

Presentation on Results for the 2nd Quarter FY 2015

Idemitsu Kosan Co.,Ltd.

November 4, 2015



1. 2nd Quarter FY 2015 Financials

(1) Overview

(2) Segment Information

(3) Streamlining

2. Forecast for FY 2015 Performance

(1) Overview

(2) Segment Information

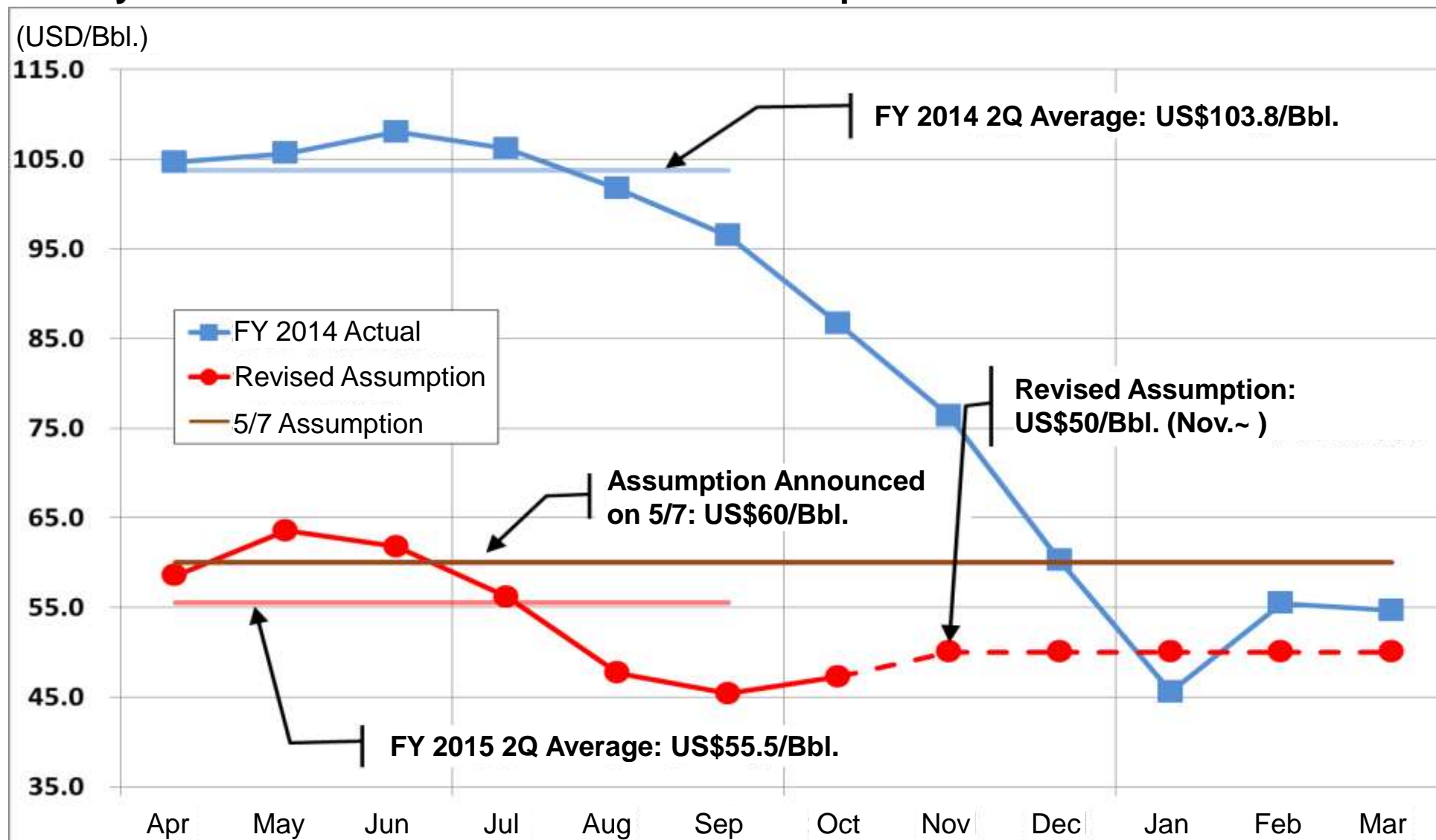
(3) Streamlining

3. Reference Materials

Crude Oil Price Trends



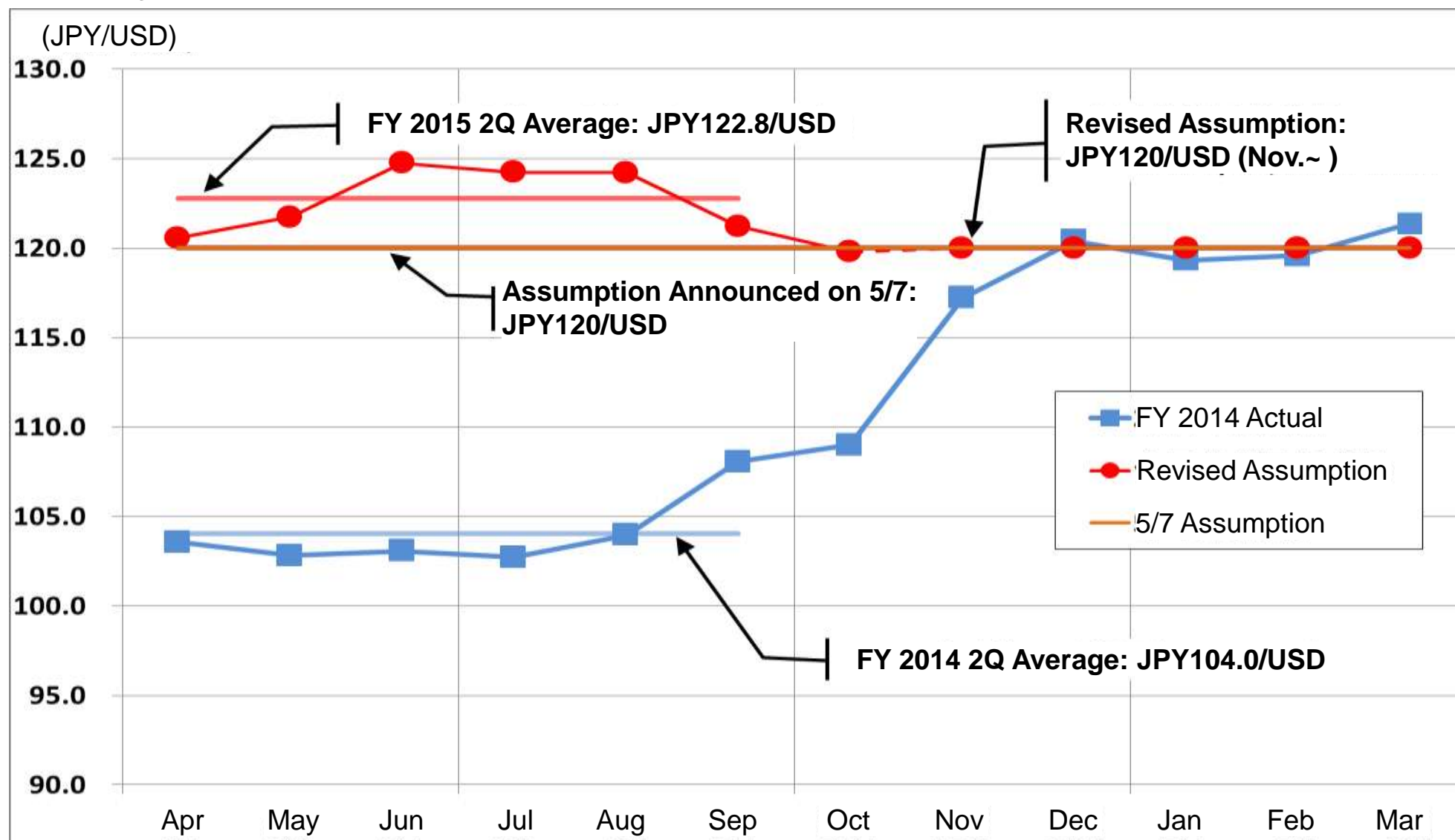
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends



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



<2nd Quarter FY 2015 Financials>

- There was a significant negative inventory impact of ¥38.4 billion (-¥32.1 billion year-on-year) due to the rapid fall in crude oil prices since July
- Operating and net income attributable to owners of the parent decreased to a loss of ¥10.3 billion (-¥53.9 billion year-on-year) and a loss of ¥6.6 billion (-¥25.4 billion year-on-year), respectively, as increased profits from improved petrochemical product margins and foreign exchange-related factors in the resources segment were more than offset by inventory valuation losses and reduced petroleum product margins

<Forecast for FY 2015 Performance>

- The average annual Dubai crude oil price assumption was revised downward from \$60/bbl. to \$52.8/bbl. We forecast inventory valuation losses of ¥43.0 billion (revised downward by ¥43.0 billion from the previous forecast)
- We forecast operating income excluding inventory impact of ¥83.0 billion (revised downward by ¥9.0 billion from the previous forecast) as the impact of decreased petroleum product margins in the first half is expected to more than offset the increase from improved petrochemical product margins
- As a result of the above, we forecast FY 2015 operating income of ¥40 billion (revised downward by ¥52.0 billion from the previous forecast) and net income attributable to owners of the parent of ¥28.0 billion (revised downward by ¥28.0 billion)

1. 2nd Quarter FY 2015 Financials

(1) Overview



1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2014 2Q	FY2015 2Q	Change	
Crude Oil (DB FOB)	103.8	55.5	(48.3)	(46.5%)
Crude Oil (Brent)	108.9	57.9	(51.0)	(46.8%)
Naphtha Price (Customs)	961	544	(417)	(43.4%)
Exchange Rate (TTS)	104.0	122.8	18.8	18.1%

