
<b>Jet Fuel</b>	<b>420</b>	<b>369</b>	<b>(51)</b>	<b>(12.1%)</b>
<b>Kerosene</b>	<b>382</b>	<b>371</b>	<b>(11)</b>	<b>(2.8%)</b>
<b>Diesel Oil</b>	<b>1,548</b>	<b>1,539</b>	<b>(9)</b>	<b>(0.6%)</b>
<b>Heavy Fuel Oil A</b>	<b>684</b>	<b>612</b>	<b>(72)</b>	<b>(10.5%)</b>
<b>Heavy Fuel Oil C</b>	<b>571</b>	<b>630</b>	<b>59</b>	<b>+10.3%</b>
<b>Toal Domestic Sales Volume</b>	<b>5,659</b>	<b>5,605</b>	<b>(54)</b>	<b>(0.9%)</b>
<b>Exported Volume</b>	<b>808</b>	<b>613</b>	<b>(195)</b>	<b>(24.1%)</b>
(General Exports)	213	104	(109)	(51.0%)
<b>Total Sales Volume</b>	<b>6,467</b>	<b>6,219</b>	<b>(248)</b>	<b>(3.8%)</b>

### 3. Sales and Production

#### (2) Sales Volume (Petrochemical Products: Non-consolidated)

(Units:Thousand tons, %)

	FY 2014 1Q	FY 2015 1Q	Change	
Petrochemical Products-Total	815	725	(90)	(11.0%)
(Basic Chemicals)	803	714	(89)	(11.1%)
(Performance Chemicals)	12	11	(1)	(8.8%)

#### (3) Sales Volume (Lubricants)

(Units:Thousand KL,%)

	FY 2014 1Q	FY 2015 1Q	Change	
Lubricants	247	271	24	+9.7%

\*Includes sales of overseas licenses

### 3. Sales and Production

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

(Units:Thousand BOED)

	FY 2014 1Q	FY 2015 1Q	Change	
Norway	27.4	27.2	(0.2)	(0.9%)
United Kingdom	2.6	4.7	2.2	85.0%
Vietnam	0.3	0.4	0.1	29.2%
<b>Total('000BOED)</b>	<b>30.3</b>	<b>32.3</b>	<b>2.0</b>	<b>6.7%</b>
<b>Total('000BOE)</b>	<b>2,727</b>	<b>2,909</b>	<b>182</b>	<b>6.7%</b>

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

#### (5) Coal – Production Volume

(Units:Thousand tons)

	FY 2014 1Q	FY 2015 1Q	Change	
Ensham	980	750	(230)	(23.4%)
Muswellbrook	301	407	106	35.3%
Boggabri	1,201	1,207	6	0.5%
Tarawonga	112	139	27	23.8%
<b>Sub Total</b>	<b>2,594</b>	<b>2,503</b>	<b>(91)</b>	<b>(3.5%)</b>
Malinau	-	219	219	-
<b>Total Production Volume</b>	<b>2,594</b>	<b>2,722</b>	<b>128</b>	<b>4.9%</b>

\*Figures based on interest owned by Idemitsu Group

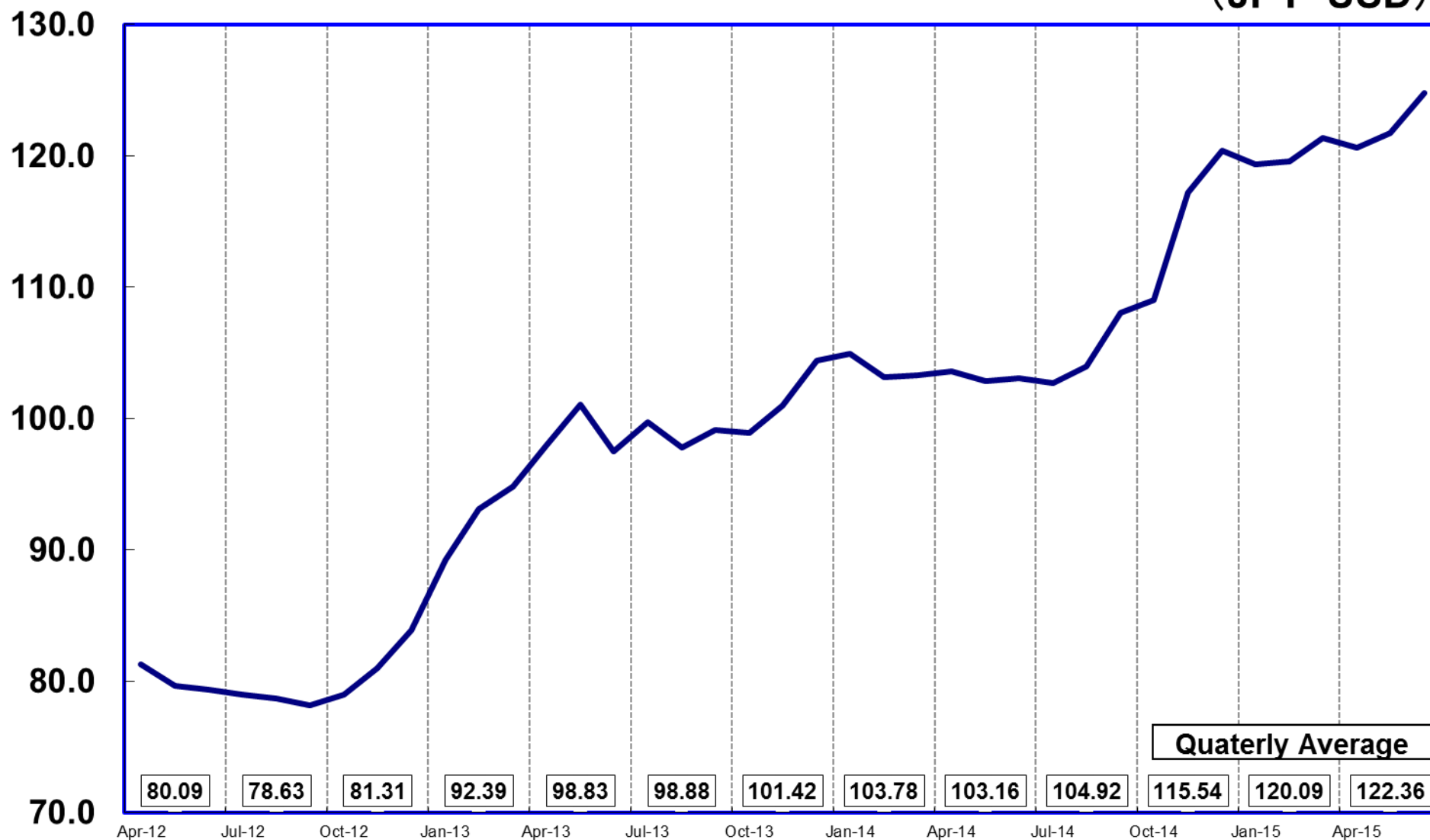
\*Fiscal years for Oil Exploration and Production and Australian coal operations end in December

