

Presentation on Results for the 3rd Quarter FY 2015

Idemitsu Kosan Co.,Ltd.

February 2, 2016



1. 3rd Quarter FY 2015 Financials

(1) Overview

(2) Segment Information

2. Forecast for FY 2015 Performance

(1) Overview

(2) Segment Information

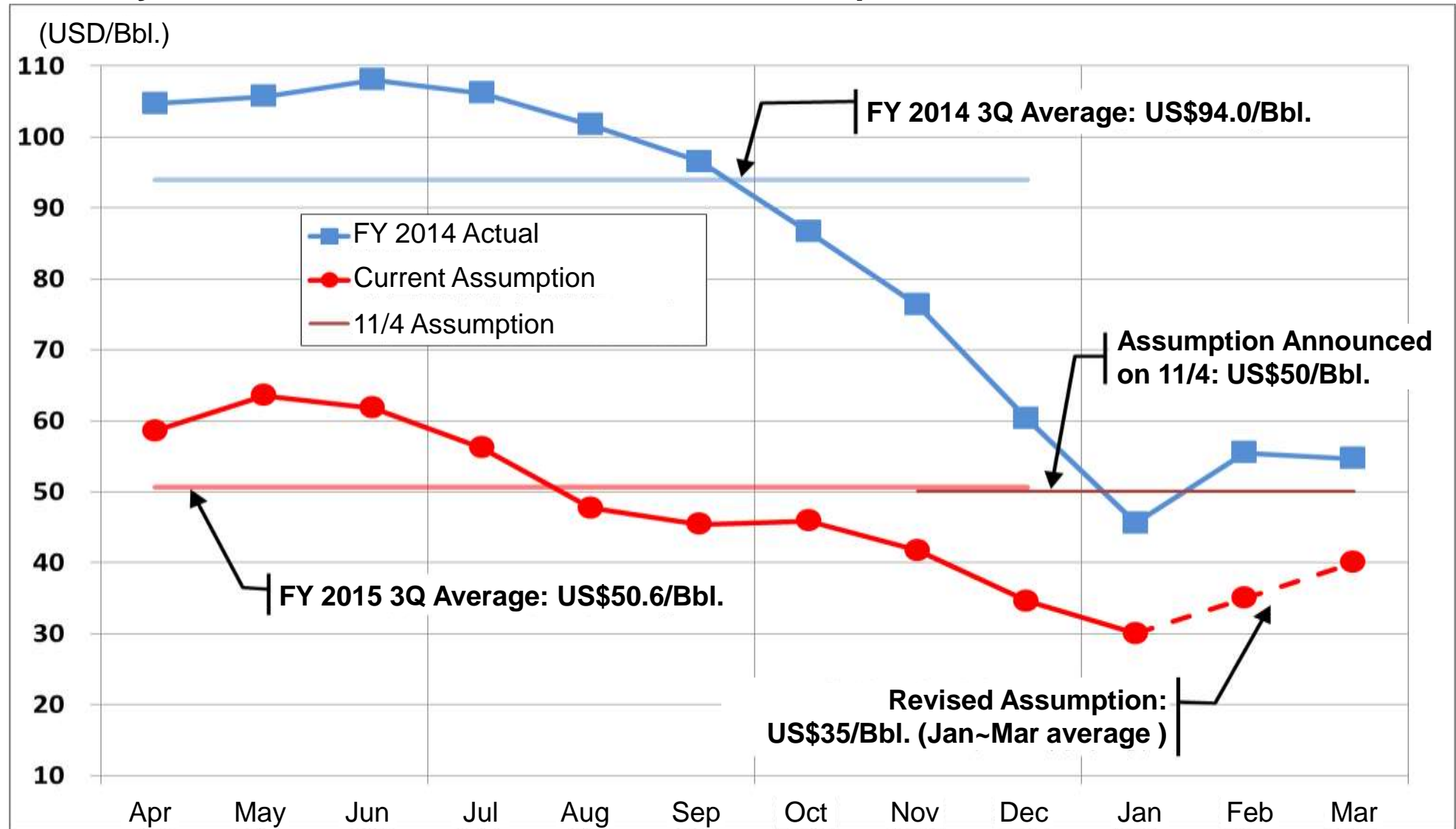
(3) Streamlining

3. Reference Materials

Crude Oil Price Trends



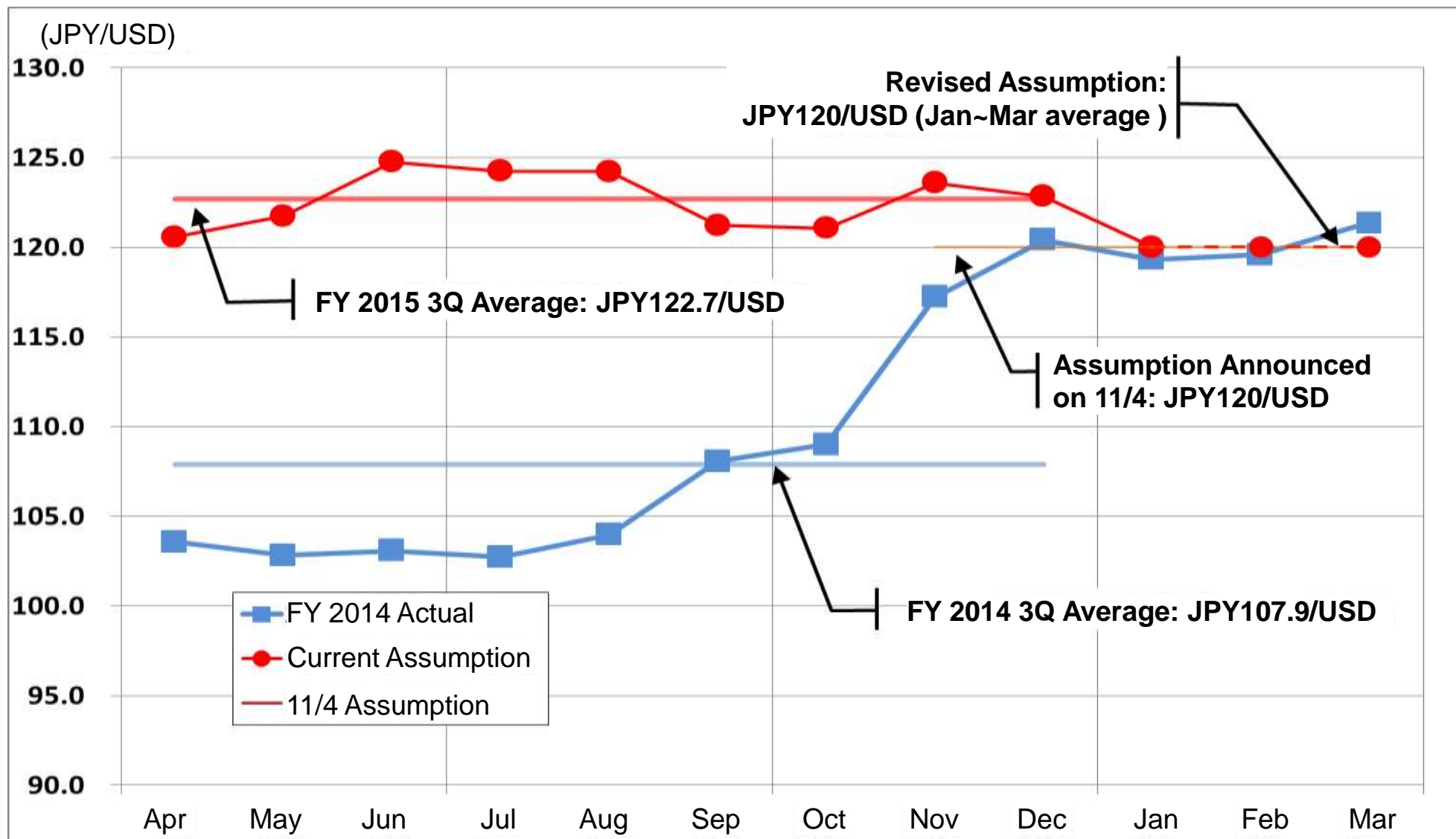
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends



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



<3rd Quarter FY 2015 Financials>

- While operating income excluding inventory impact increased by ¥38.7 billion year-on-year, to ¥67.7 billion due to increased production and sales of petrochemical products, the fall in crude oil prices led to inventory valuation losses of ¥85.8 billion (-¥16.1 billion year-on-year). As a result, we reported operating losses of ¥18.2 billion (+¥22.6 billion year-on-year)
- The fall in crude oil prices led to impairment losses of ¥24.3 billion in the Oil Exploration and Production Business. As a result, we reported net losses attributable to owners of the parent of ¥27.0 billion (+¥29.6 billion year-on-year)

