

# **Presentation on Results for the 1st Quarter FY 2016**

**Idemitsu Kosan Co.,Ltd.**

**August 2, 2016**



## **1. 1st Quarter FY 2016 Financials**

### **(1) Overview**

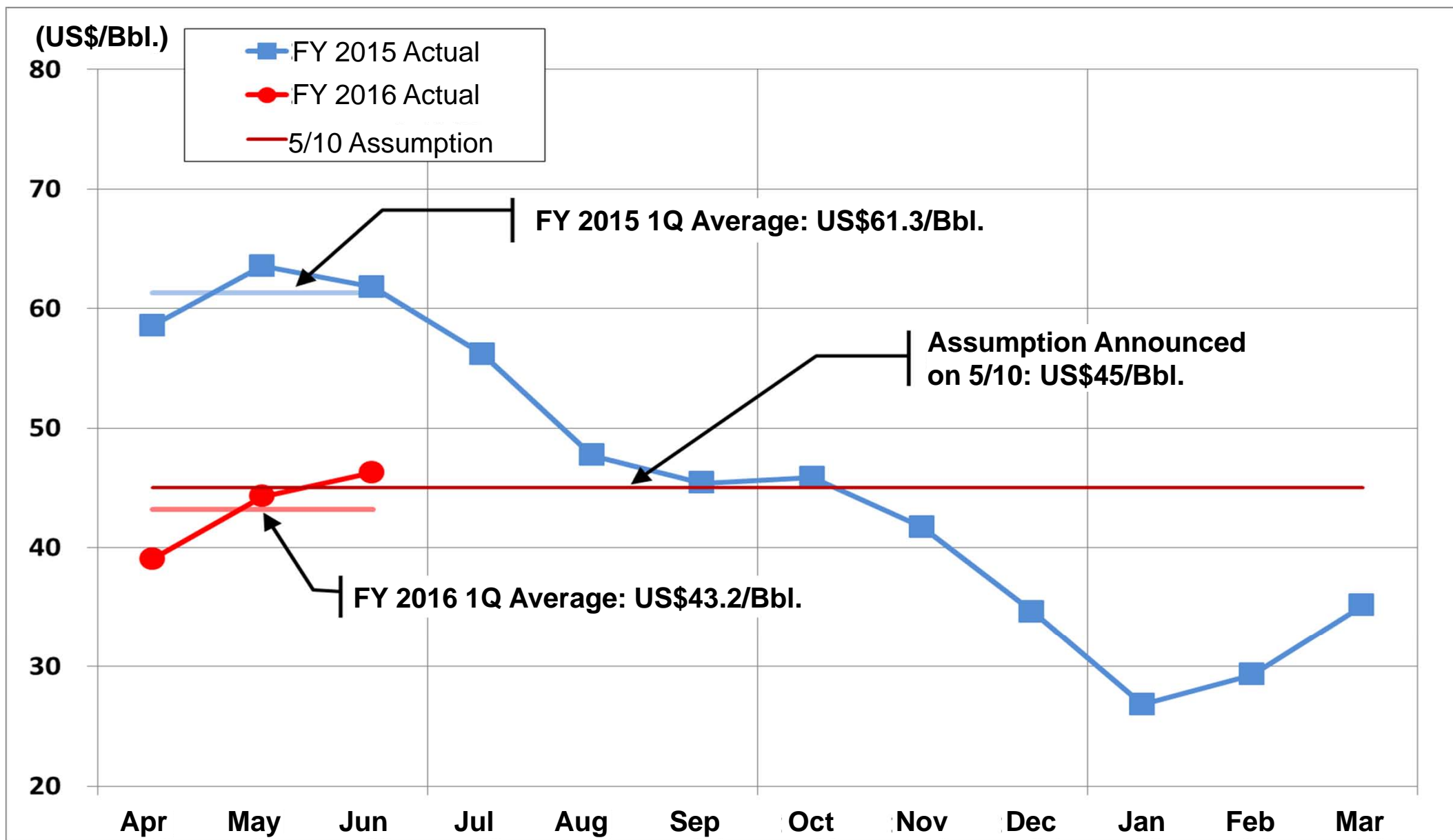
### **(2) Segment Information**

## **2. Reference Materials**

# Crude Oil Price Trends

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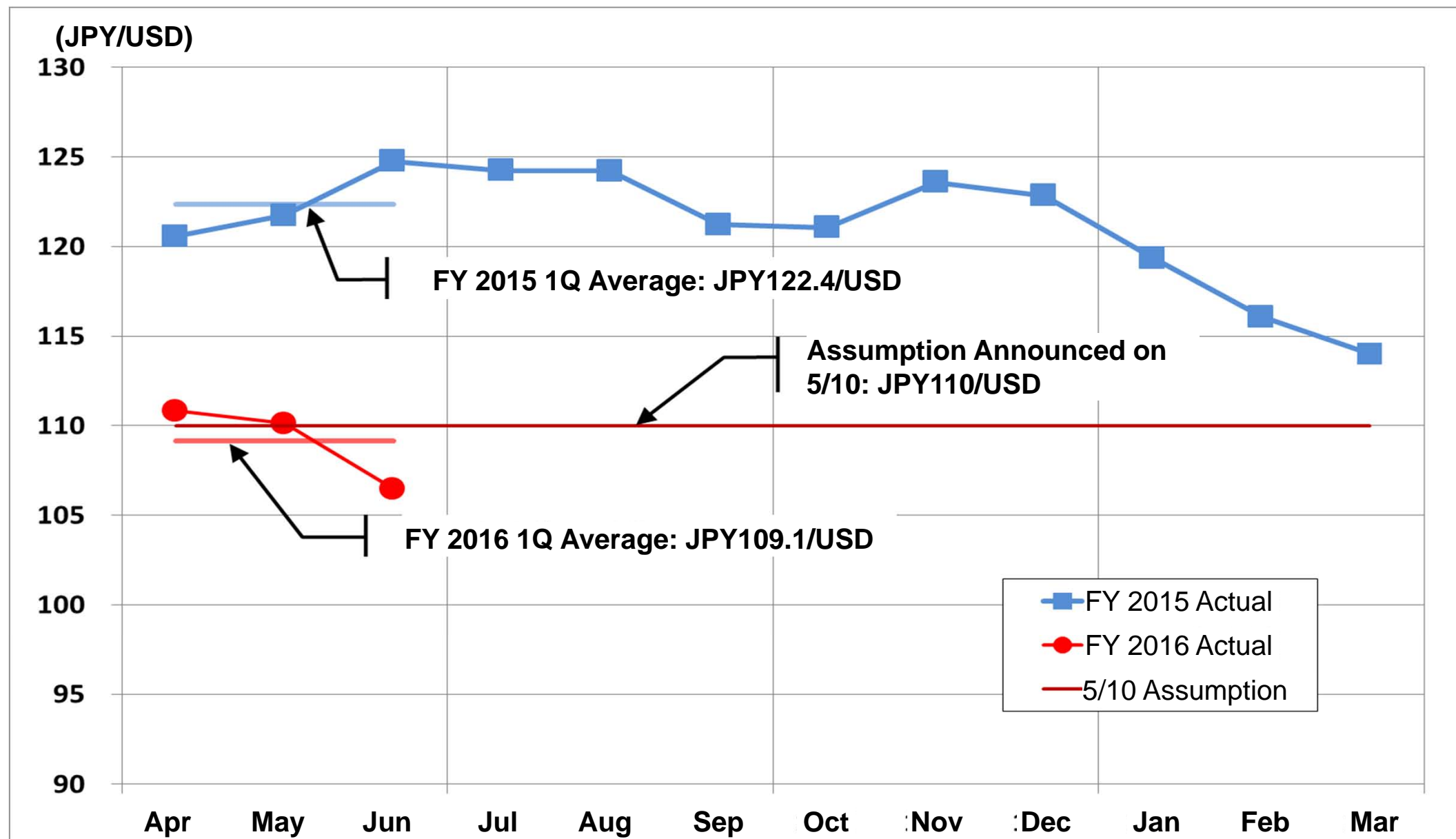
## <Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



# JPY/USD Exchange Rate (TTS) Trends

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



## <FY 2016 1Q Financials>

- Operating income increased by ¥6.5 billion year-on-year, to ¥24.6 billion, as cost savings from decreased crude oil prices more than offset the negative impact of the decrease in petroleum/petrochemical product margins and deteriorating conditions in the crude oil/coal markets surrounding the resources segment amid minimal change in inventory impact
- Ordinary income increased by ¥8.2 billion year-on-year, to ¥24.2 billion and extraordinary income decreased by ¥3.8 billion to a loss of ¥0.8 billion. Net income attributable to owners of the parent increased by ¥7.0 billion year-on-year, to ¥18.4 billion

## <Forecasts for FY 2016 Performance>

- No change from figures announced on May 10

## **1. 1st Quarter FY 2016 Financials**

# (1) Overview



## 1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2015 1Q	FY2016 1Q	Change	
Crude Oil (DB FOB)	61.3	43.2	(18.1)	(29.6%)
Crude Oil (Brent)	54.0	33.9	(20.1)	(37.2%)
Naphtha Price (Customs)	554	395	(159)	(28.7%)
Exchange Rate (TTS)	122.4	109.1	(13.3)	(10.9%)