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2014 2Q	FY2015 2Q	Change	
Net Sales	2,416.0	1,866.1	(549.9)	(22.8%)
Operating Income	43.6	(10.3)	(53.9)	—
<i>(Inventory impact)</i>	(6.4)	(38.4)	(32.1)	—
<i>(Excluding inventory impact)</i>	49.9	28.1	(21.8)	(43.7%)
Non-operating Income/Loss	2.1	(2.0)	(4.0)	—
Ordinary Income	45.7	(12.2)	(57.9)	—
Extraordinary Gain/Loss	(4.1)	0.7	4.8	—
Net income attributable to owners of the parent	18.8	(6.6)	(25.4)	—

* 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)

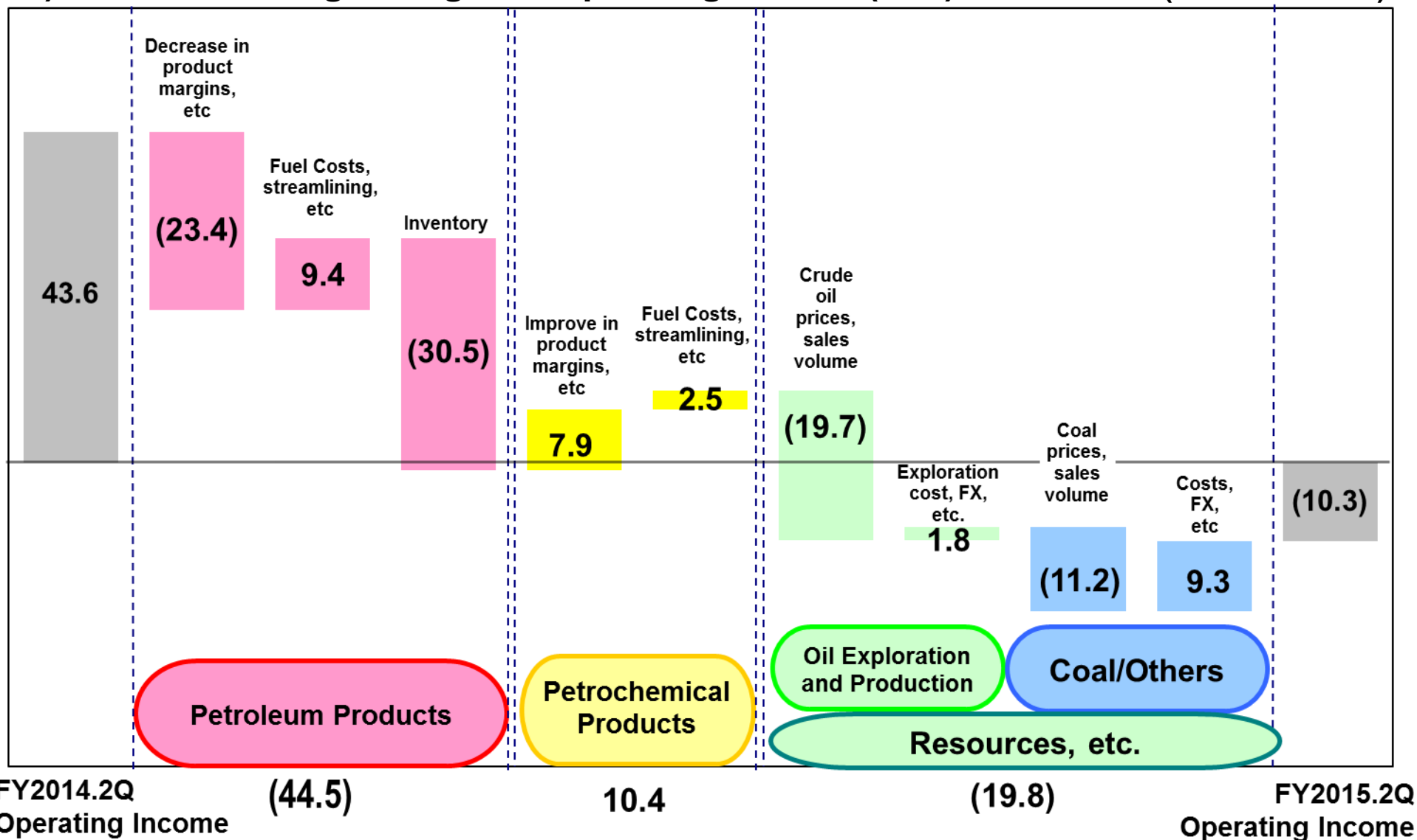
	FY2014 2Q	FY2015 2Q	Change	
Petroleum Products	12.8	(31.7)	(44.5)	—
<i>(Excluding inventory impact)</i>	<i>20.4</i>	<i>6.4</i>	<i>(14.0)</i>	<i>(68.6%)</i>
Petrochemical Products	11.8	22.2	10.4	88.0%
<i>(Excluding inventory impact)</i>	<i>10.6</i>	<i>22.6</i>	<i>12.0</i>	<i>113.0%</i>
Resources	18.9	(1.2)	(20.1)	—
<i>Oil Exploration and Production</i>	<i>17.8</i>	<i>(0.1)</i>	<i>(17.9)</i>	<i>—</i>
<i>Coal, etc.</i>	<i>1.1</i>	<i>(1.1)</i>	<i>(2.1)</i>	<i>—</i>
Others	1.8	2.5	0.6	35.1%
Reconciliation	(1.7)	(2.1)	(0.4)	—
Total	43.6	(10.3)	(53.9)	—
<i>(Excluding inventory impact)</i>	<i>49.9</i>	<i>28.1</i>	<i>(21.8)</i>	<i>(43.7%)</i>

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

(2) Segment Information

2) Factors Causing Changes in Operating Income (YoY)

(Units: ¥ billions)



2. Forecast for FY 2015 Performance

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	May-7 Forecast	Revised Forecast	Difference	
Crude Oil (DB FOB)	60.0	52.8	(7.2)	(12.0%)
Crude Oil (Brent)	61.0	54.8	(6.2)	(10.2%)
Naphtha Price (Customs)	524	495	(29)	(5.5%)
Exchange Rate (TTS)	120.0	121.4	1.4	1.2%

Assumptions (Nov~)
50.0
53.0
447
120.0

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	May-7 Forecast	Revised Forecast	Difference	
Net Sales	4,350.0	4,090.0	(260.0)	(6.0%)
Operating Income	92.0	40.0	(52.0)	(56.5%)
<i>(Inventory impact)</i>	0.0	(43.0)	(43.0)	—
<i>(Excluding inventory impact)</i>	92.0	83.0	(9.0)	(9.8%)
Non-operating Income/Loss	(3.0)	(1.0)	2.0	—
Ordinary Income	89.0	39.0	(50.0)	(56.2%)
Extraordinary Gain/Loss	2.0	2.0	0.0	0.0%
Net income attributable to owners of the parent	56.0	28.0	(28.0)	(50.0%)

* 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)

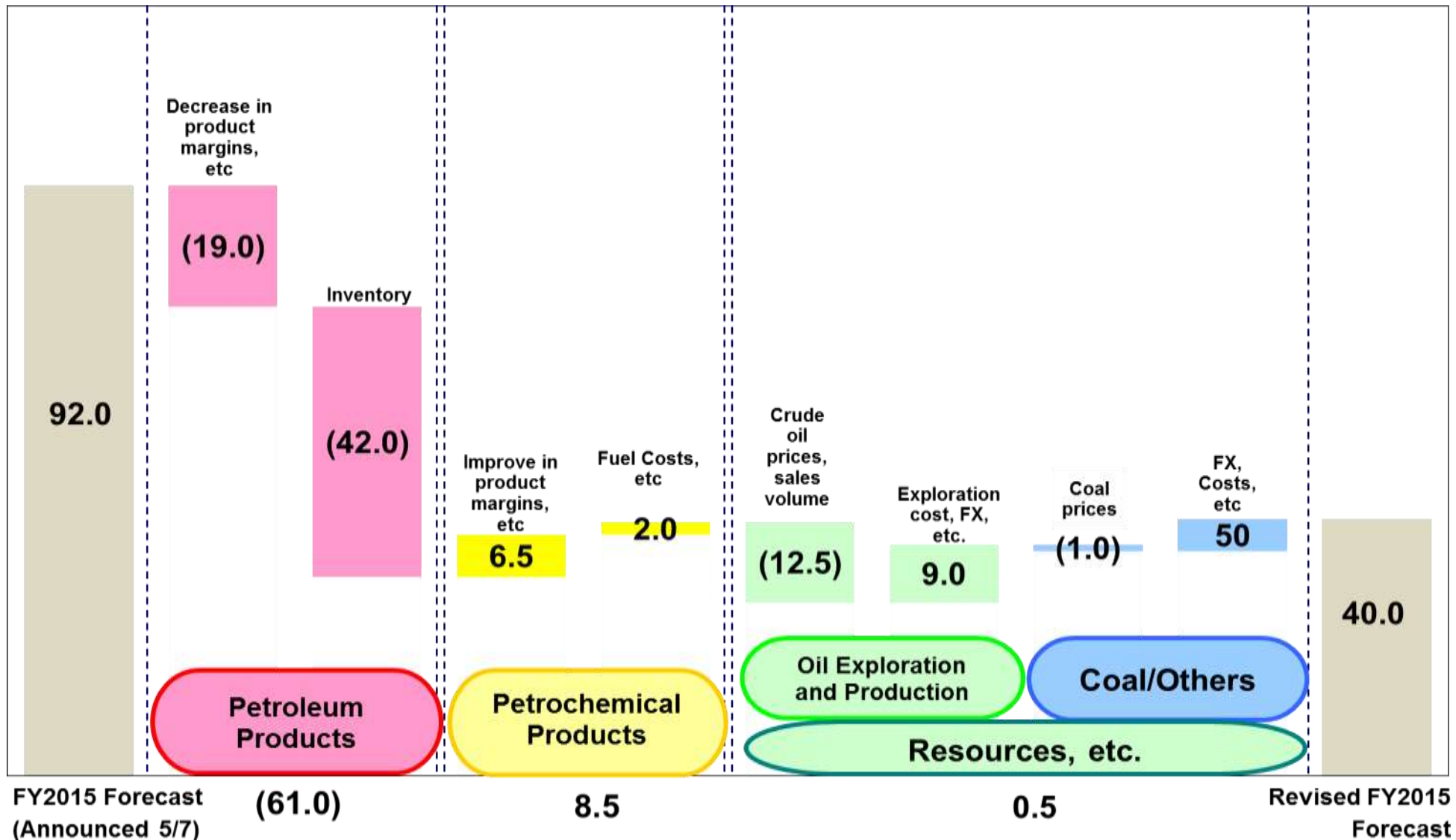
	May-7 Forecast	Revised Forecast	Difference	
Petroleum Products	80.0	19.0	(61.0)	(76.3%)
<i>(Excluding inventory impact)</i>	<i>80.0</i>	<i>61.0</i>	<i>(19.0)</i>	<i>(23.8%)</i>
Petrochemical Products	15.5	24.0	8.5	54.8%
<i>(Excluding inventory impact)</i>	<i>15.5</i>	<i>25.0</i>	<i>9.5</i>	<i>61.3%</i>
Resources	(4.5)	(4.0)	0.5	—
<i>Oil Exploration and Production</i>	<i>1.0</i>	<i>(2.5)</i>	<i>(3.5)</i>	<i>—</i>
<i>Coal, etc.</i>	<i>(5.5)</i>	<i>(1.5)</i>	<i>4.0</i>	<i>—</i>
Others	4.5	4.5	0.0	0.0%
Reconciliation	(3.5)	(3.5)	0.0	—
Total	92.0	40.0	(52.0)	(56.5%)
<i>(Excluding inventory impact)</i>	<i>92.0</i>	<i>83.0</i>	<i>(9.0)</i>	<i>(9.8%)</i>