<Forecast for FY 2015 Performance>

- The previously announced average annual Dubai crude oil price assumption was revised downward from \$52.8/bbl. to \$46.7/bbl. We forecast inventory valuation losses of ¥80 billion (revised downward by ¥37 billion from the previous announcement)
- Our operating income forecast excluding inventory impact remains unchanged from the forecast announced on November 4, 2015, at ¥83 billion
- As a result of the above, we forecast FY 2015 operating income of ¥3 billion (revised downward by ¥37 billion from the previous announcement) and net losses attributable to owners of the parent of ¥13 billion (revised downward by ¥41 billion)

1. 3rd Quarter FY 2015 Financials

(1) Overview



1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2014 3Q	FY2015 3Q	Change	
Crude Oil (DB FOB)	94.0	50.6	(43.4)	(46.2%)
Crude Oil (Brent)	106.6	55.4	(51.2)	(48.0%)
Naphtha Price (Customs)	913	520	(393)	(43.0%)
Exchange Rate (TTS)	107.9	122.7	14.8	13.7%

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2014 3Q	FY2015 3Q	Change	
Net Sales	3,578.4	2,796.8	(781.5)	(21.8%)
Operating Income	(40.7)	(18.2)	22.6	—
<i>(Inventory impact)</i>	(69.7)	(85.8)	(16.1)	—
<i>(Excluding inventory impact)</i>	28.9	67.7	38.7	133.7%
Non-operating Income/Loss	(1.4)	(2.7)	(1.3)	—
Ordinary Income	(42.1)	(20.8)	21.3	—
Extraordinary Gain/Loss	(32.2)	(19.1)	13.0	—
Net Income attributable to owners of the parent	(56.6)	(27.0)	29.6	—

* 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 3Q	FY2015 3Q	Change	
Petroleum Products	(49.5)	(46.5)	3.0	—
<i>(Excluding inventory impact)</i>	20.7	37.2	16.6	80.1%
Petrochemical Products	(8.5)	30.0	38.5	—
<i>(Excluding inventory impact)</i>	(9.0)	32.1	41.1	—
Resources	16.7	(3.9)	(20.6)	—
<i>Oil Exploration and Production</i>	15.4	(2.9)	(18.3)	—
<i>Coal, etc.</i>	1.3	(1.1)	(2.3)	—
Others	2.5	4.9	2.4	95.9%
Reconciliation	(2.0)	(2.6)	(0.7)	—
Total	(40.7)	(18.2)	22.6	—
<i>(Excluding inventory impact)</i>	28.9	67.7	38.7	133.7%

* 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)

Petroleum Products **+3.0**

Decrease in Product Margins, etc.	(22.3)	Reduced refinery fuel costs, etc.	+38.9
Inventory Impact	(13.6)		

Petrochemical Products **+38.5**

Increase in Sales Volume, etc.	+9.9	Naphtha-related, time lag, etc.	+19.1
Refinery fuel costs/Streamlining, etc.	+9.5		

Oil Exploration and Production **(18.3)**

Sales Volume/Price-related	(31.4)	Exploration Costs/FX, etc.	+13.1
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Coal, etc. / Others **(0.6)**

Sales Volume/Price-related	(14.3)	Cost-related/FX, etc.	+12.0
Others/Reconciliation	+1.7		

2. Forecast for FY 2015 Performance

(1) Overview



1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	Nov 4 Forecast	Revised Forecast	Difference	
Crude Oil (DB FOB)	52.8	46.7	(6.1)	(11.6%)
Crude Oil (Brent)	54.8	52.5	(2.3)	(4.2%)
Naphtha Price (Customs)	495	489	(6)	(1.2%)
Exchange Rate (TTS)	121.4	122.0	0.6	0.5%

Assumptions (Jan~Mar Average)
35.0
—
405
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	Difference	
Net Sales	4,090.0	3,750.0	(340.0)	(8.3%)
Operating Income	40.0	3.0	(37.0)	(92.5%)
<i>(Inventory impact)</i>	(43.0)	(80.0)	(37.0)	—
<i>(Excluding inventory impact)</i>	83.0	83.0	0.0	—
Non-operating Income/Loss	(1.0)	(1.0)	0.0	—
Ordinary Income	39.0	2.0	(37.0)	(94.9%)
Extraordinary Gain/Loss	2.0	(21.0)	(23.0)	—
Net Income attributable to owners of the parent	28.0	(13.0)	(41.0)	—

* 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 (Operating Income)



(Units: ¥ billions)

	Nov 4 Forecast	Revised Forecast	Difference	
Petroleum Products	19.0	(18.0)	(37.0)	—
<i>(Excluding inventory impact)</i>	61.0	61.0	0.0	—
Petrochemical Products	24.0	24.0	0.0	—
<i>(Excluding inventory impact)</i>	25.0	25.0	0.0	—
Resources	(4.0)	(4.0)	0.0	—
<i>Oil Exploration and Production</i>	(2.5)	(2.5)	0.0	—
<i>Coal, etc.</i>	(1.5)	(1.5)	0.0	—
Others	4.5	4.5	0.0	—
Reconciliation	(3.5)	(3.5)	0.0	—
Total	40.0	3.0	(37.0)	(92.5%)
<i>(Excluding inventory impact)</i>	83.0	83.0	0.0	—

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

(3) Streamlining

(Units: ¥ billions)

* Cost reduction targets and progress vs. FY 2012	(Reference) FY2014 Actual	FY2015 Target	FY2015 3Q 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	5.0	6.0
Petrochemical Products <ul style="list-style-type: none"> Enhanced efficiency in facilities management etc.	1.0	2.0	2.0	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	8.5	9.0
Costs at Indirect Divisions <ul style="list-style-type: none"> Streamlining of administrative divisions, etc. 	4.0	5.0	5.0	5.0
Total	13.0	22.0	20.5	22.0

3. Reference Materials

1. Financial Reporting

(1) Net Sales by Segment

(2) Extraordinary Gains/Losses

(3) Breakdown of Impairment Losses

(4) Consolidated Balance Sheet

2. Sensitivity

3. Sales and Production

Sales/Production Volume

4. Foreign Exchange

5. Market Conditions

6. Capacity Utilization at Refineries

7. Number of Service Stations

1. Financial Reporting



(1) FY 2015 3Q Net Sales by Segment

(Units: ¥ billions)

	FY2014 3Q	FY2015 3Q	Change	
Petroleum Products	2,865.5	2,181.8	(683.7)	(23.9%)
Petrochemical Products	499.5	399.7	(99.8)	(20.0%)
Resources	172.3	165.0	(7.3)	(4.2%)
<i>Oil Exploration and Production</i>	69.8	57.2	(12.6)	(18.0%)
<i>Coal, etc.</i>	102.5	107.7	5.3	5.1%
Others/Reconciliation	41.1	50.4	9.3	22.7%
Total	3,578.4	2,796.8	(781.5)	(21.8%)

1. Financial Reporting



(2) Extraordinary Gains/Losses

(Units: ¥ billions)

		FY2014 3Q	FY2015 3Q	Change
	Gain on Sale of Fixed Assets	0.5	4.9	4.4
	Gain on Sale of Affiliate Stock	-	3.6	3.6
	Other	1.1	0.5	(0.5)
Total Extraordinary Gains		1.6	9.1	7.5
	Loss on Sale and Depletion of Fixed Assets	3.9	1.7	(2.1)
	Impairment Losses	28.9	25.0	(3.9)
	Other	1.0	1.5	0.5
Total Extraordinary Losses		33.8	28.2	(5.6)
Total Extraordinary Gains/Losses		(32.2)	(19.1)	13.0

1. Financial Reporting



(3) Breakdown of Impairment Losses

Impairment losses of ¥24.3 billion reported in the Resources Business accounted for most of the ¥25.0 billion in total impairment losses. A breakdown is provided below.