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

## 2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2015 1Q	FY2016 1Q	Change	
Net Sales	922.8	678.8	(244.0)	(26.4%)
Operating Income	18.0	24.6	6.5	36.3%
<i>(Inventory impact)</i>	6.2	6.3	0.1	1.7%
<i>(Excluding inventory impact)</i>	11.8	18.2	6.4	54.6%
Non-operating Income/Loss	(2.0)	(0.4)	1.6	—
Ordinary Income	16.0	24.2	8.2	51.0%
Extraordinary Gain/Loss	3.0	(0.8)	(3.8)	—
Net income attributable to owners of the parent	11.4	18.4	7.0	61.6%

\* 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)

	FY2015 1Q	FY2016 1Q	Change	
<b>Petroleum Products</b>	<b>9.7</b>	<b>17.3</b>	<b>7.6</b>	<b>78.1%</b>
<i>(Excluding inventory impact)</i>	<b>4.2</b>	<b>10.7</b>	<b>6.5</b>	<b>153.7%</b>
<b>Petrochemical Products</b>	<b>9.0</b>	<b>9.3</b>	<b>0.3</b>	<b>3.0%</b>
<i>(Excluding inventory impact)</i>	<b>8.3</b>	<b>9.5</b>	<b>1.3</b>	<b>15.2%</b>
<b>Resources</b>	<b>0.1</b>	<b>(1.3)</b>	<b>(1.4)</b>	—
<i>Oil Exploration and Production</i>	<b>1.5</b>	<b>(1.5)</b>	<b>(3.0)</b>	—
<i>Coal, etc.</i>	<b>(1.4)</b>	<b>0.2</b>	<b>1.6</b>	—
<b>Others</b>	<b>0.8</b>	<b>0.1</b>	<b>(0.7)</b>	<b>(93.1%)</b>
<b>Reconciliation</b>	<b>(1.6)</b>	<b>(0.7)</b>	<b>0.9</b>	—
<b>Total</b>	<b>18.0</b>	<b>24.6</b>	<b>6.5</b>	<b>36.3%</b>
<i>(Excluding inventory impact)</i>	<b>11.8</b>	<b>18.2</b>	<b>6.4</b>	<b>54.6%</b>

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



## (2) Segment Information



### 2) Factor Analysis for Year-on-year Change in Operating Income

(Units: ¥ billions)

#### **Petroleum Products** **+7.6**

Decrease in Product Margins, etc.	(4.8)	Reduced Refinery Fuel Costs, etc.	+11.3
Inventory Impact	+1.1		

#### **Petrochemical Products** **+0.3**

Increase in Sales Volume, etc.	+0.7	Manufacturing fuel costs, etc.	+0.6
Inventory Impact	(1.0)		

#### **Oil Exploration and Production** **(3.0)**

Sales Volume/Price-related	(6.6)	Exploration Costs/Foreign Exchange, etc.	+3.6
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#### **Coal, etc. / Others/Reconciliation** **+1.8**

Sales Volume/Price-related	(1.6)	Foreign Exchange	+3.2
Others/Reconciliation	+0.2		

## **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 2016 1Q Net Sales by Segment

(Units: ¥ billions)

	FY2015 1Q	FY2016 1Q	Change	
Petroleum Products	730. 8	508. 4	(222. 3)	(30. 4%)
Petrochemical Products	123. 4	107. 1	(16. 3)	(13. 2%)
Resources	52. 3	51. 2	(1. 0)	(2. 0%)
<i>Oil Exploration and Production</i>	<i>20. 2</i>	<i>15. 8</i>	<i>(4. 4)</i>	<i>(21. 6%)</i>
<i>Coal, etc.</i>	<i>32. 1</i>	<i>35. 4</i>	<i>3. 3</i>	<i>10. 4%</i>
Others/Reconciliation	16. 4	12. 0	(4. 4)	(26. 6%)
<b>Total</b>	922. 8	678. 8	(244. 0)	(26. 4%)

# 1. Financial Reporting

## (3) Extraordinary Gains/Losses

(Units: ¥ billions)

		FY2015 1Q	FY2016 1Q	Change
	Gain on Sale of Fixed Assets	0.0	0.0	0.0
	Gain on Sale of Affiliate Stock	3.6	0.0	(3.6)
	Other	0.0	0.0	0.0
	Total Extraordinary Gains	3.7	0.1	(3.6)
	Loss on Sale of Fixed Assets	0.3	0.8	0.5
	Impairment Losses	0.3	0.1	(0.2)
	Other	0.0	-	0.0
	Total Extraordinary Losses	0.7	0.9	0.3
Total Extraordinary Gains/Losses		3.0	(0.8)	(3.8)