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

(2) Segment Information

2) Factors Causing Changes in Operating Income (vs. 5/7 Forecast)

(Units: ¥ billions)



(3) Status of Streamlining Efforts



(Units: ¥ billions)

* Cost reduction targets and progress vs. FY 2012	(Reference) FY2014 Actual	FY2015 Target	FY2015 2Q Actual	FY2015 Forecast
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. 	1.0	6.0	3.5	6.0
Petrochemical Products <ul style="list-style-type: none"> Enhanced efficiency in facilities management etc. 	1.0	2.0	1.5	2.0
Resources <ul style="list-style-type: none"> Enhanced efficiency at Australian coal mines Streamlining of oil exploration and production operations etc. 	7.0	9.0	8.0	9.0
Costs at Indirect Divisions <ul style="list-style-type: none"> Streamlining of administrative divisions, etc. 	4.0	5.0	4.5	5.0
Total	13.0	22.0	17.5	22.0

3. Reference Materials

1. Financial Reporting

(1) Net Sales by Segment

(2) Extraordinary Gains/Losses

(3) Consolidated Balance Sheet

(4) Consolidated Statement of Cash Flows

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 2015 2Q Net Sales by Segment

(Units: ¥ billions)

	FY2014 2Q	FY2015 2Q	Change	
Petroleum Products	1,922.2	1,466.7	(455.5)	(23.7%)
Petrochemical Products	347.8	267.2	(80.6)	(23.2%)
Resources	120.3	101.2	(19.1)	(15.9%)
<i>Oil Exploration and Production</i>	52.2	33.9	(18.3)	(35.0%)
<i>Coal, etc.</i>	68.2	67.3	(0.9)	(1.3%)
Others/Reconciliation	25.7	31.0	5.3	20.6%
Total	2,416.0	1,866.1	(549.9)	(22.8%)

1. Financial Reporting



(1) – 2. FY2015 Net Sales Forecast by Segment

(Units: ¥ billions)

	May-7 Forecast	Revised Forecast	Difference	
Petroleum Products	3,560.0	3,310.0	(250.0)	(7.0%)
Petrochemical Products	460.0	470.0	10.0	2.2%
Resources	260.0	240.0	(20.0)	(7.7%)
<i>Oil Exploration and Production</i>	102.0	90.0	(12.0)	(11.8%)
<i>Coal, etc.</i>	158.0	150.0	(8.0)	(5.1%)
Others/Reconciliation	70.0	70.0	0.0	0.0%
Total	4,350.0	4,090.0	(260.0)	(6.0%)

1. Financial Reporting

(2) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY2014 2Q	FY2015 2Q	Change
Gain on Sale of Fixed Assets	0.4	0.2	(0.2)
Gain on Transfer of business	0.8	—	(0.8)
Gain on Sale of Affiliate Stock	—	3.6	3.6
Other	0.1	0.0	(0.0)
Total Extraordinary Gains	1.3	3.9	2.6
Loss on Sale and Depletion of Fixed Assets	3.0	1.2	(1.8)
Impairment Losses	1.6	0.4	(1.1)
Loss on business of subsidiaries and affiliates	0.0	1.4	1.4
Other	0.8	0.1	(0.6)
Total Extraordinary Losses	5.4	3.1	(2.3)
Total Extraordinary Gains/Losses	(4.1)	0.7	4.8

1. Financial Reporting



(3) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2015	9/30/2015	Change		3/31/2015	9/30/2015	Change
Cash and Deposits	113.0	94.4	(18.6)	Payables	366.6	316.5	(50.0)
Receivables	321.7	306.5	(15.2)	Short-term Borrowings	403.5	443.8	40.2
Inventory	513.8	497.9	(15.9)	Other Current Liabilities	357.5	338.5	(19.0)
Other Current Assets	136.5	137.8	1.3	Total Current Liabilities	1,127.6	1,098.8	(28.8)
				Long-term Borrowings	602.7	600.8	(1.8)
				Other Fixed Liabilities	370.3	361.5	(8.9)
Total Current Assets	1,084.9	1,036.6	(48.4)	Total Fixed Liabilities	973.0	962.3	(10.7)
Tangible Fixed Assets	1,135.7	1,152.3	16.6	Total Liabilities	2,100.6	2,061.1	(39.5)
(Land)	589.5	588.4	(1.1)	Shareholders' Equity	391.7	382.1	(9.6)
(Other)	546.3	563.9	17.6	Other Comprehensive Income	195.5	189.7	(5.9)
Other Fixed Assets	510.3	487.4	(22.9)	Noncontrolling Interests	43.1	43.4	0.2
Total Fixed Assets	1,646.1	1,639.7	(6.4)	Total Net Assets	630.4	615.2	(15.2)
Total Assets	2,731.0	2,676.3	(54.7)	Total Liabilities and Net Assets	2,731.0	2,676.3	(54.7)

Total Interest-bearing Debt	1,006.2	1,044.6	38.4
Equity Ratio	21.5%	21.4%	(0.1%)

1. Financial Reporting

(4) Consolidated Statement of Cash Flows

(Units: ¥ billions)

	FY2014 2Q	FY2015 2Q	Change
CF from Operating Activities	71.1	9.9	(61.2)
Net Income before Tax Adjustments	41.6	(11.5)	(53.1)
Depreciation Expense	31.5	37.4	6.0
Increase in Sales Receivables and Inventory	25.2	36.3	11.1
Other	(27.2)	(52.3)	(25.1)
CF from Investing Activities	(83.1)	(57.2)	25.8
Purchase of Tangible Fixed Assets	(63.8)	(34.9)	28.9
Other	(19.3)	(22.4)	(3.1)
CF from Financing Activities	(63.6)	29.8	93.4
Increase (Decrease) in Borrowings, etc.	(60.4)	33.9	94.3
Other	(3.2)	(4.1)	(0.9)
Translation Gains/Losses	2.9	(0.8)	(3.7)
Increase in Cash and Cash Equivalents	(72.7)	(18.3)	54.3
Cash and Cash Equivalents - Beginning Balance	160.0	111.2	(48.8)
Cash and Cash Equivalents - Ending Balance	87.3	92.9	5.5

2. Sensitivity

(1) Impact of a US\$1/bbl Decrease in Crude Oil Prices on Earnings (November onwards)

Petroleum Products	Decrease in refinery fuel costs, etc.	¥ 0.2 billion
	Inventory impact	(¥ 2.0 billion)
		(¥ 1.8 billion)
Oil Exploration & Production		(¥ 0.4 billion)

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

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.1 billion)
	Inventory impact	¥ 1.0 billion
		¥ 0.9 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 2014 2Q	FY 2015 2Q	Change	
Gasoline	4,163	4,210	47	1.1%
(Premium-Unleaded)	463	468	4	1.0%
(Regular-Unleaded)	3,700	3,743	43	1.2%
Naphtha	144	126	(18)	(12.2%)
Jet Fuel	851	807	(44)	(5.2%)
Kerosene	657	634	(23)	(3.4%)
Diesel Oil	3,077	3,057	(19)	(0.6%)
Heavy Fuel Oil A	1,259	1,145	(114)	(9.0%)
Heavy Fuel Oil C	1,222	1,213	(9)	(0.7%)
Toal Domestic Sales Volume	11,372	11,193	(179)	(1.6%)
Exported Volume	1,418	1,724	305	21.5%
(General Exports)	341	619	278	81.6%
Total Sales Volume	12,791	12,917	126	1.0%

3. Sales and Production



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

(Units: Thousand tons, %)

	FY 2014 2Q	FY 2015 2Q	Change	
Petrochemical Products-Total	1,548	1,549	1	0.1%
(Basic Chemicals)	1,525	1,527	2	0.1%
(Performance Chemicals)	23	22	(1)	(4.5%)

(1) — 3. Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2014 2Q	FY 2015 2Q	Change	
Lubricants	513	546	34	6.6%

*Includes sales of overseas licenses

3. Sales and Production



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

(Units:Thousand BOED)

	FY 2014 2Q	FY 2015 2Q	Change	
Norway	25.4	27.5	2.1	8.2%
United Kingdom	2.5	4.8	2.3	92.5%
Vietnam	0.2	0.4	0.2	106.8%
Total('000BOED)	28.1	32.6	4.6	16.3%
Total('000BOE)	5,081	5,909	829	16.3%