(Units: ¥ billions)

		Amount	Relevant Assets, etc.
Oil Exploration and Production Business	British North Sea	12.1	Oil field production equipment, etc.
	Norwegian North Sea	6.6	
	Vietnam Offshore	5.5	
	Subtotal	24.3	
Other		0.7	Service station assets, etc.
Total		25.0	

*Figures rounded to the nearest billion yen

1. Financial Reporting



(4) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2015	12/31/2015	Change		3/31/2015	12/31/2015	Change
Cash and Deposits	113.0	112.5	(0.5)	Payables	366.6	333.3	(33.3)
Receivables	321.7	348.6	26.9	Short-term Borrowings	403.5	402.6	(0.9)
Inventory	513.8	445.0	(68.8)	Other Current Liabilities	357.5	377.3	19.7
Other Current Assets	136.5	143.1	6.6	Total Current Liabilities	1,127.6	1,113.2	(14.4)
				Long-term Borrowings, etc.	602.7	610.4	7.8
				Other Fixed Liabilities	370.3	315.9	(54.4)
Total Current Assets	1,084.9	1,049.2	(35.7)	Total Fixed Liabilities	973.0	926.3	(46.7)
Tangible Fixed Assets	1,135.7	1,079.6	(56.2)	Total Liabilities	2,100.6	2,039.5	(61.1)
(Land)	589.5	586.7	(2.8)	Shareholders' Equity	391.7	357.8	(33.9)
(Other)	546.3	492.9	(53.4)	Other Comprehensive Income	195.5	163.9	(31.6)
Other Fixed Assets	510.3	471.0	(39.3)	Noncontrolling Interests	43.1	38.5	(4.6)
Total Fixed Assets	1,646.1	1,550.6	(95.5)	Total Net Assets	630.4	560.3	(70.1)
Total Assets	2,731.0	2,599.8	(131.2)	Total Liabilities and Net Assets	2,731.0	2,599.8	(131.2)

Total Interest-bearing Debt	1,006.2	1,013.1	6.9
Equity Ratio	21.5%	20.1%	(1.4%)

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	(¥ 2.0 billion)
		(¥ 1.9 billion)
Oil Exploration & Production		—

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

Petroleum Products	Decrease in refinery fuel costs, etc.	¥ 0.1 billion
	Inventory impact	(¥ 0.9 billion)
		(¥ 0.8 billion)
Oil Exploration & Production		—

* The resources 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 3Q	FY 2015 3Q	Change	
Gasoline	6,232	6,247	15	+0.2%
(Premium-Unleaded)	691	691	(1)	(0.1%)
(Regular-Unleaded)	5,541	5,556	15	+0.3%
Naphtha	240	201	(39)	(16.3%)
Jet Fuel	1,262	1,202	(60)	(4.8%)
Kerosene	1,603	1,385	(218)	(13.6%)
Diesel Oil	4,644	4,597	(47)	(1.0%)
Heavy Fuel Oil A	1,973	1,774	(199)	(10.1%)
Heavy Fuel Oil C	1,955	1,828	(127)	(6.5%)
Toal Domestic Sales Volume	17,910	17,234	(676)	(3.8%)
Exported Volume	2,129	2,597	467	22.0%
(General Exports)	462	936	474	102.7%
Total Sales Volume	20,039	19,831	(208)	(1.0%)

3. Sales and Production



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

(Units: Thousand tons, %)

	FY 2014 3Q	FY 2015 3Q	Change	
Petrochemical Products-Total	2,281	2,407	126	+5.5%
(Basic Chemicals)	2,246	2,373	127	+5.7%
(Performance Chemicals)	35	34	(1)	(2.5%)

(3) Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2014 3Q	FY 2015 3Q	Change	
Lubricants	779	826	47	6.0%

*Includes sales of overseas licenses

3. Sales and Production



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

(Units:Thousand BOED)

	FY 2014 3Q	FY 2015 3Q	Change	
Norway	25.5	29.0	3.5	13.5%
United Kingdom	2.1	4.5	2.3	117.6%
Vietnam	0.4	0.4	0.0	0.8%
Total('000BOED)	28.0	33.9	5.9	21.0%
Total('000BOE)	7,638	9,242	1,604	21.0%

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

(5) Coal – Production Volume

(Units:Thousand tons)

	FY 2014 3Q	FY 2015 3Q	Change	
Ensham	2,606	2,433	(173)	(6.6%)
Muswellbrook	1,219	1,115	(105)	(8.6%)
Boggabri	3,947	4,253	306	7.7%
Tarawonga	497	440	(57)	(11.5%)
Sub Total	8,269	8,240	(29)	(0.4%)
Malinau	-	892	-	-
Total Production Volume	8,269	9,132	863	10.4%

*Figures based on interest owned by Idemitsu Group

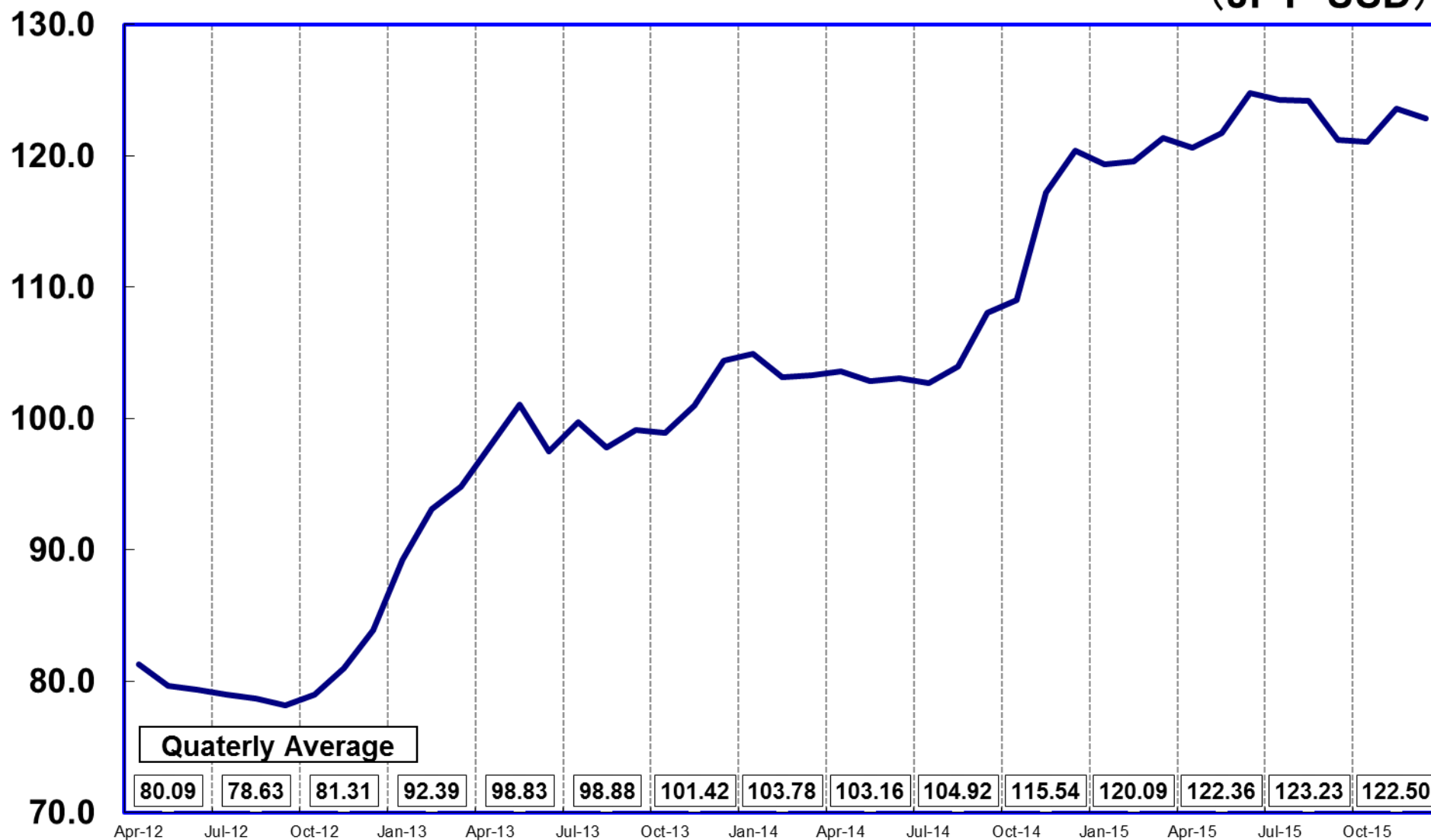
*Fiscal years for Oil Exploration and Production and Coal operations end in December

4. Foreign Exchange

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(1)USD

(JPY·USD)