## 4. Foreign Exchange

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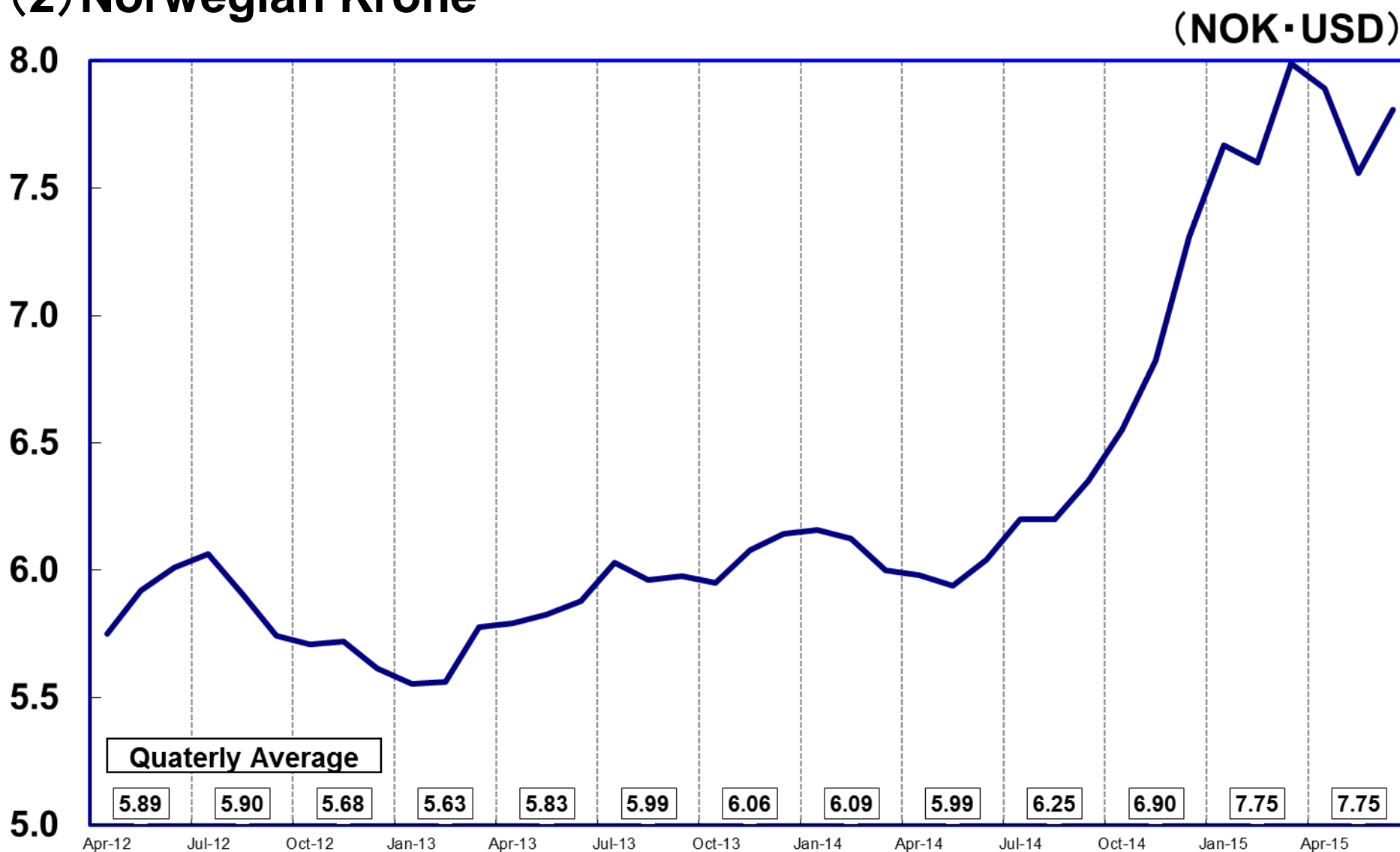
(1)USD

(JPY・USD)