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

(1) —5. Coal – Production Volume

(Units:Thousand tons)

	FY 2014 2Q	FY 2015 2Q	Change	
Ensham	1,830	1,443	(387)	(21.1%)
Muswellbrook	702	868	166	23.6%
Boggabri	2,433	2,744	311	12.8%
Tarawonga	338	306	(32)	(9.5%)
Sub Total	5,302	5,360	58	1.1%
Malinau	-	527	-	-
Total Production Volume	5,302	5,887	585	11.0%

*Figures based on interest owned by Idemitsu Group

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

3. Sales and Production



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

(Units: Thousand KL, %)

	May-7 Forecast	Revised Forecast	Difference	
Gasoline	8,300	8,300	0	0.0%
(Premium-Unleaded)	910	910	0	0.0%
(Regular-Unleaded)	7,390	7,390	0	0.0%
Naphtha	200	250	50	25.0%
Jet Fuel	1,530	1,560	30	2.0%
Kerosene	3,000	3,020	20	0.7%
Diesel Oil	6,200	6,190	(10)	(0.2%)
Heavy Fuel Oil A	2,790	2,730	(60)	(2.2%)
Heavy Fuel Oil C	2,480	2,590	110	4.4%
Toal Domestic Sales Volume	24,500	24,640	140	0.6%
Exported Volume	3,160	3,480	320	10.1%
(General Exports)	890	1,120	230	25.8%
Total Sales Volume	27,660	28,120	460	1.7%

3. Sales and Production



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

(Units: Thousand tons, %)

	May-7 Forecast	Revised Forecast	Difference	
Petrochemical Products-Total	3,350	3,330	(20)	(0.6%)
(Basic Chemicals)	3,300	3,290	(10)	(0.3%)
(Performance Chemicals)	50	40	(10)	(20.0%)

(2) — 3. Sales Forecasts (Lubricants)

(Units: Thousand KL, %)

	May-7 Forecast	Revised Forecast	Difference	
Lubricants	1,210	1,150	(60)	(5.0%)

*Includes sales of overseas licenses

3. Sales and Production



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

(Units: Thousand BOED)

	May-7 Forecast	Revised Forecast	Difference	
Norway	33.8	30.6	(3.2)	(9.4%)
United Kingdom	4.8	4.3	(0.5)	(10.7%)
Vietnam	0.5	0.4	(0.1)	(21.2%)
Total('000BOED)	39.1	35.3	(3.8)	(9.7%)
Total('000BOE)	14,280	12,900	(1,380)	(9.7%)

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

(2) – 5. Coal – Production Volume Forecasts

(Units: Thousand tons)

	May-7 Forecast	Revised Forecast	Difference	
Ensham	3,390	3,320	(70)	(2.1%)
Muswellbrook	1,460	1,460	0	0.0%
Boggabri	5,570	5,690	120	2.2%
Tarawonga	560	600	40	7.1%
Sub Total	10,980	11,070	90	0.8%
Malinau	1,200	1,200	0	0.0%
Total Production Volume	12,180	12,270	90	0.7%

*Figures based on interest owned by Idemitsu Group

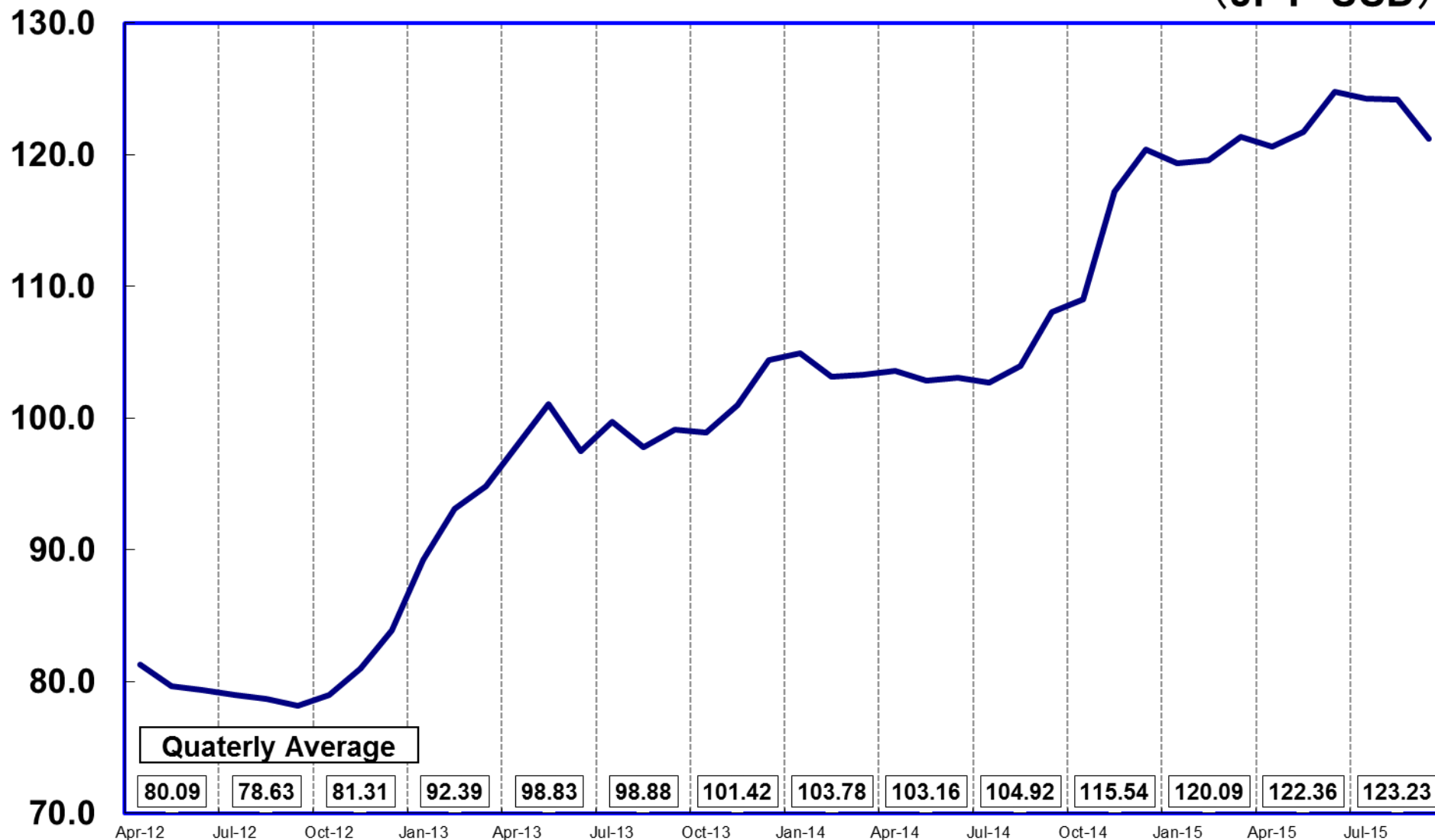
*Fiscal years for Oil Exploration and Production and Coal operations end in December

4. Foreign Exchange

出光

(1)USD

(JPY・USD)

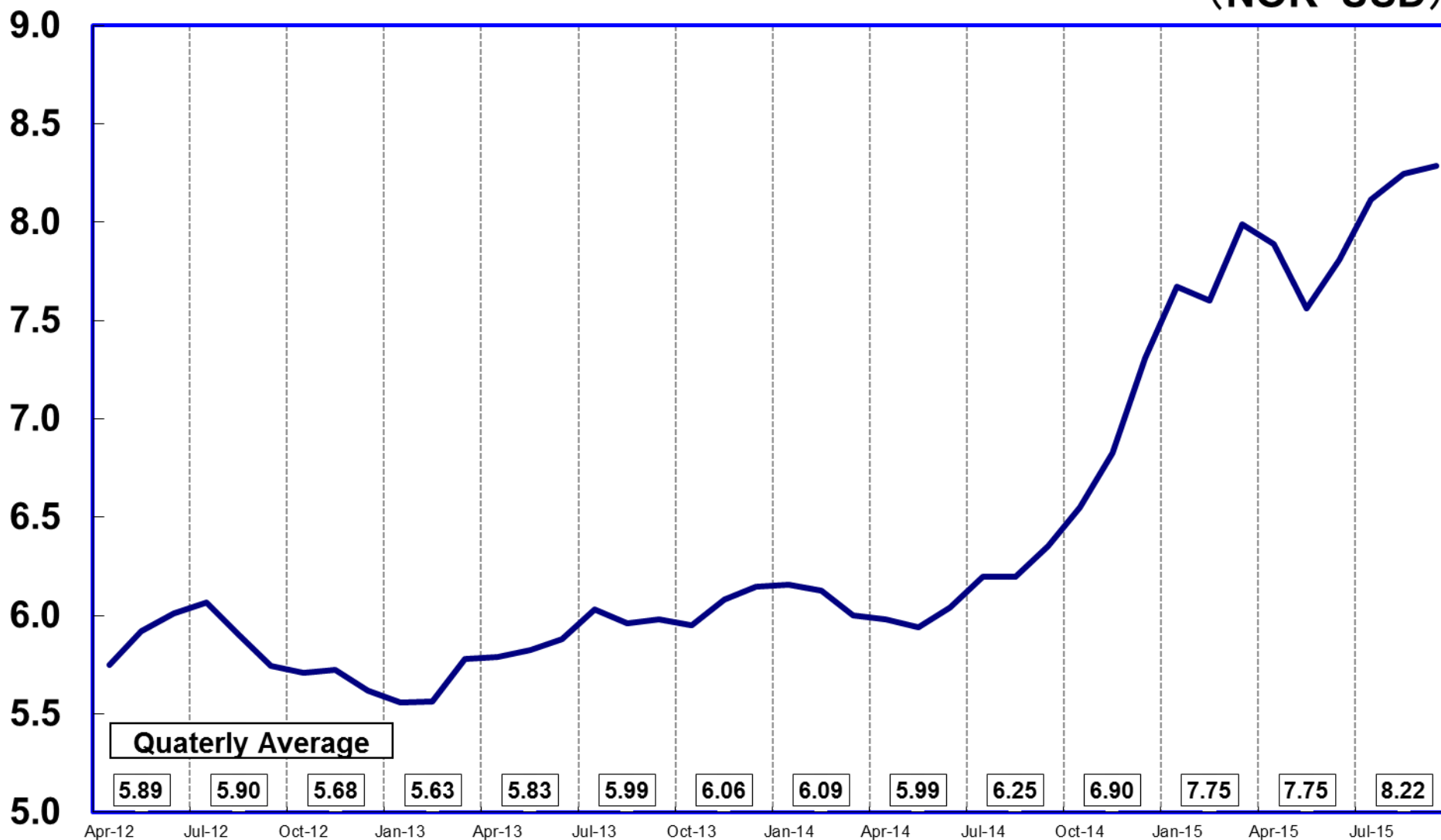


4. Foreign Exchange

出光

(2) Norwegian Krone

(NOK-USD)