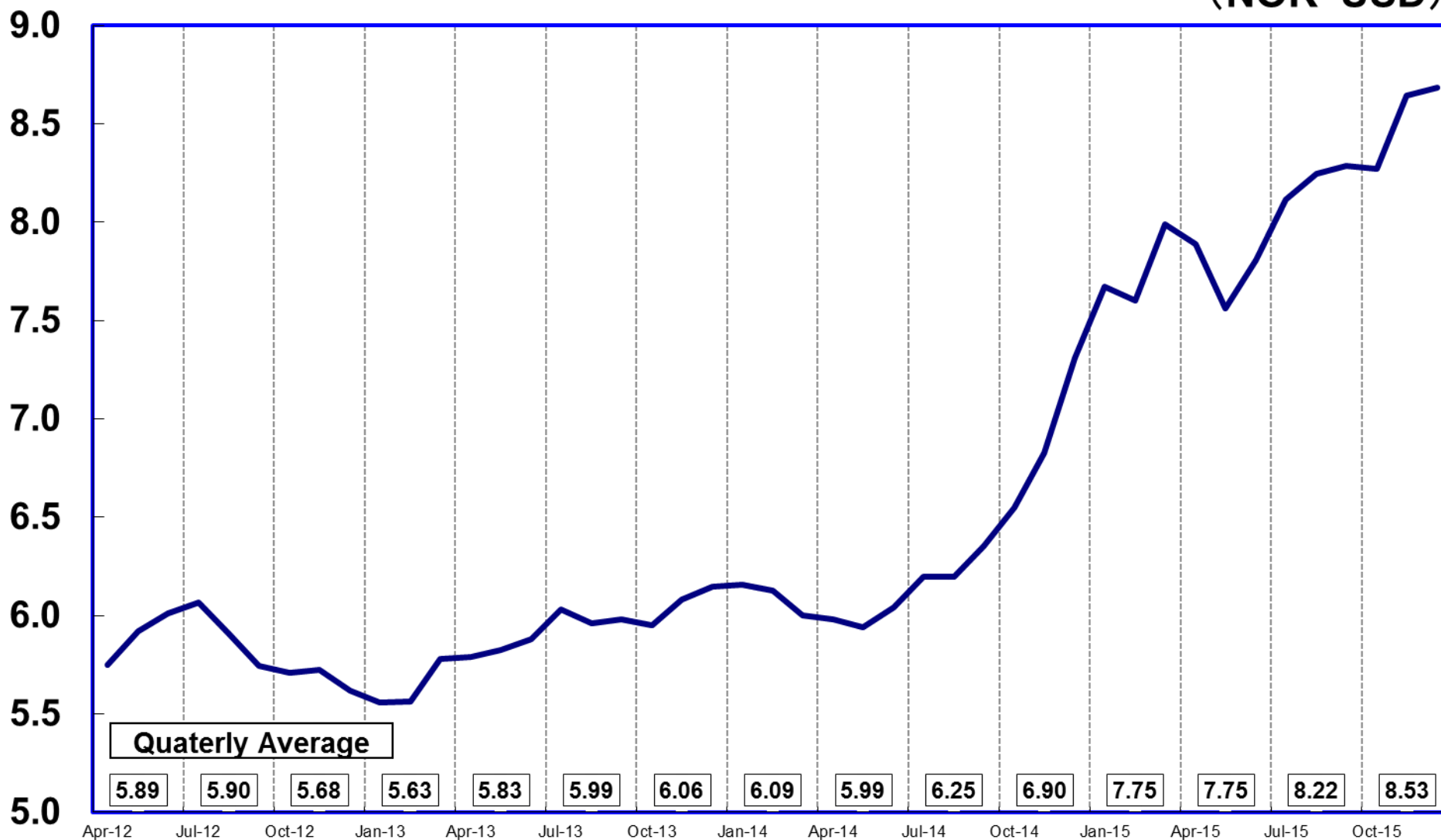


4. Foreign Exchange

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(2) Norwegian Krone

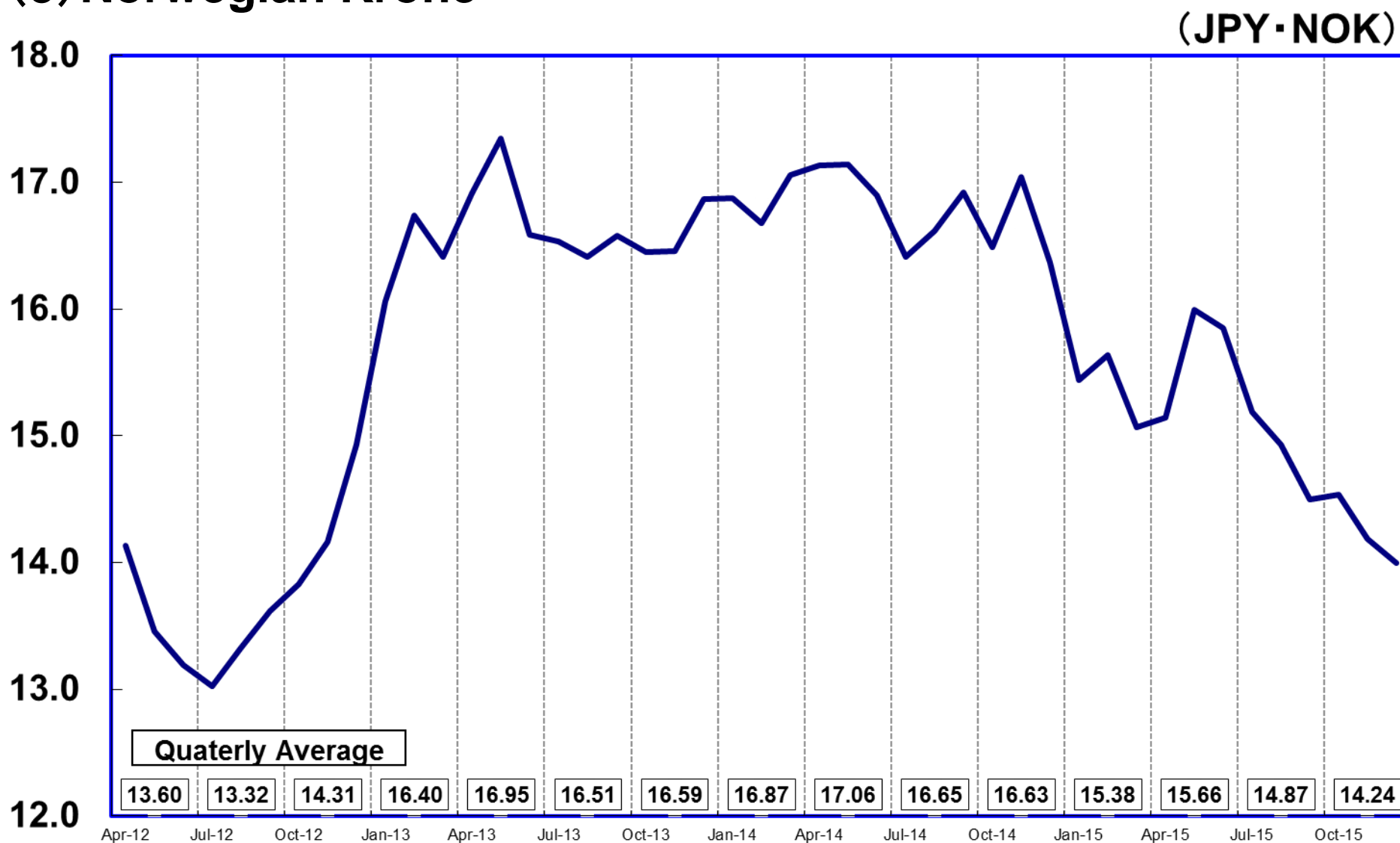
(NOK-USD)