# 4. Foreign Exchange

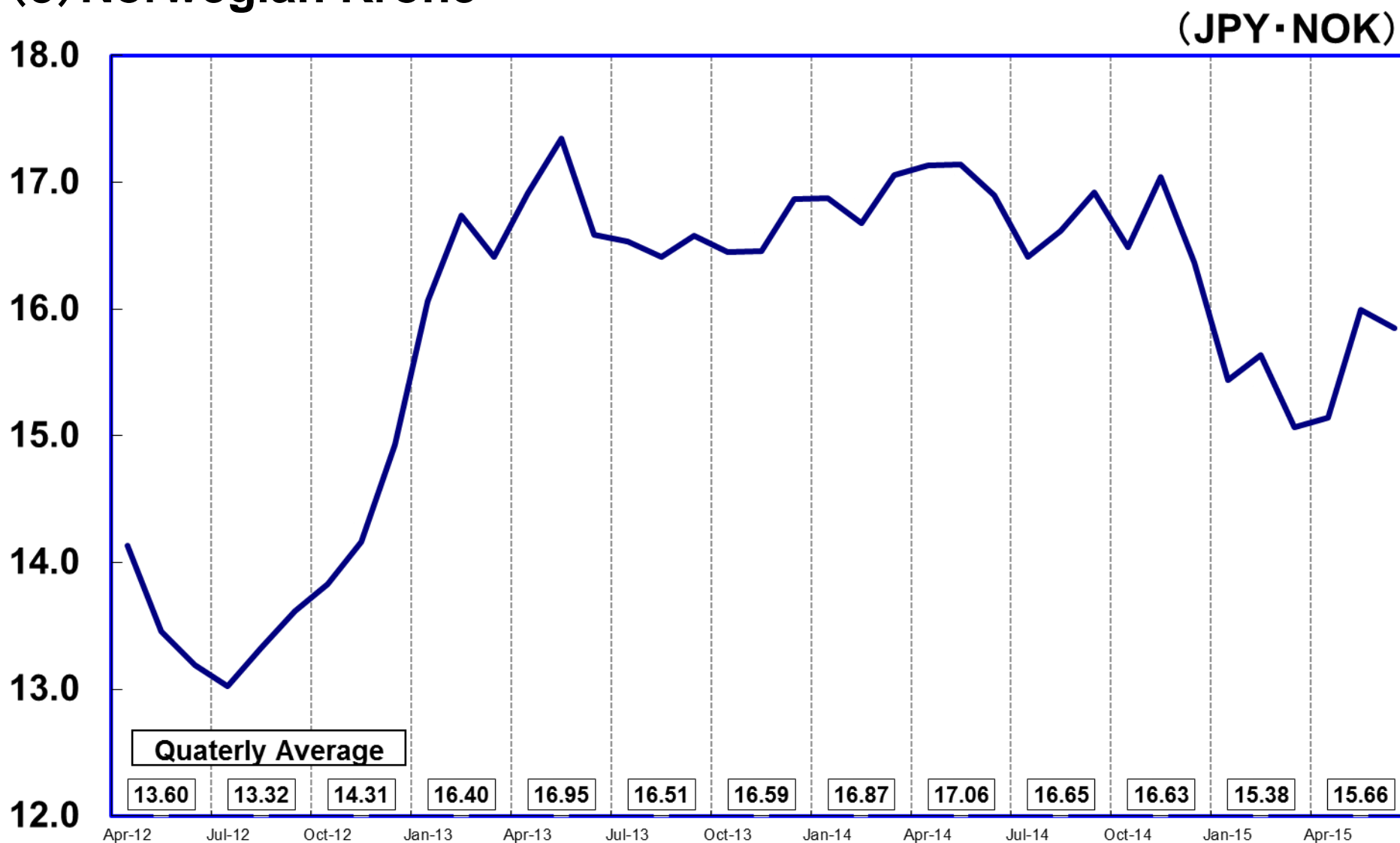
## (2) Norwegian Krone



## 4. Foreign Exchange

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### (3) Norwegian Krone

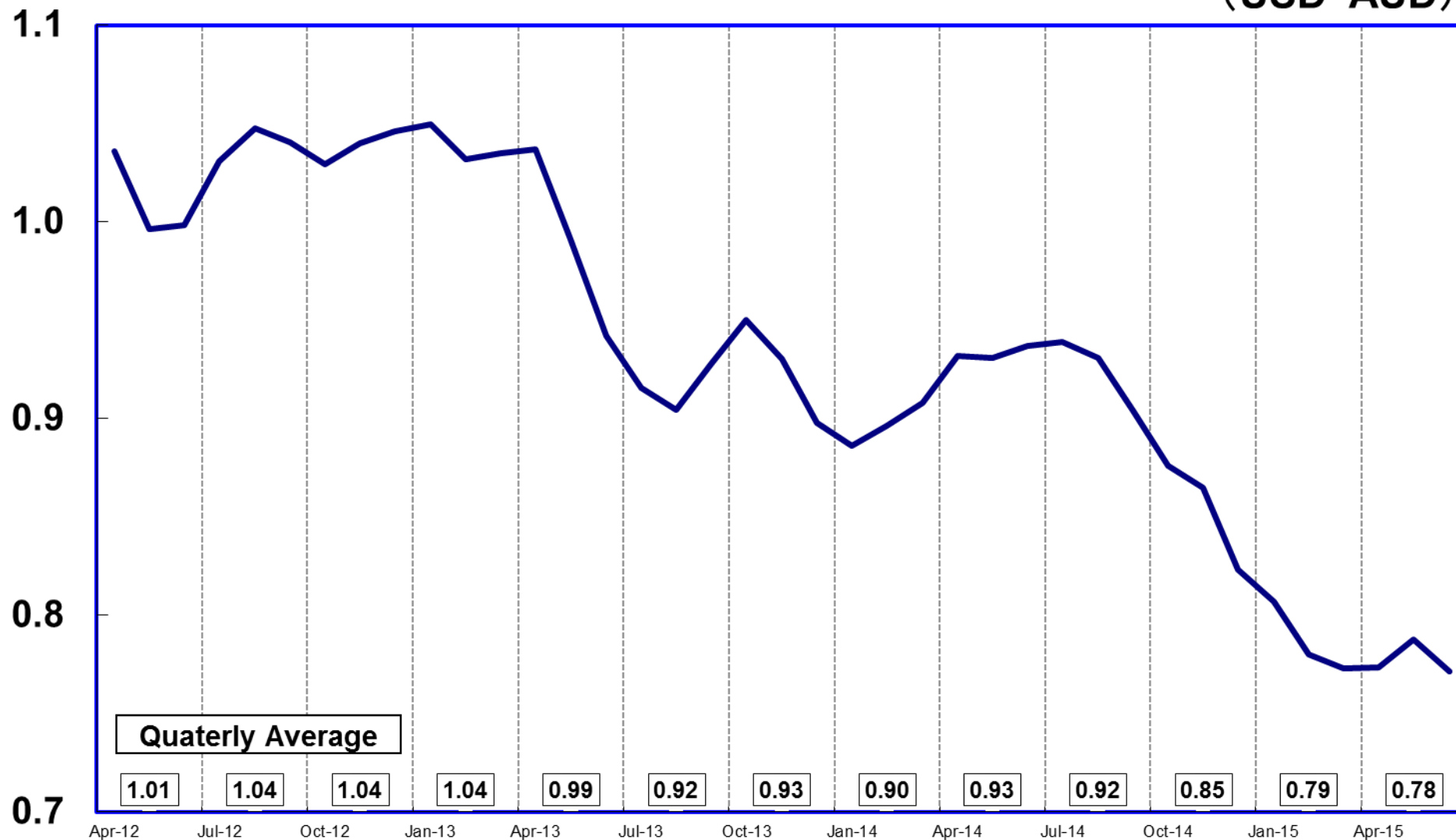