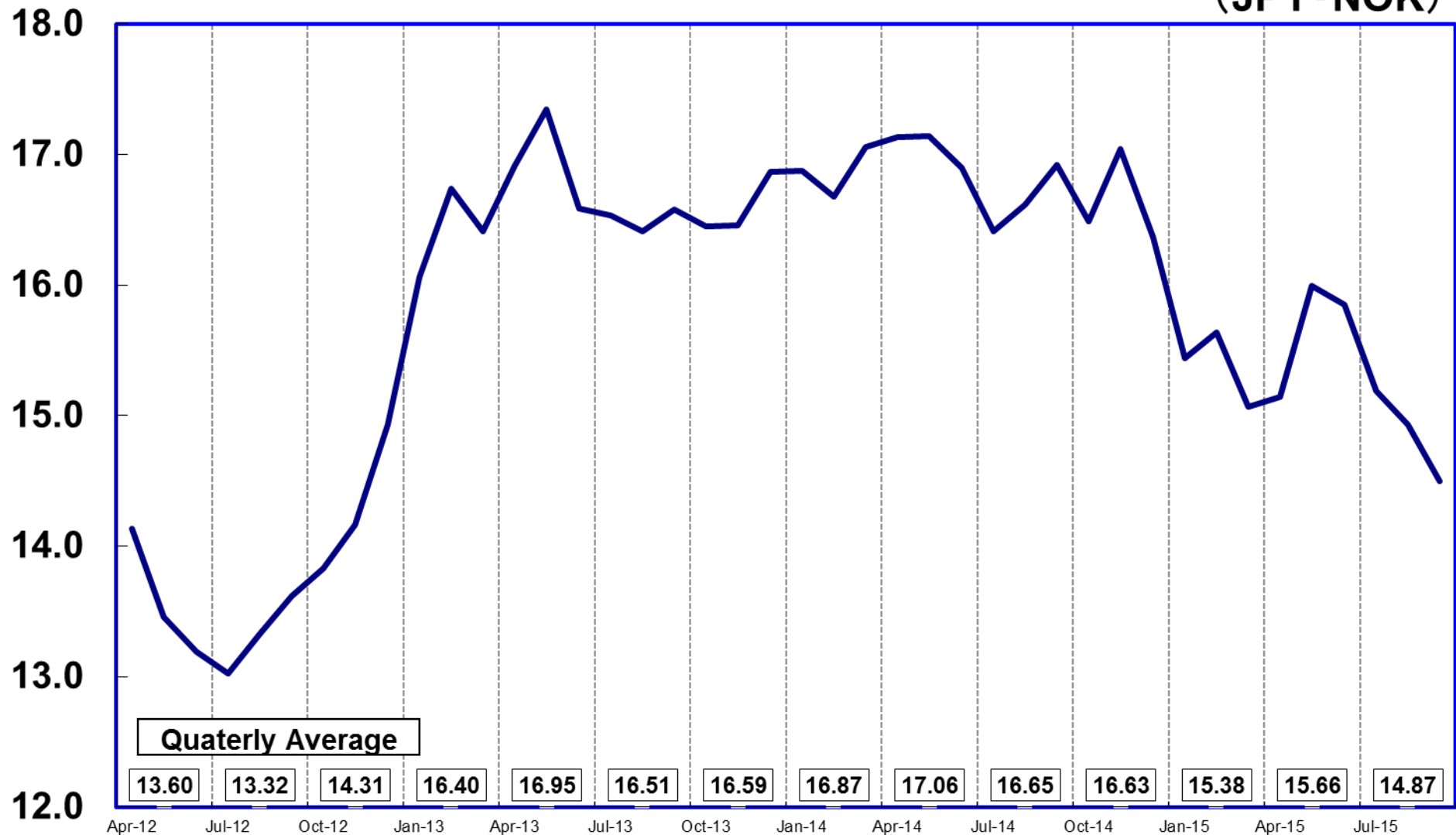


4. Foreign Exchange

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(3) Norwegian Krone

(JPY・NOK)

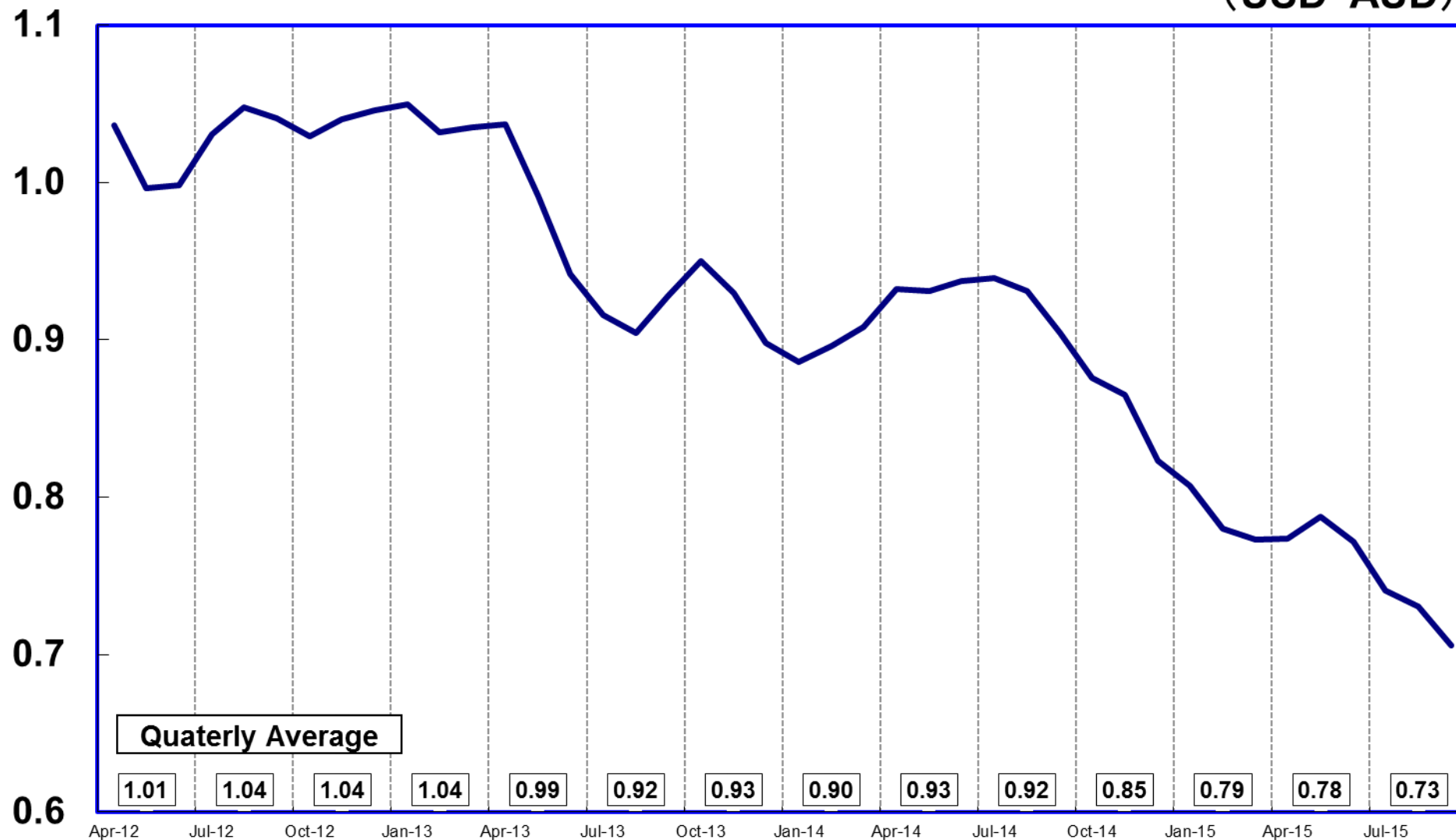


4. Foreign Exchange

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(4) Australian Dollar

(USD·AUD)