4. Foreign Exchange

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(3) Norwegian Krone

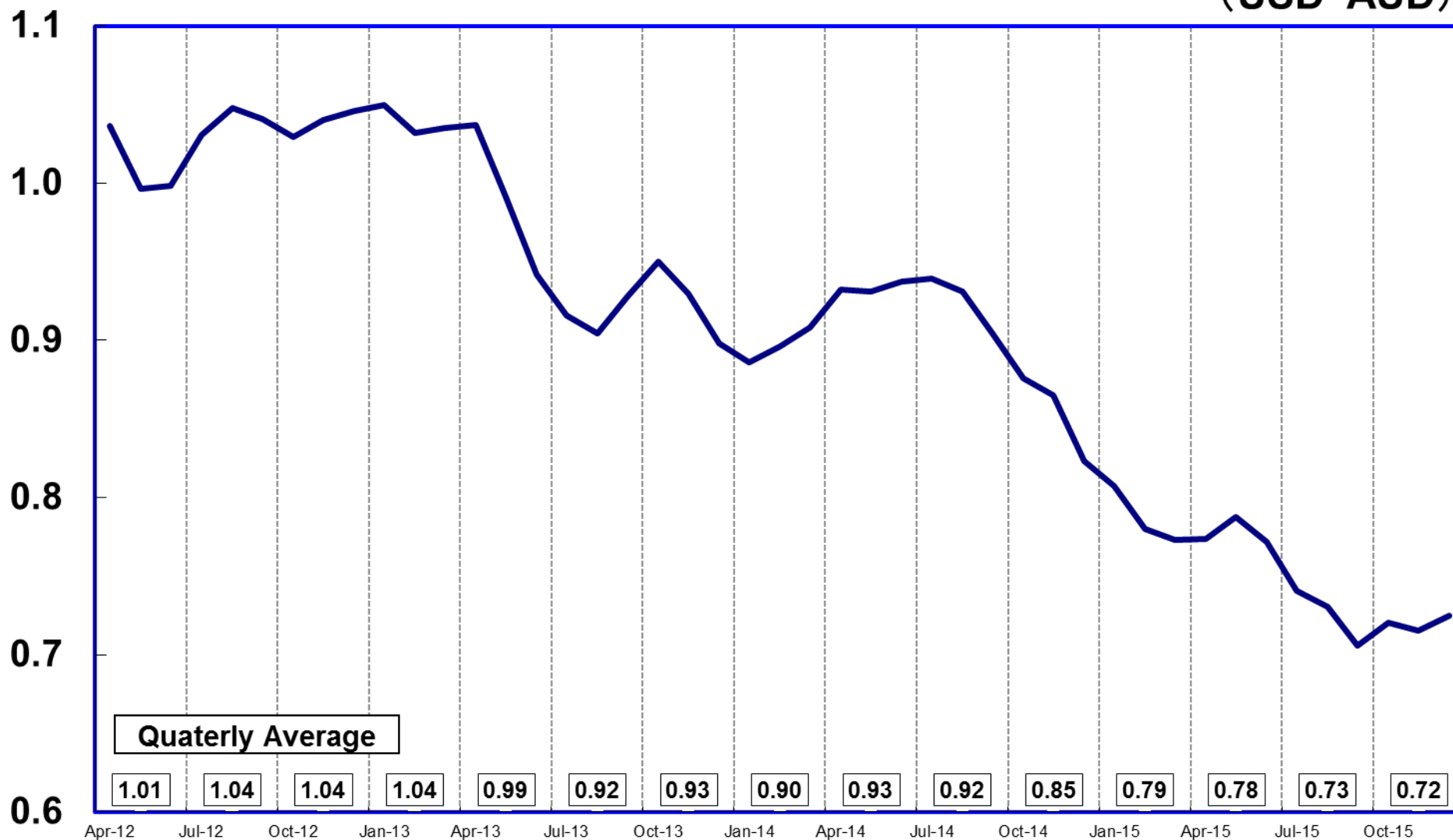


4. Foreign Exchange

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(4) Australian Dollar

(USD·AUD)