## 4. Foreign Exchange

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### (4) Australian Dollar

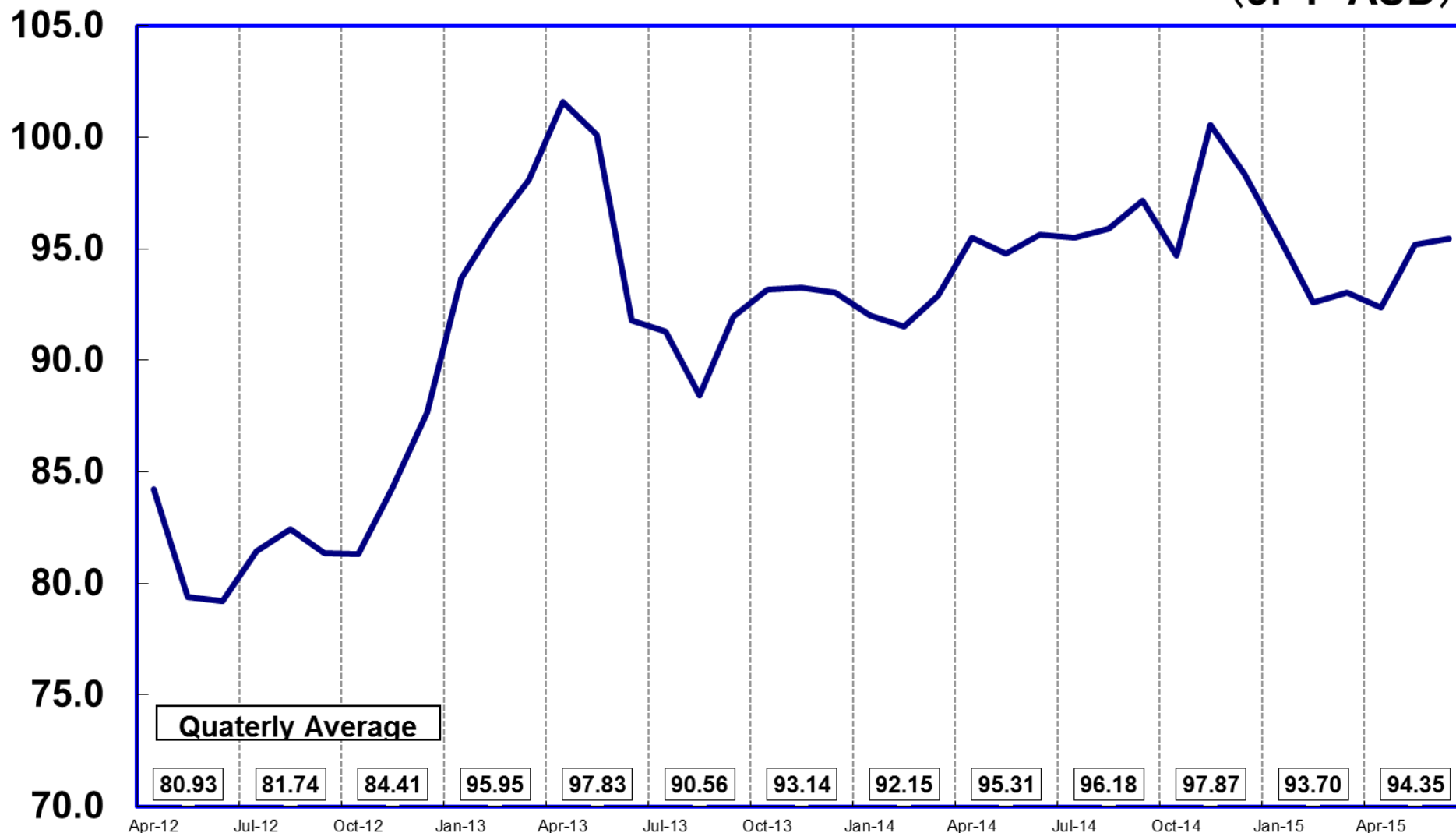
(USD·AUD)



## 4. Foreign Exchange

### (5) Australian Dollar

(JPY・AUD)