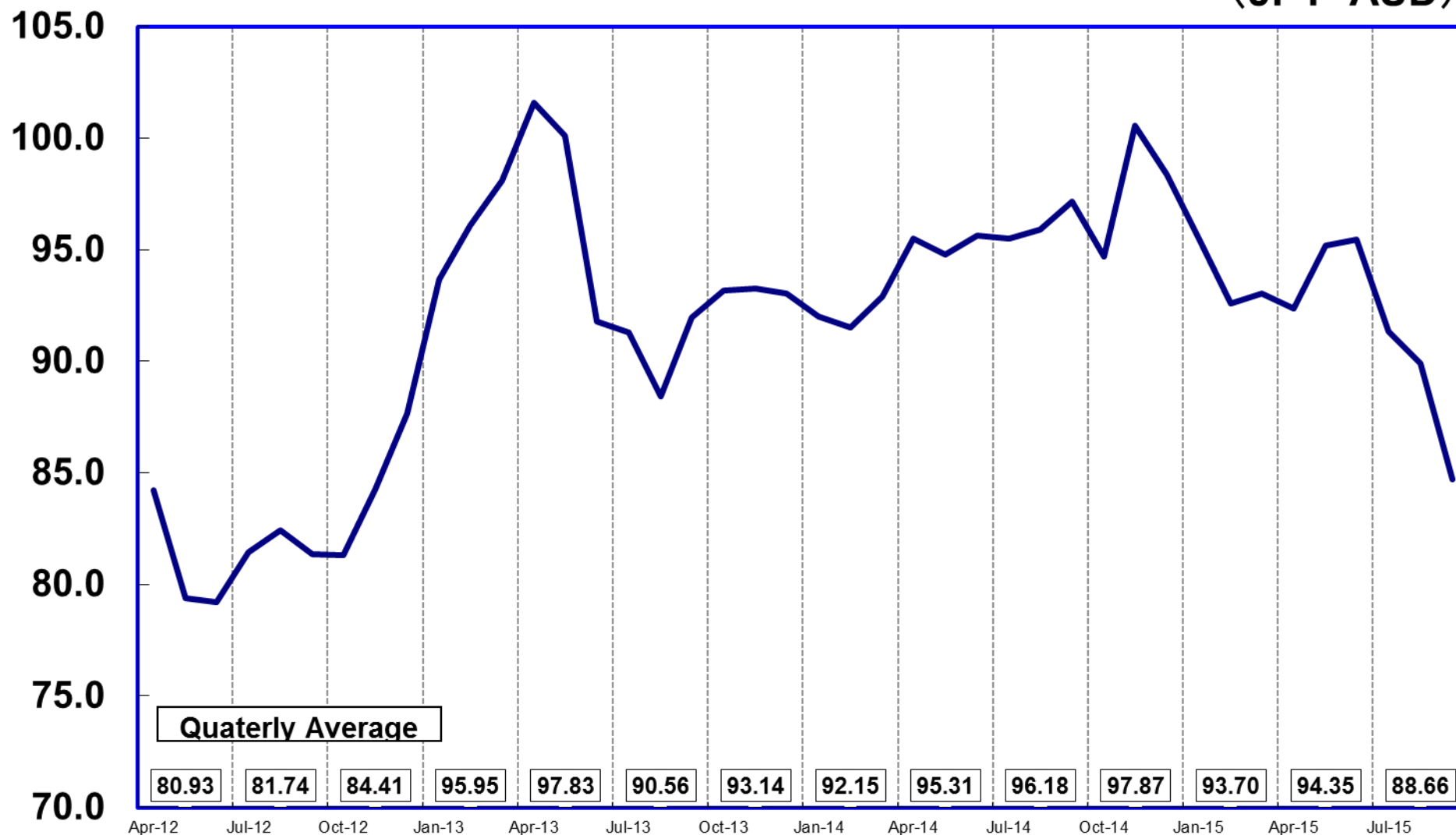


4. Foreign Exchange

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(5) Australian Dollar

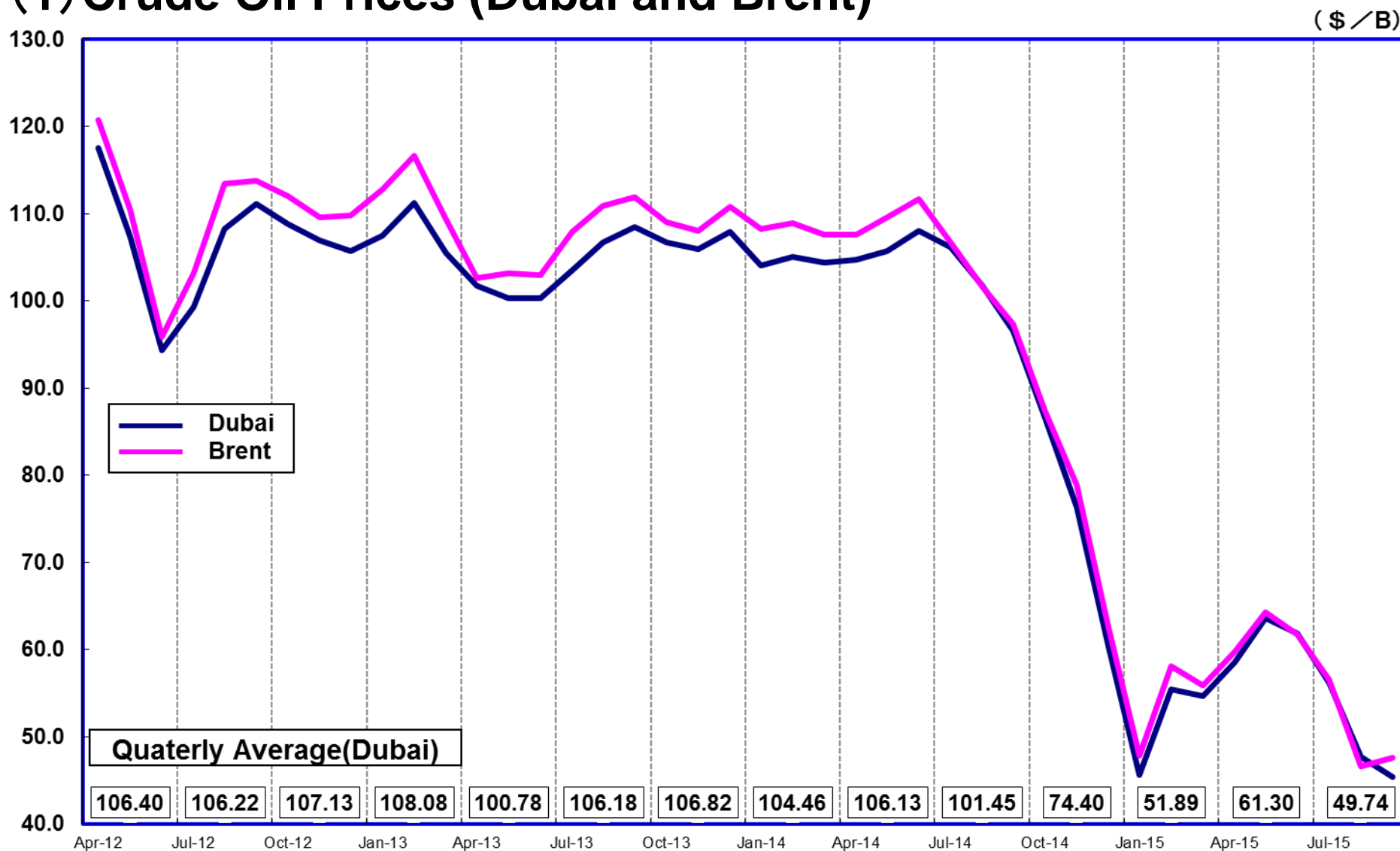
(JPY・AUD)



5. Market Conditions

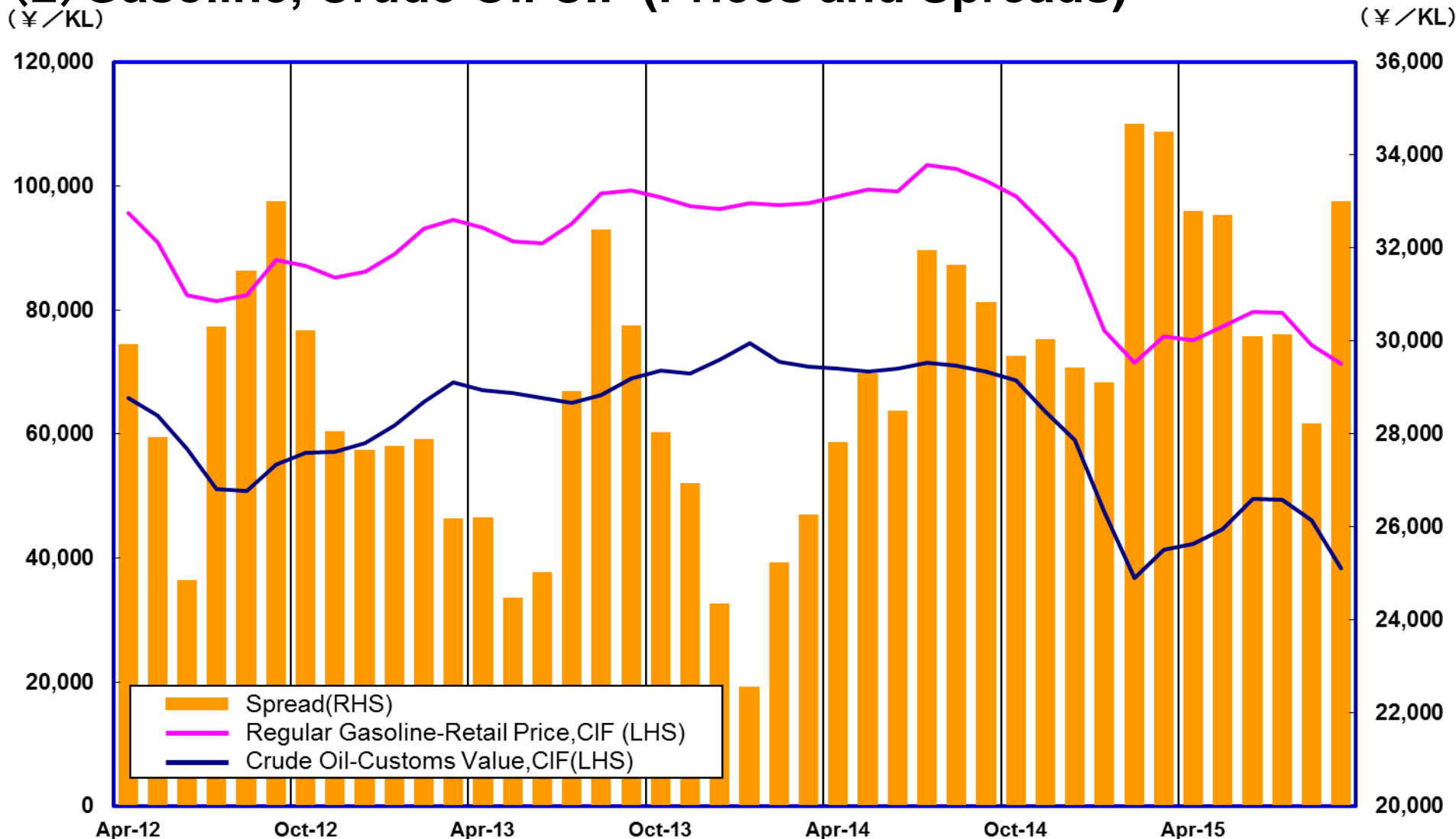
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(1) Crude Oil Prices (Dubai and Brent)