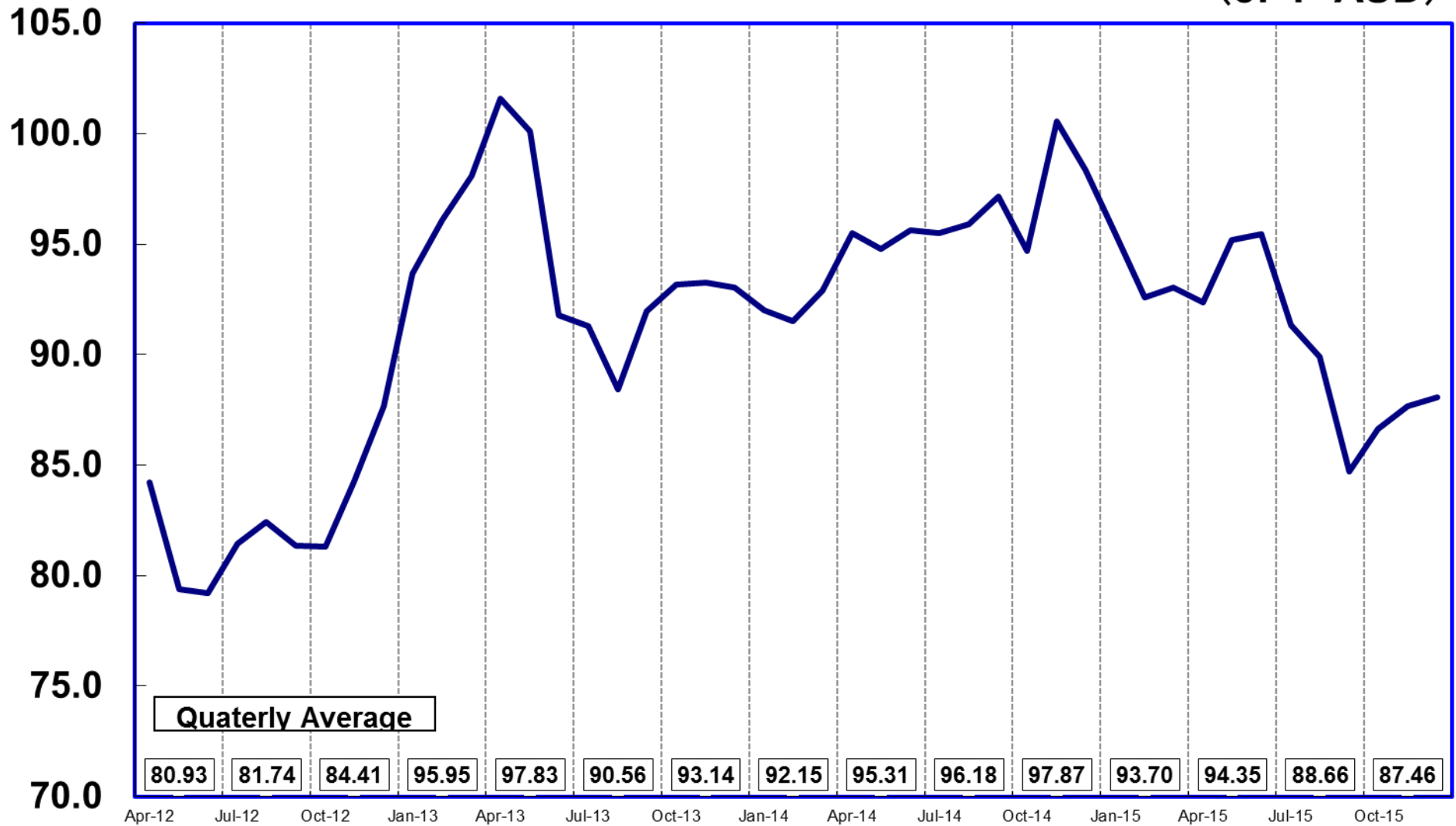


4. Foreign Exchange

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(5) Australian Dollar

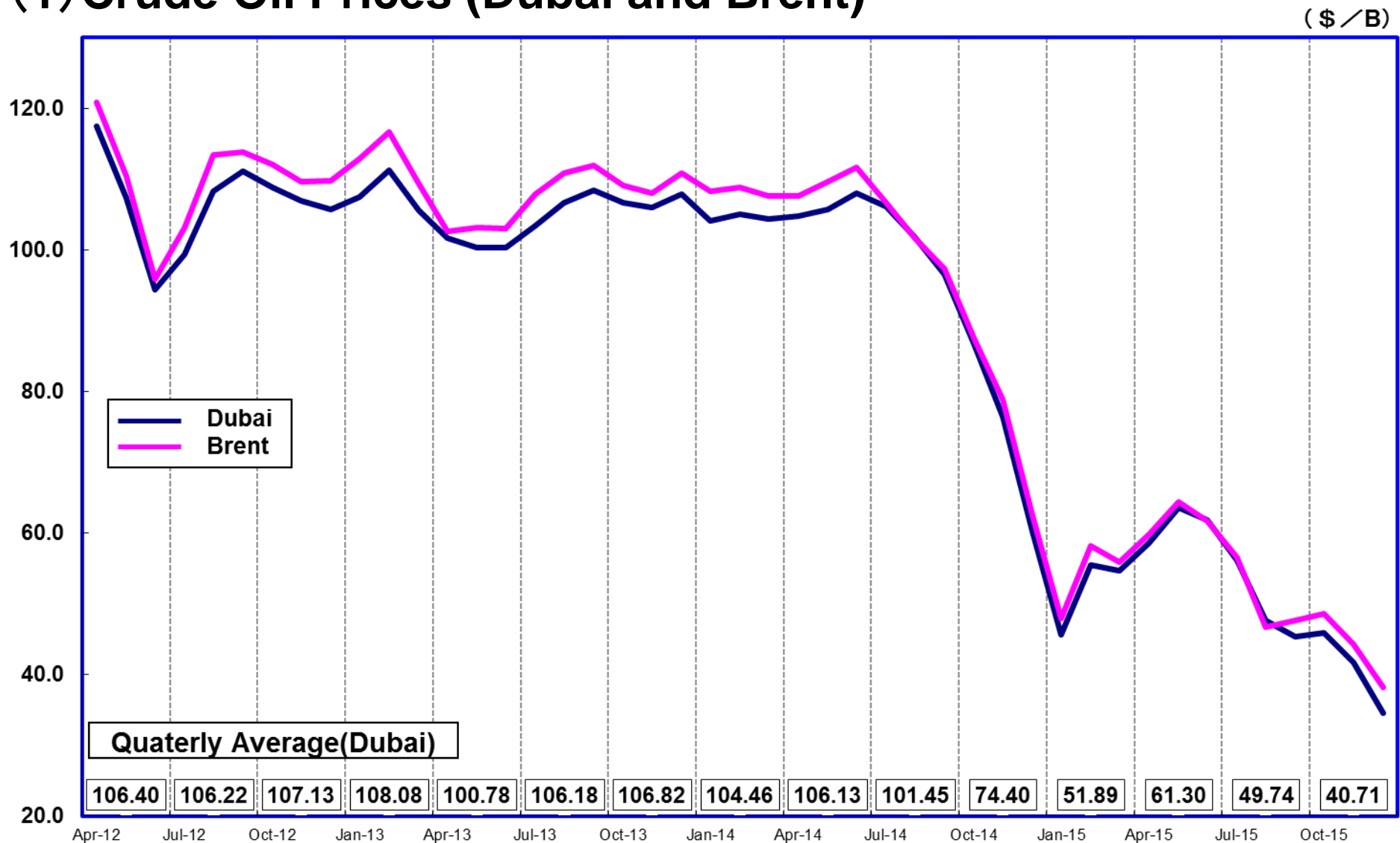
(JPY・AUD)



5. Market Conditions

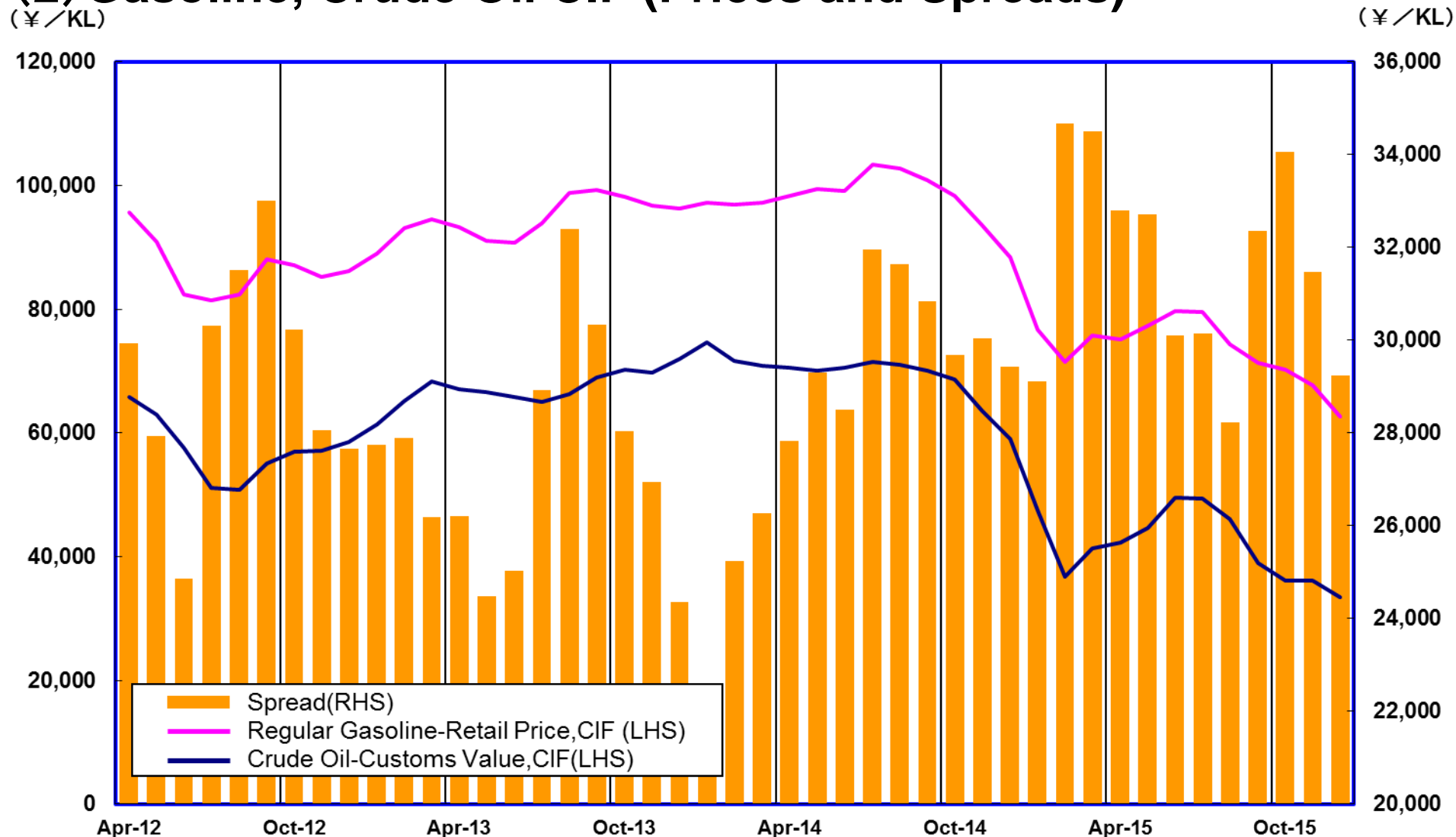
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(1) Crude Oil Prices (Dubai and Brent)