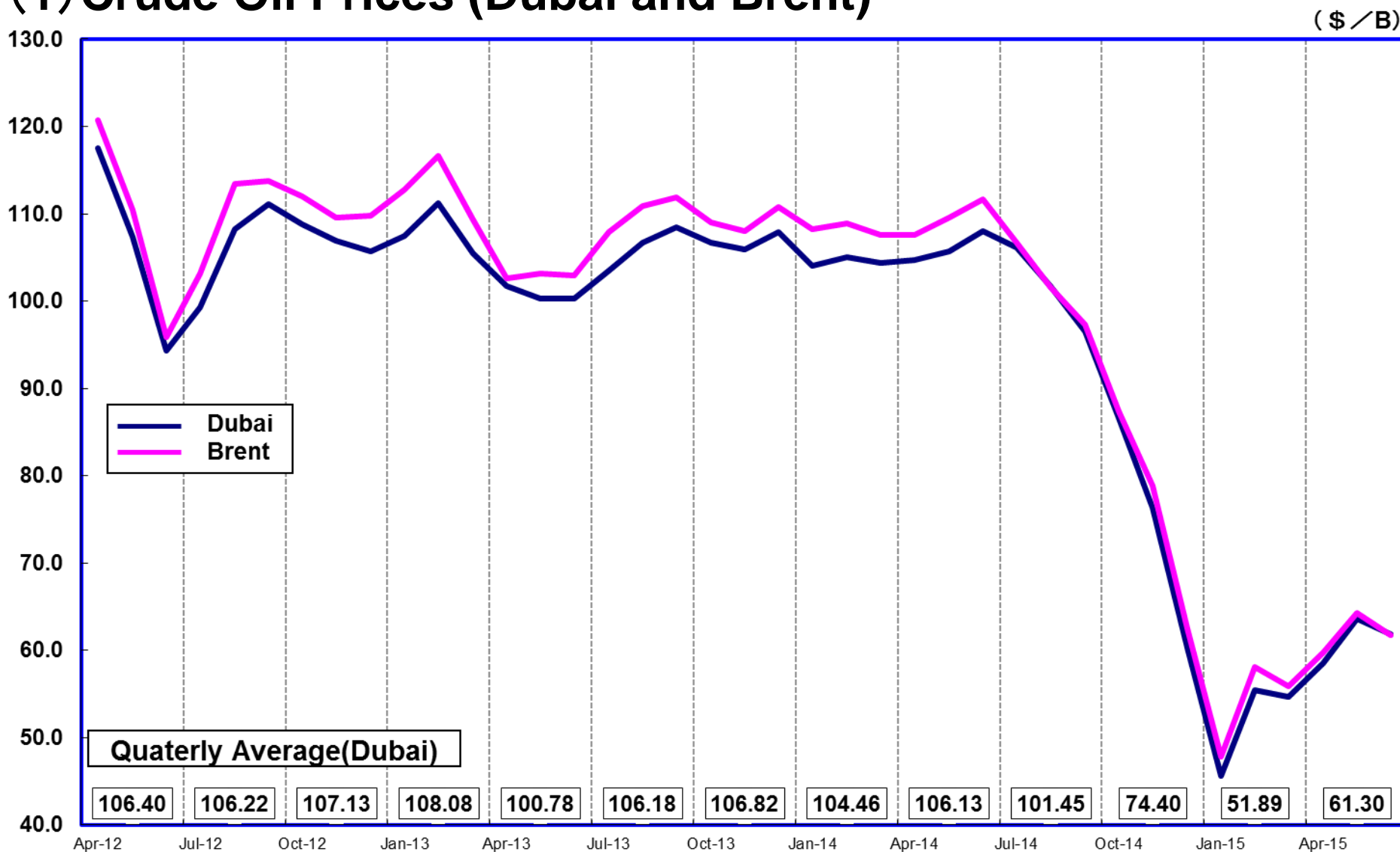




# 5. Market Conditions

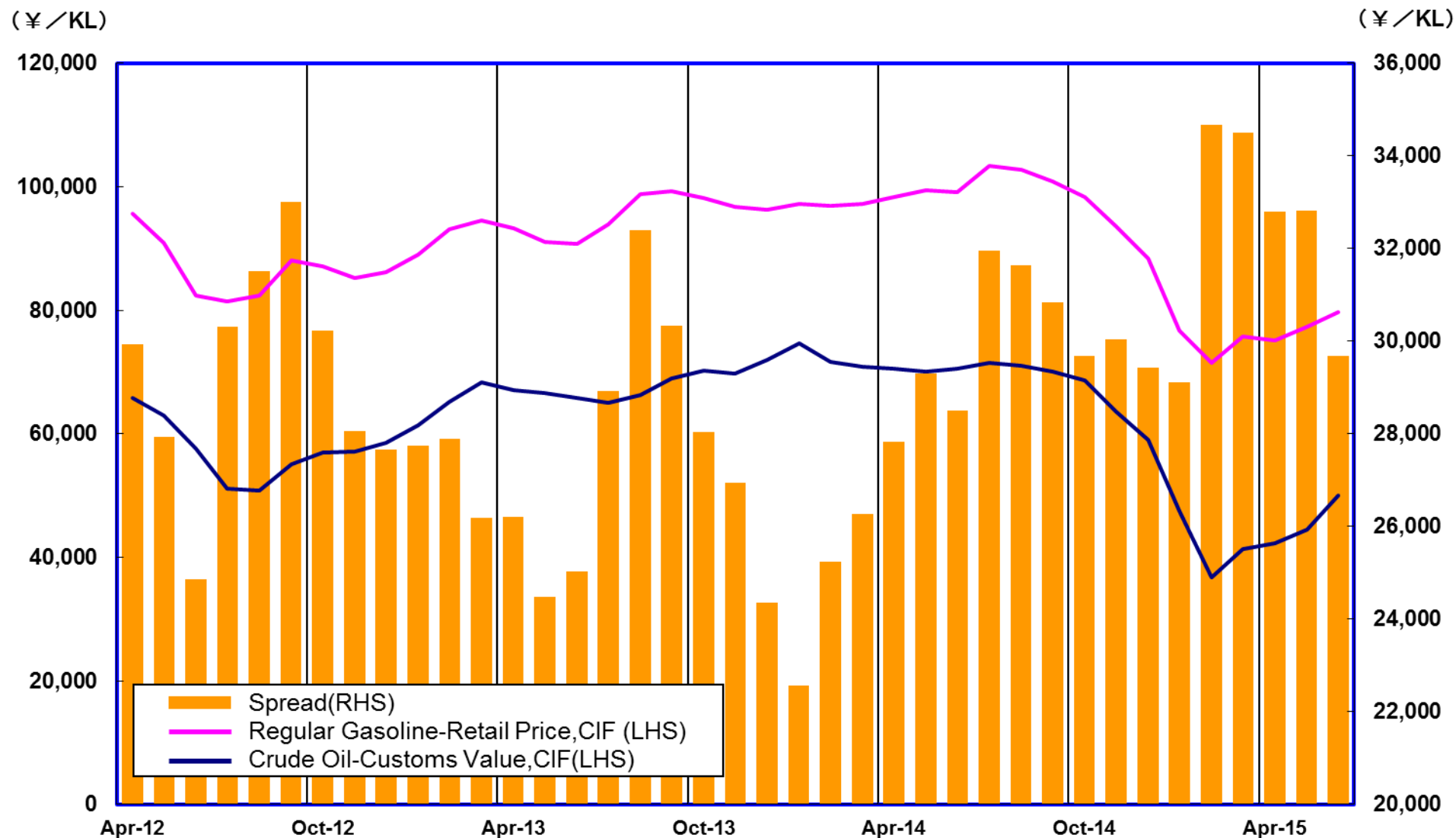
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## (1) Crude Oil Prices (Dubai and Brent)