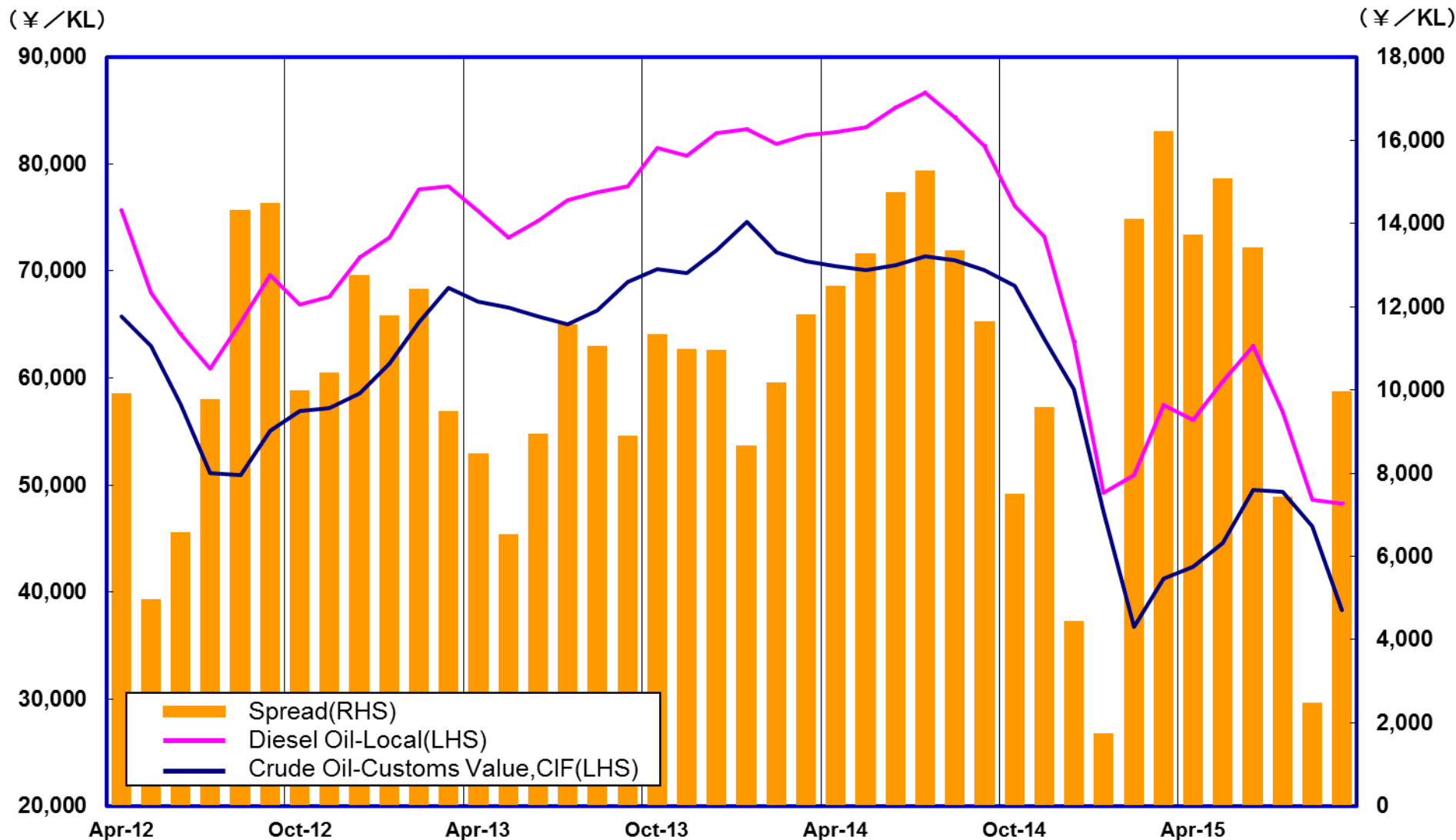
5. Market Conditions

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



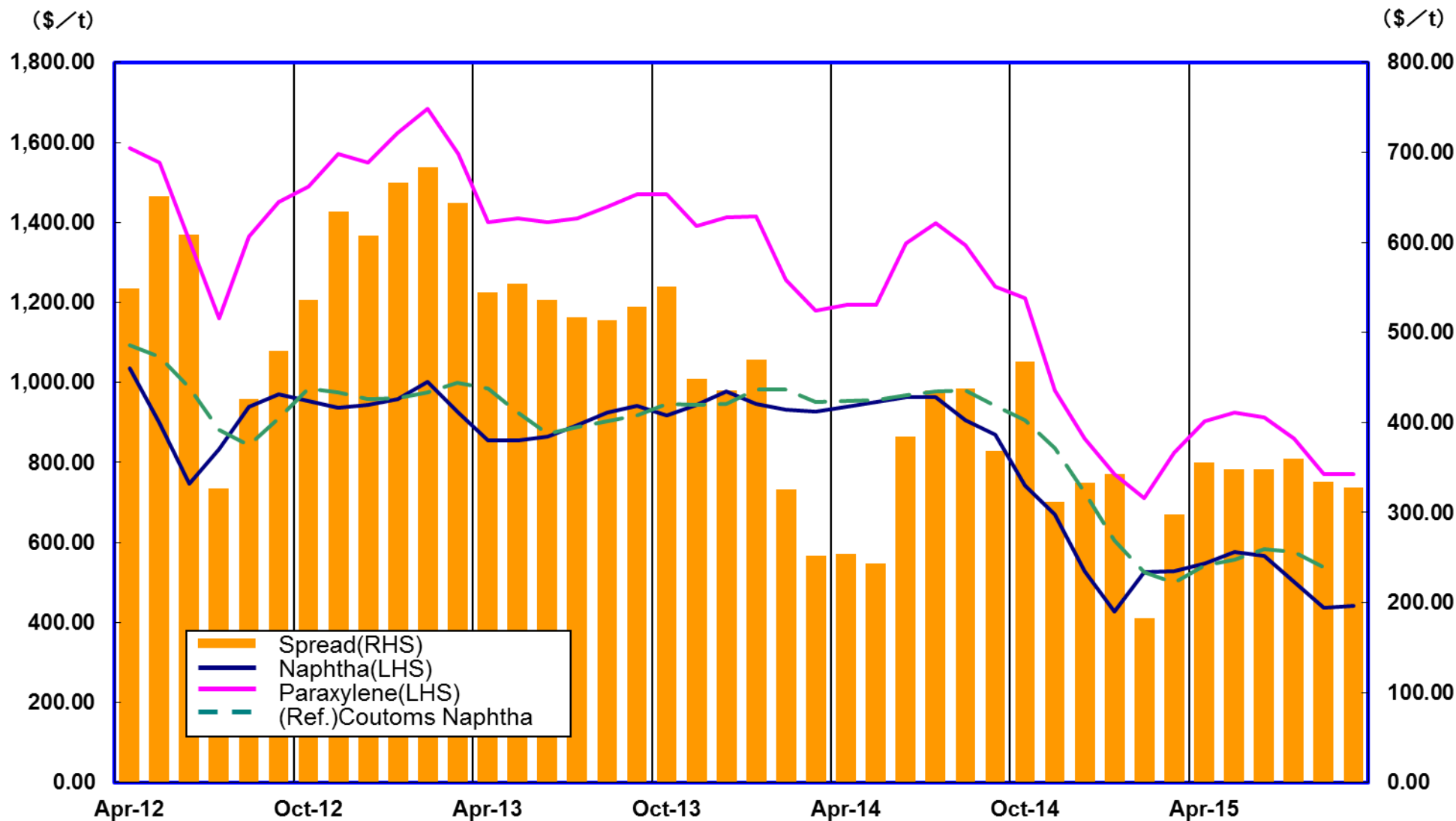
5. Market Conditions

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



5. Market Conditions

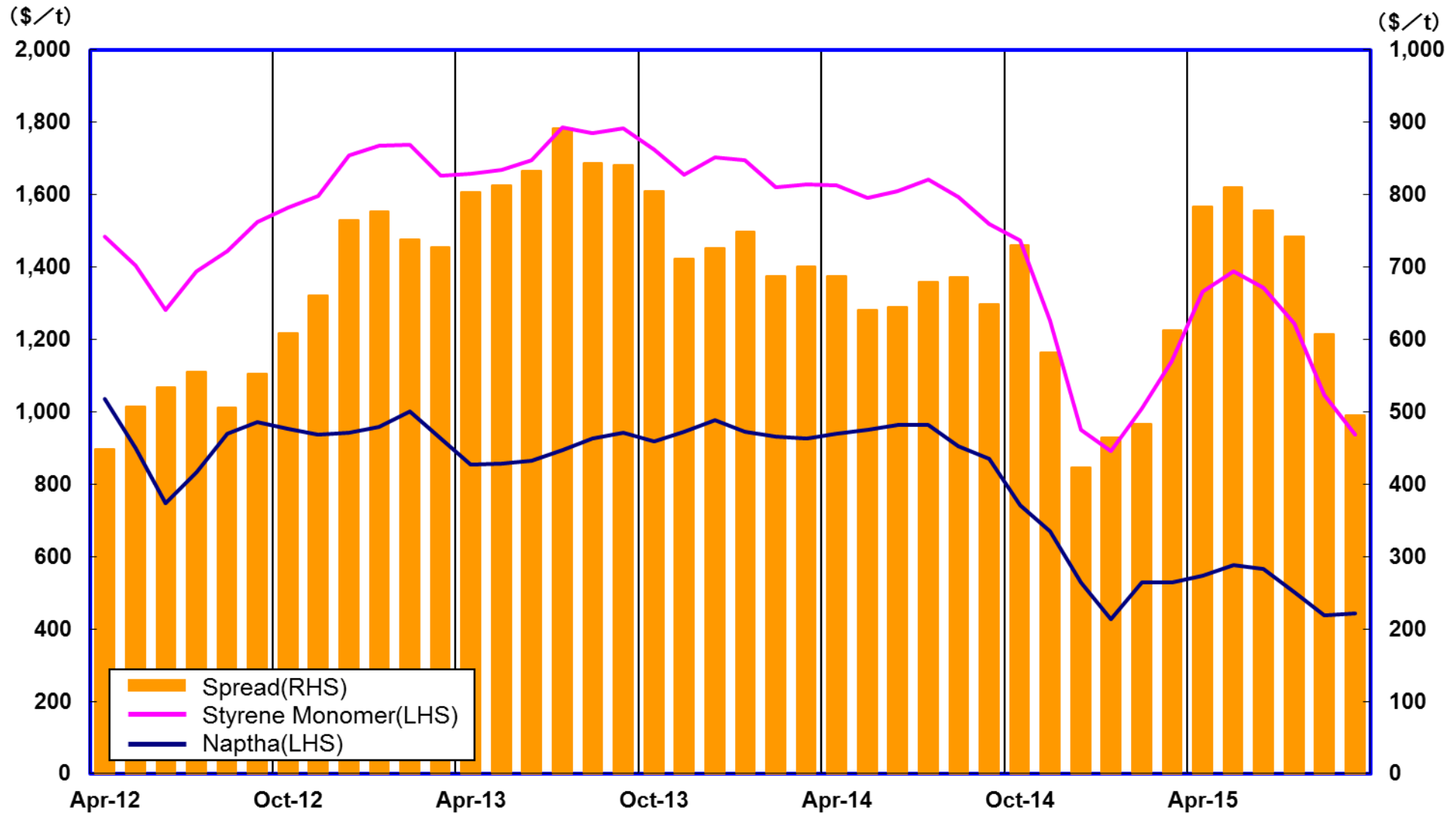
(4) Paraxylene, Naptha (Prices and Spreads)



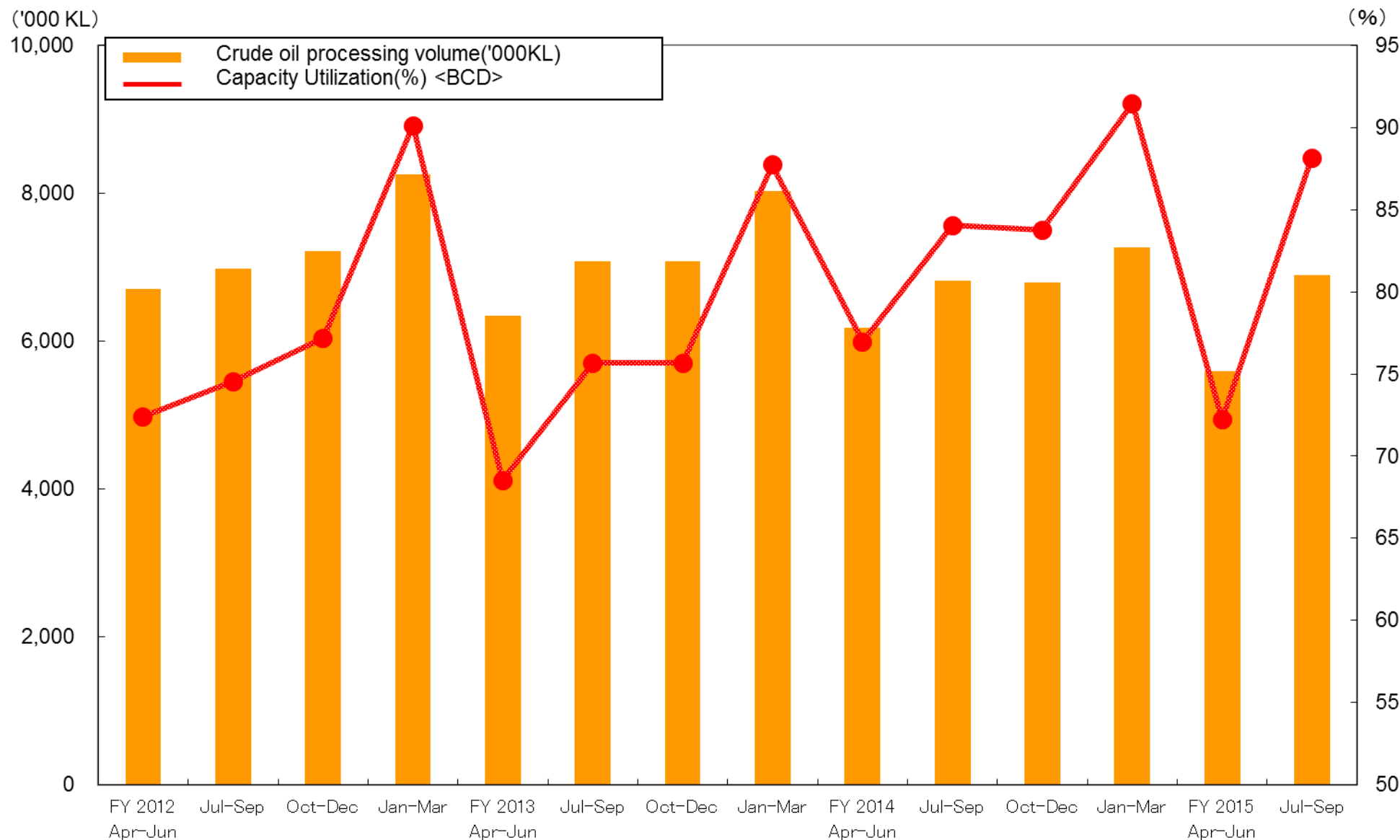