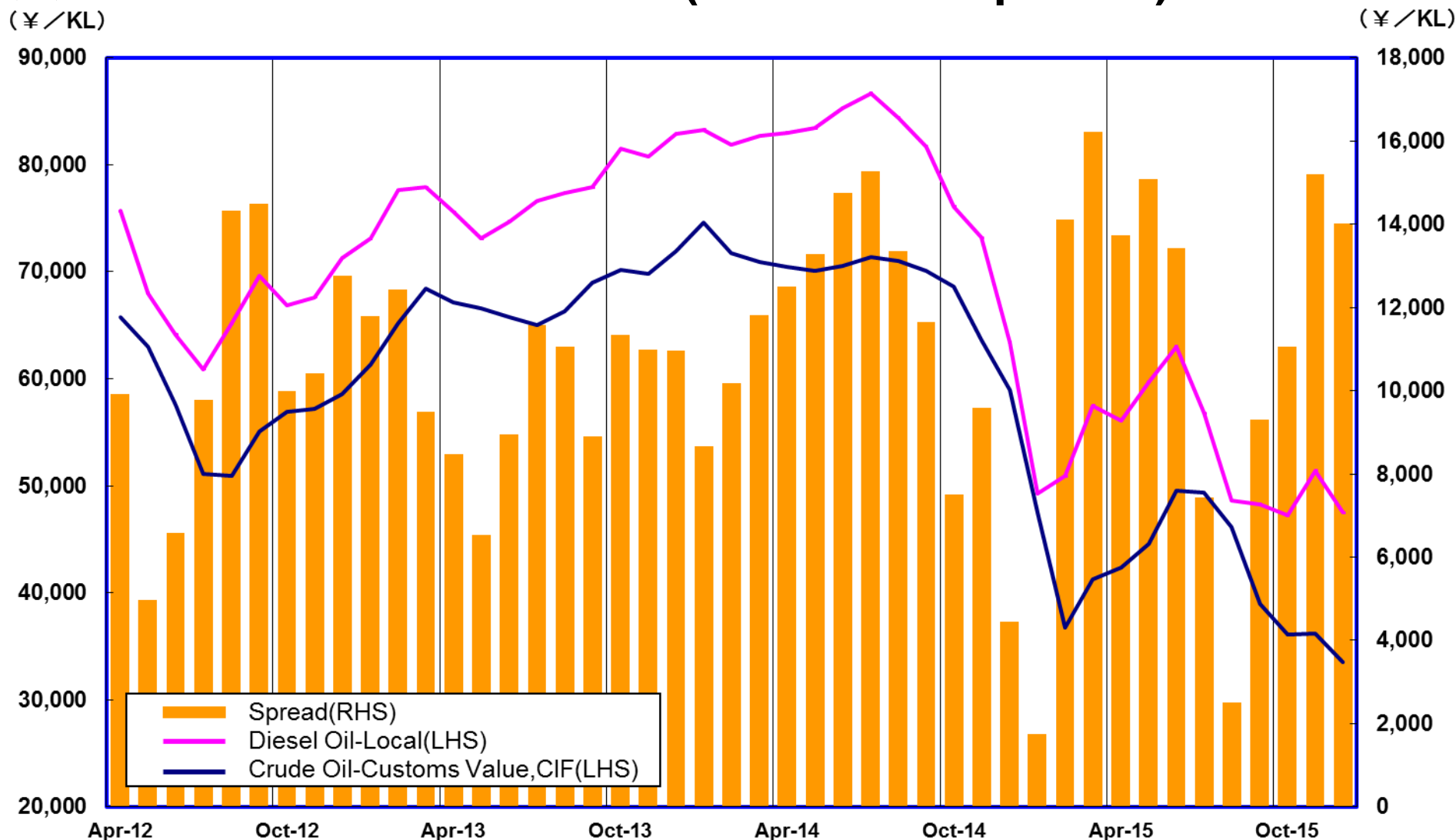
5. Market Conditions

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



5. Market Conditions

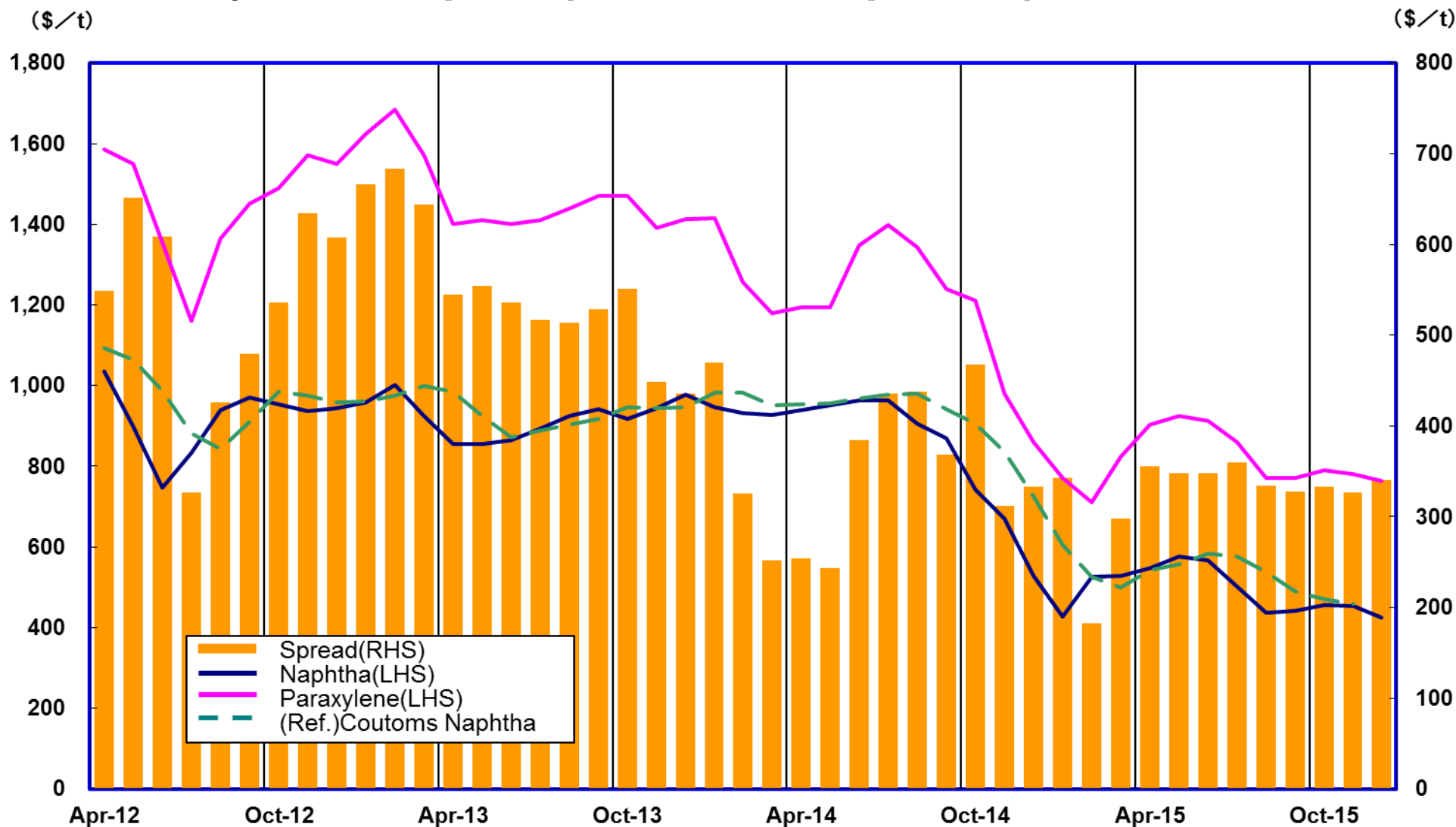
(3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



5. Market Conditions

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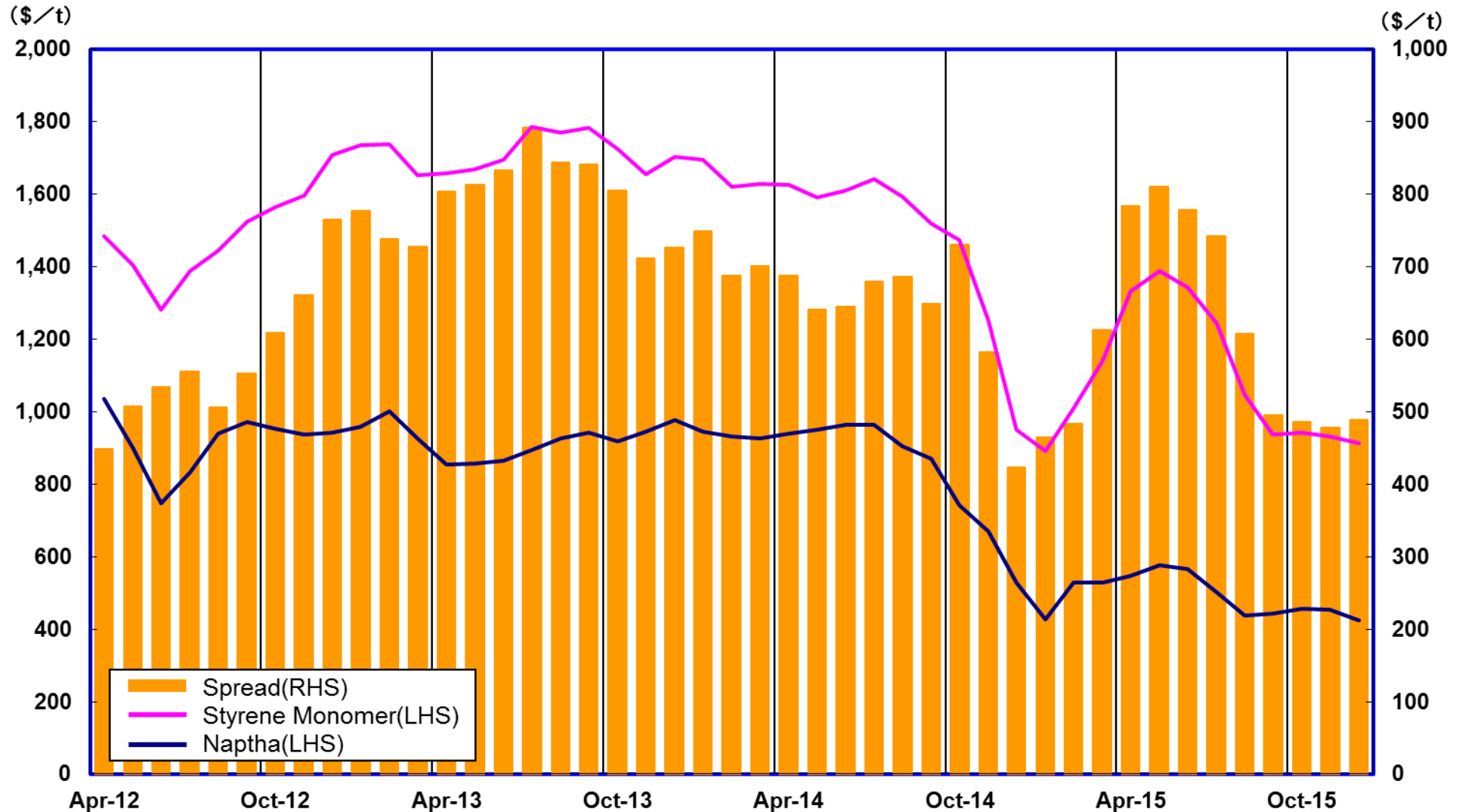
(4) Paraxylene, Naptha (Prices and Spreads)