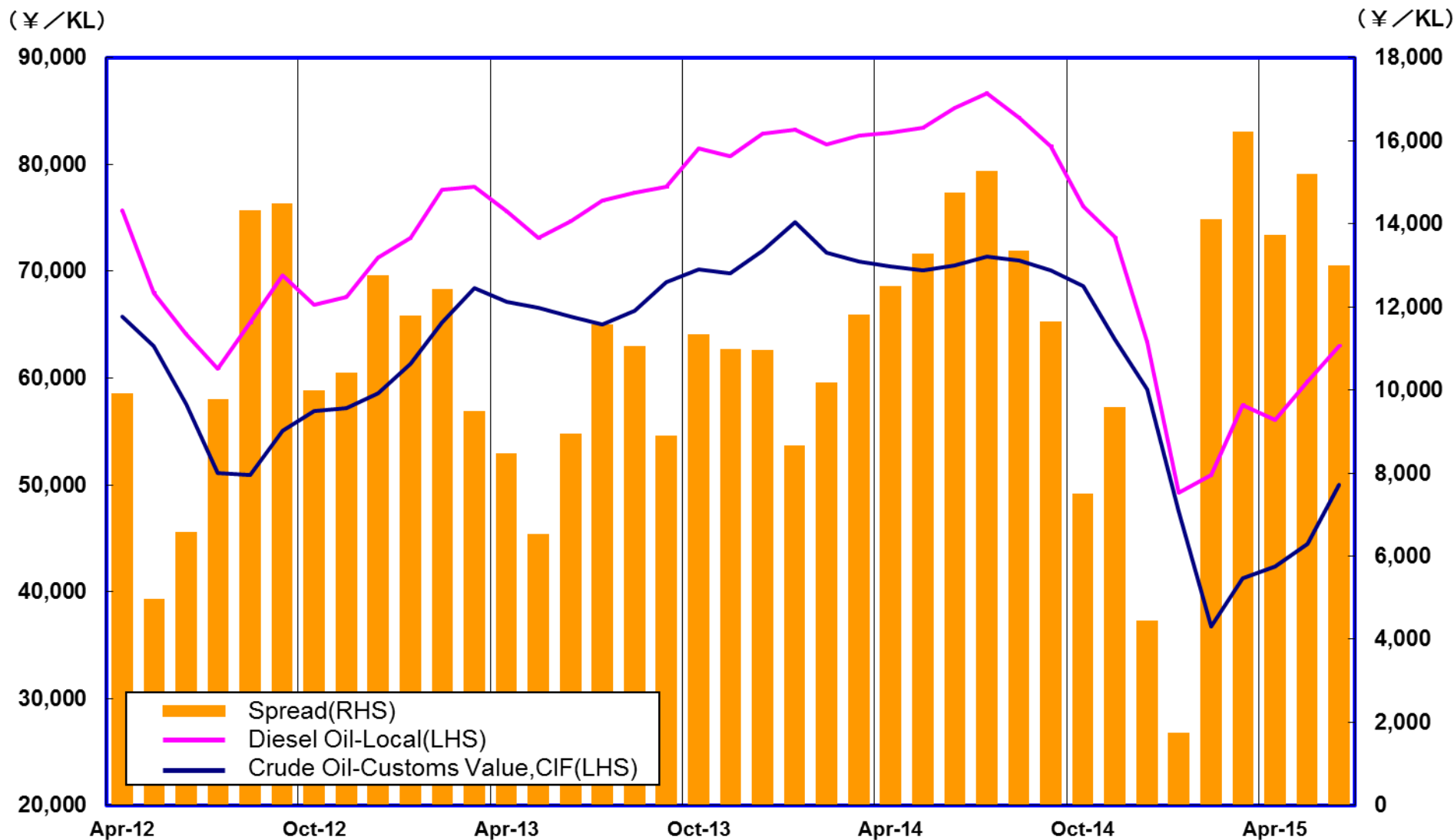
# 5. Market Conditions

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



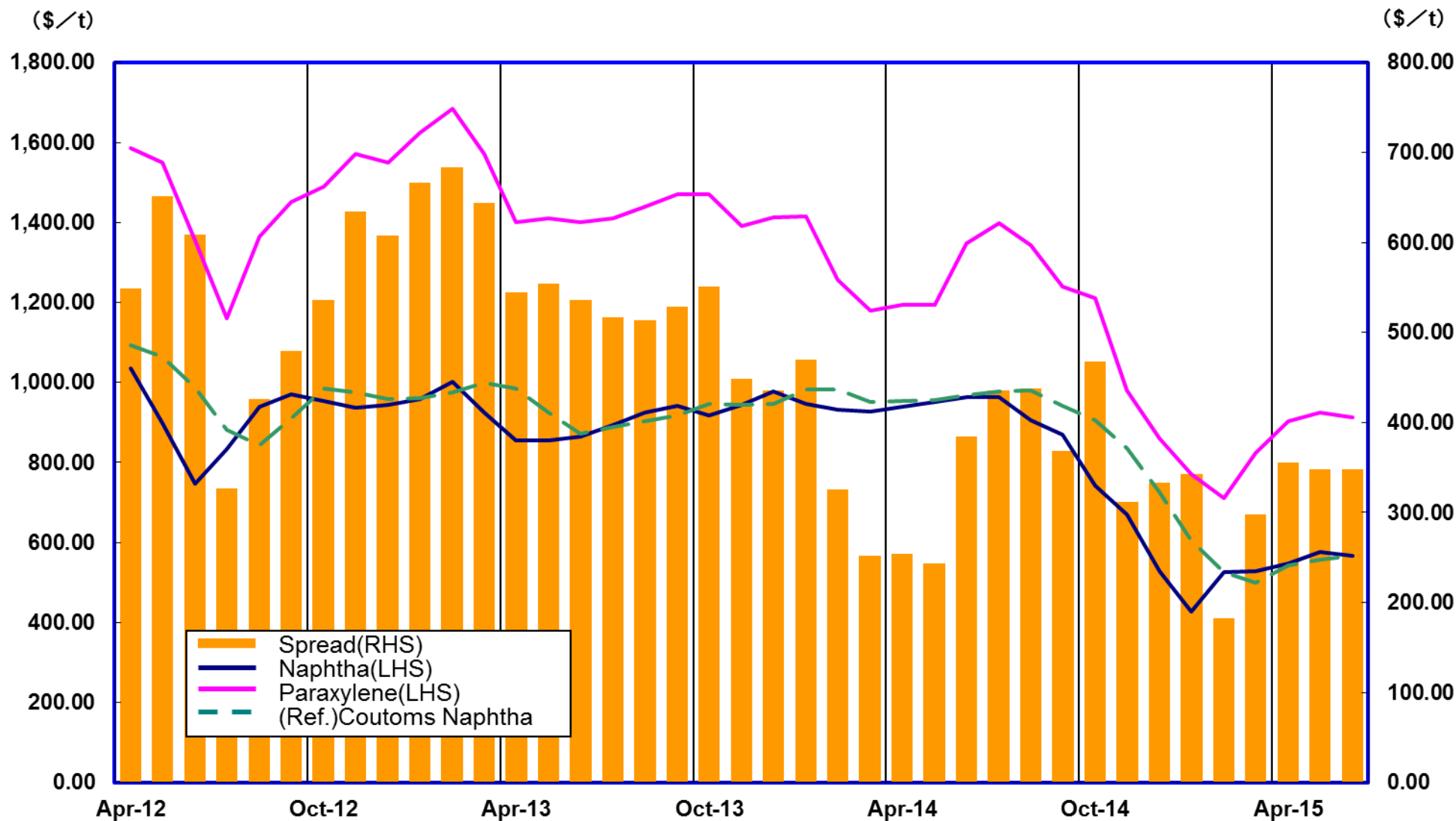
# 5. Market Conditions

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