5. Market Conditions

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

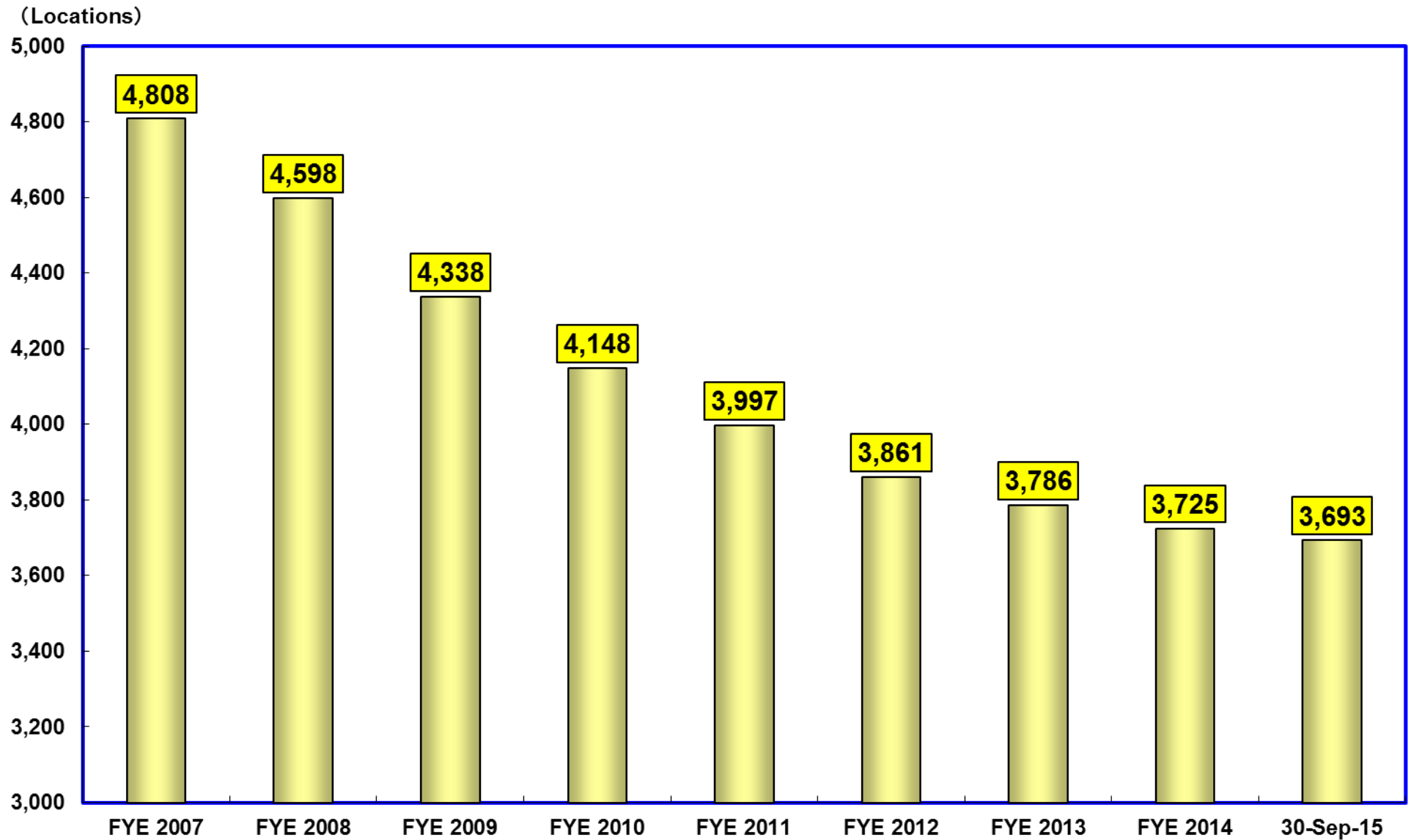


6. Capacity Utilization at Refineries



7. Number of Service Stations

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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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