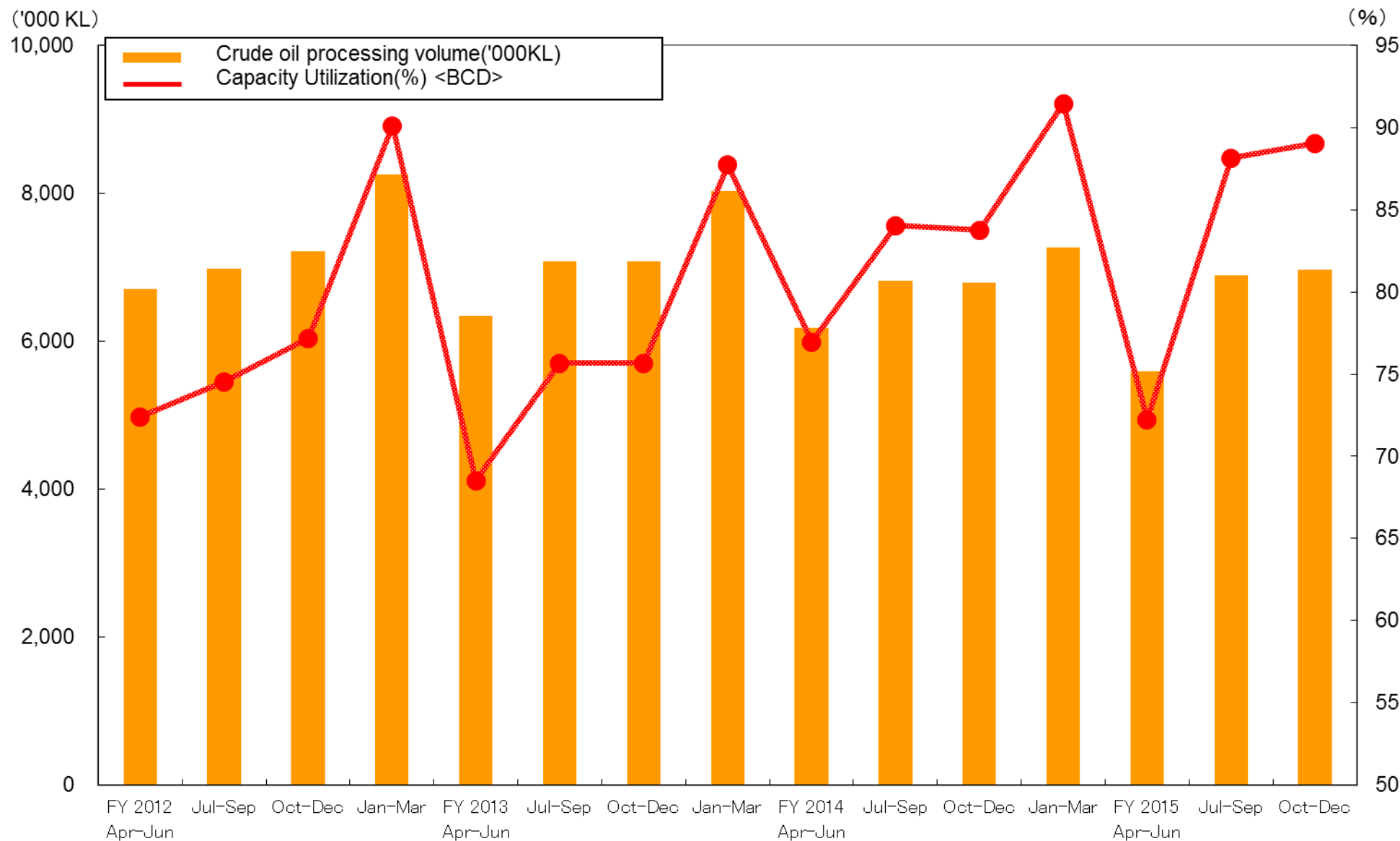
5. Market Conditions



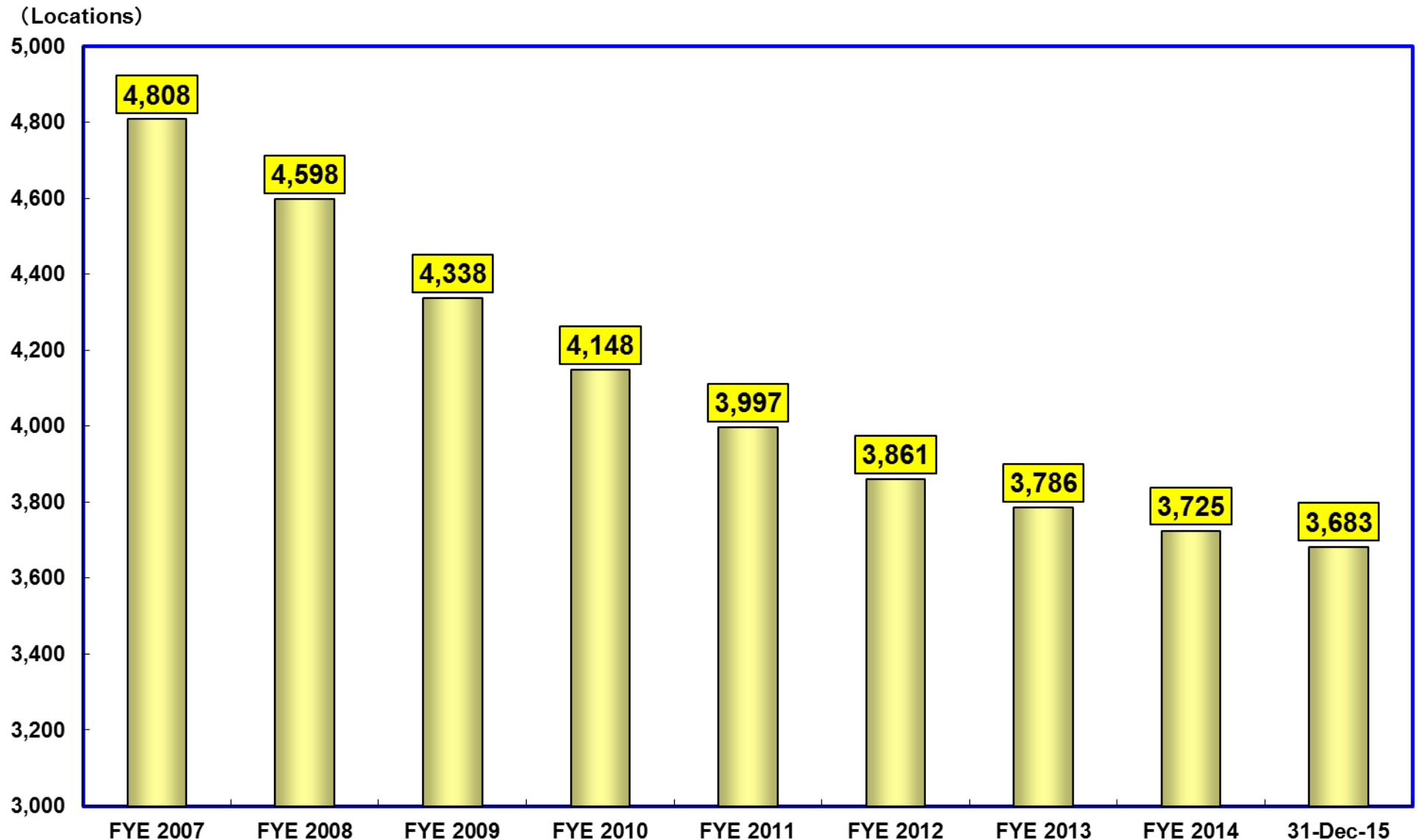
(5) Styrene Monomer, Naptha (Prices and Spreads)



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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