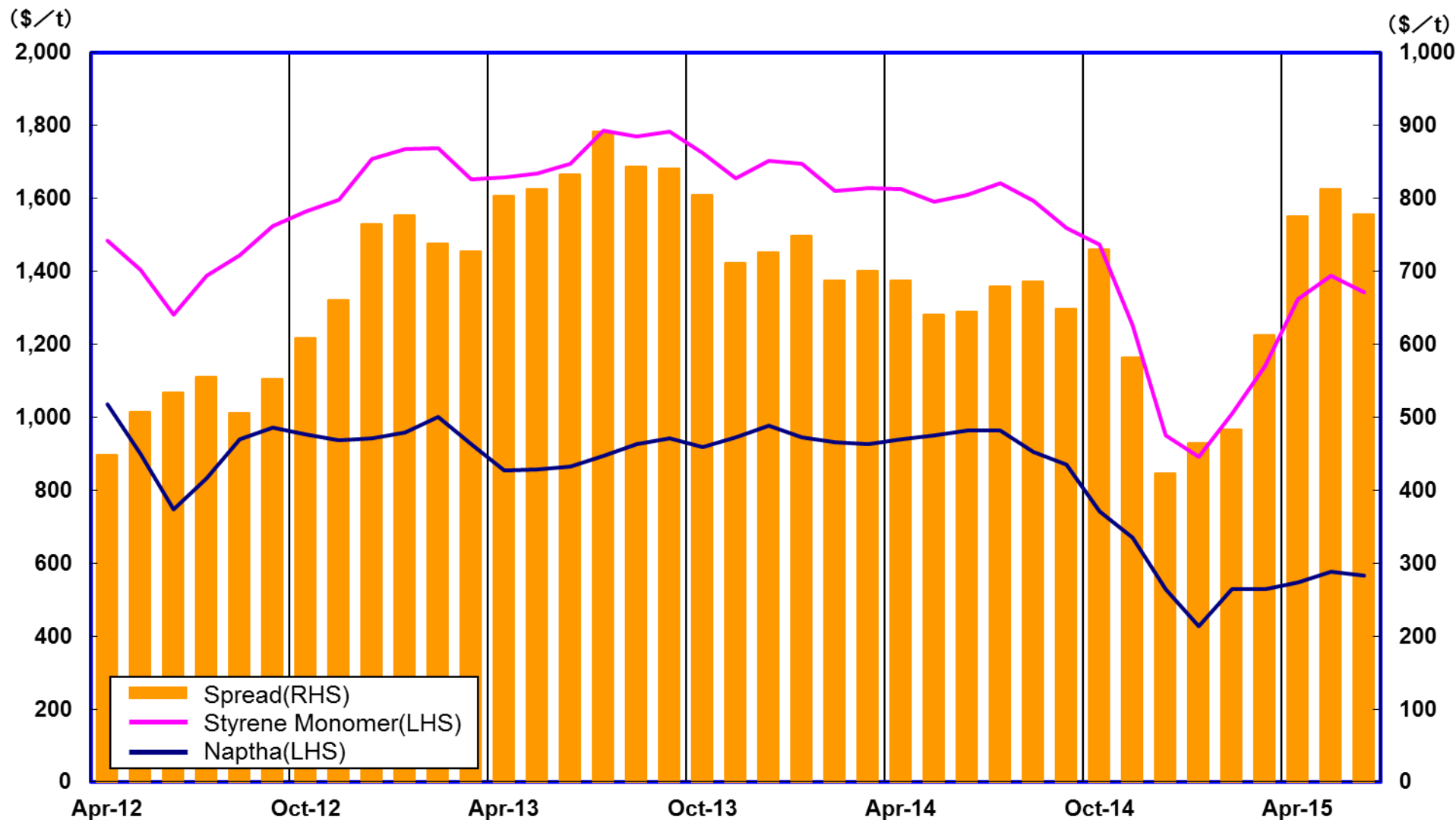
# 5. Market Conditions

## (4) Paraxylene, Naptha (Prices and Spreads)

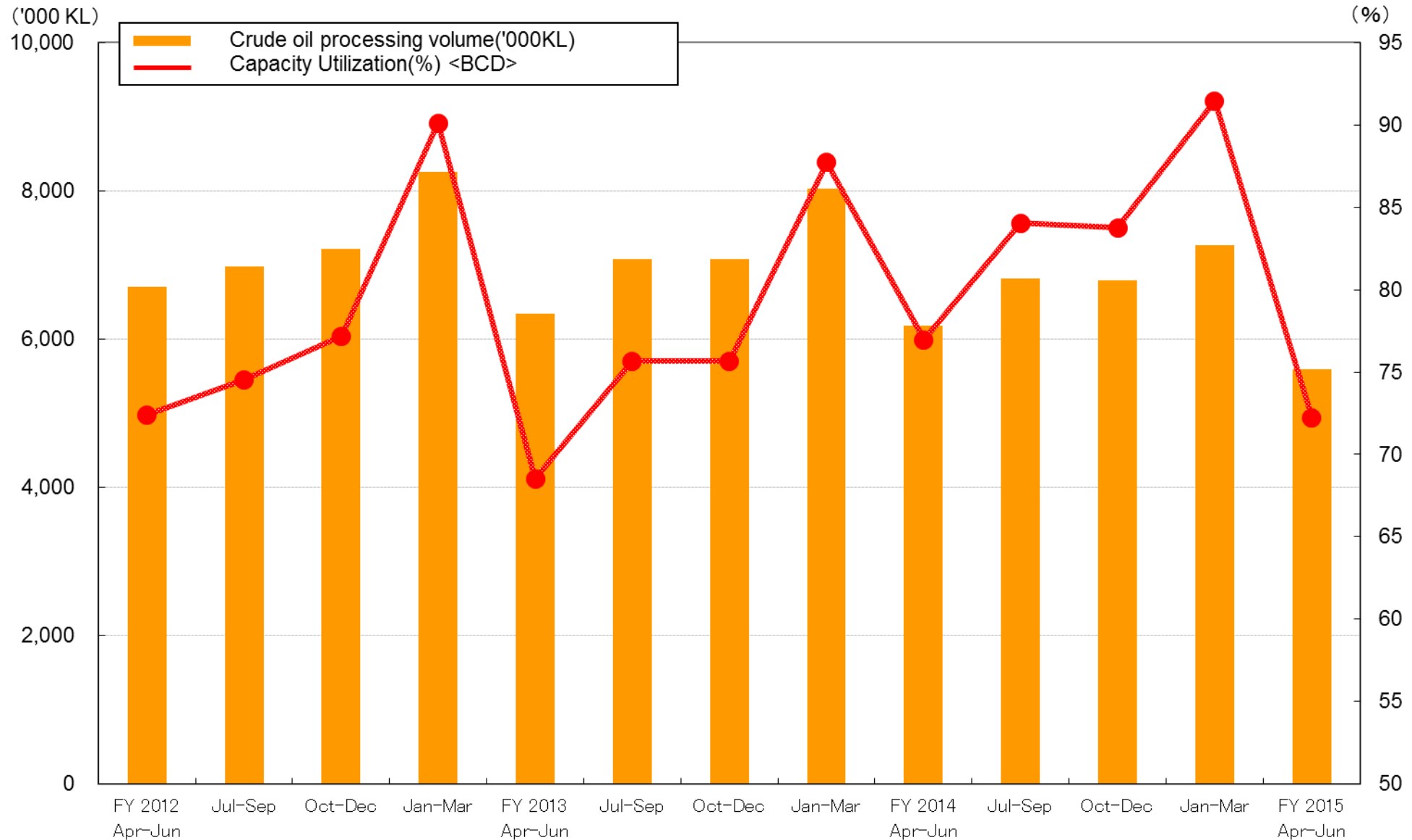


# 5. Market Conditions

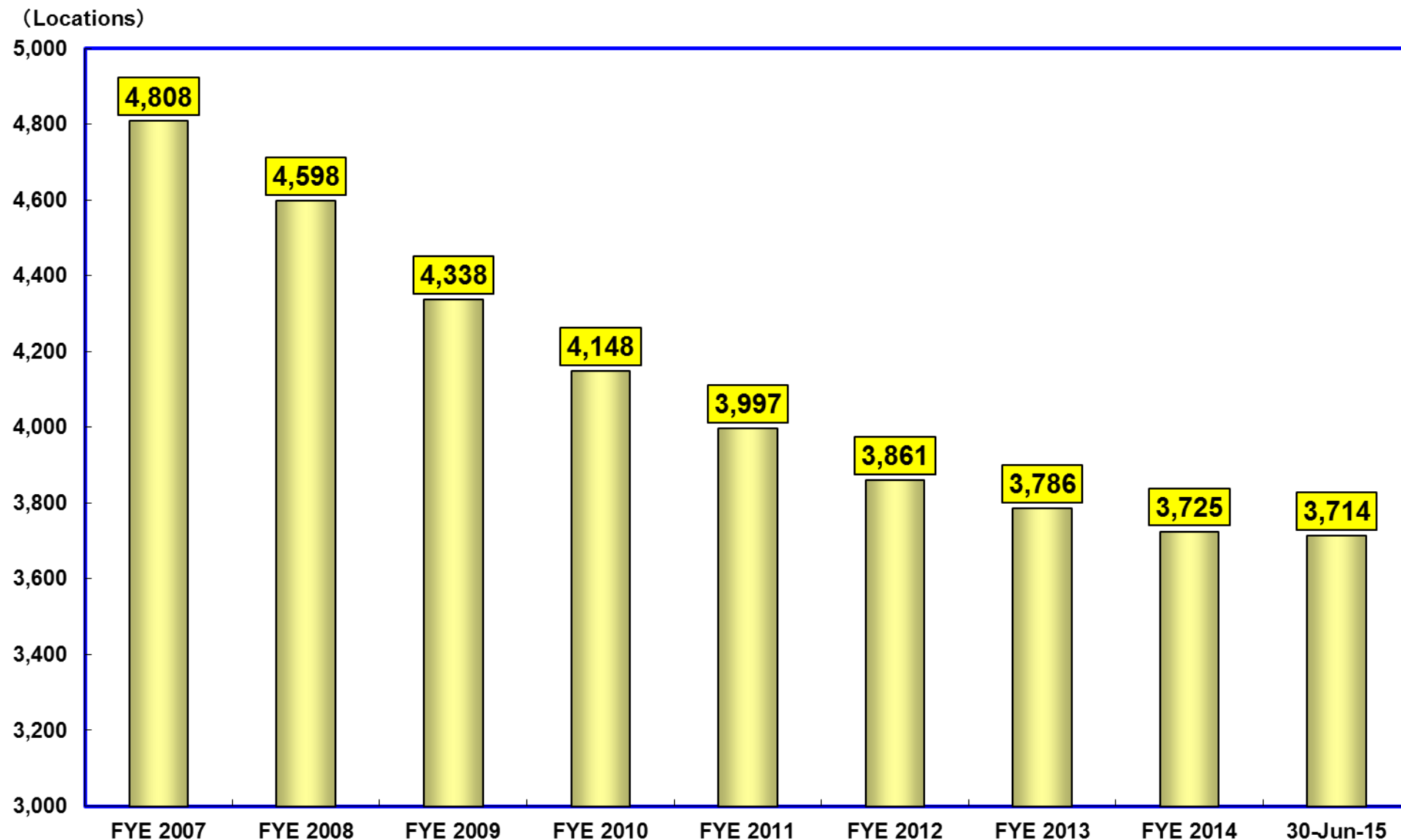
## (5) Styrene Monomer, Naptha (Prices and Spreads)



## 6. Capacity Utilization at Refineries



# 7. Number of Service Stations



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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