# 1. Financial Reporting



## (5) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2016	6/30/2016	Change		3/31/2016	6/30/2016	Change
Cash and Deposits	121.1	109.1	(12.0)	Payables	291.7	275.8	(15.8)
Receivables	259.8	216.2	(43.6)	Short-term Borrowings	293.9	317.7	23.8
Inventory	362.7	386.8	24.1	Other Current Liabilities	351.5	329.3	(22.3)
Other Current Assets	115.0	133.0	18.0	Total Current Liabilities	937.2	922.9	(14.3)
				Long-term Borrowings	615.6	609.0	(6.6)
				Other Fixed Liabilities	311.6	297.8	(13.8)
Total Current Assets	858.7	845.2	(13.5)	Total Fixed Liabilities	927.3	906.9	(20.4)
Tangible Fixed Assets	1,066.6	1,050.8	(15.8)	Total Liabilities	1,864.5	1,829.7	(34.7)
(Land)	586.7	586.2	(0.5)	Shareholders' Equity	348.6	363.3	14.7
(Other)	479.9	464.6	(15.3)	Other Comprehensive Income	152.0	140.5	(11.6)
Other Fixed Assets	476.9	471.6	(5.3)	Noncontrolling Interests	37.0	34.0	(3.0)
Total Fixed Assets	1,543.5	1,522.3	(21.1)	Total Net Assets	537.7	537.8	0.1
Total Assets	2,402.1	2,367.5	(34.6)	Total Liabilities and Net Assets	2,402.1	2,367.5	(34.6)

Total Interest-bearing Debt	909.6	926.8	17.2
Equity Ratio	20.8%	21.3%	0.4%

## 2. Sensitivity

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

<b>Petroleum</b>	<b>Increase in refinery fuel costs, etc.</b>	<b>( ¥ 0.5 billion)</b>
<b>Products</b>	<b>Inventory impact</b>	<b>¥ 2.5 billion</b>
		<b>¥ 2.0 billion</b>
<b>Oil Exploration &amp; Production</b>		<b>¥ 1.0 billion</b>

### (2) Impact of a 1 JPY/USD Appreciation on FY Earnings(From July)

<b>Petroleum</b>	<b>Decrease in refinery fuel costs, etc.</b>	<b>¥ 0.1 billion</b>
<b>Products</b>	<b>Inventory impact</b>	<b>( ¥ 1.0 billion)</b>
		<b>( ¥ 0.9 billion)</b>
<b>Oil Exploration &amp; Production</b>		<b>—</b>

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

(Units:Thousand KL,%)

	FY 2015 1Q	FY 2016 1Q	Change	
<b>Gasoline</b>	<b>2,018</b>	<b>1,936</b>	<b>(82)</b>	<b>(4.1%)</b>
(Premium-Unleaded)	226	215	(11)	(4.7%)
(Regular-Unleaded)	1,792	1,720	(71)	(4.0%)
<b>Naphtha</b>	<b>66</b>	<b>50</b>	<b>(16)</b>	<b>(23.9%)</b>
<b>Jet Fuel</b>	<b>369</b>	<b>399</b>	<b>29</b>	<b>8.0%</b>
<b>Kerosene</b>	<b>371</b>	<b>316</b>	<b>(55)</b>	<b>(14.8%)</b>
<b>Diesel Oil</b>	<b>1,539</b>	<b>1,442</b>	<b>(97)</b>	<b>(6.3%)</b>
<b>Heavy Fuel Oil A</b>	<b>612</b>	<b>518</b>	<b>(95)</b>	<b>(15.5%)</b>
<b>Heavy Fuel Oil C</b>	<b>630</b>	<b>534</b>	<b>(95)</b>	<b>(15.2%)</b>
<b>Toal Domestic Sales Volume</b>	<b>5,605</b>	<b>5,195</b>	<b>(410)</b>	<b>(7.3%)</b>
<b>Exported Volume</b>	<b>613</b>	<b>870</b>	<b>257</b>	<b>41.9%</b>
(General Exports)	104	347	242	232.0%
<b>Total Sales Volume</b>	<b>6,219</b>	<b>6,065</b>	<b>(154)</b>	<b>(2.5%)</b>



### 3. Sales and Production



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

(Units:Thousand tons, %)

	FY 2015 1Q	FY 2016 1Q	Change	
Petrochemical Products-Total	725	826	101	13.9%
(Basic Chemicals)	714	816	102	14.2%
(Performance Chemicals)	11	11	(0)	(3.6%)

#### (1)-3.Sales Volume (Lubricants)

(Units:Thousand KL,%)

	FY 2015 1Q	FY 2016 1Q	Change	
Lubricants	271	281	10	3.7%

\*Includes sales of overseas licenses

### 3. Sales and Production



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

(Units:Thousand BOED)

	FY 2015 1Q	FY 2016 1Q	Change	
Norway	27.2	35.1	7.9	29.2%
United Kingdom	4.7	4.3	(0.4)	(8.9%)
Vietnam	0.4	0.3	(0.1)	(22.8%)
Total('000BOED)	32.3	39.7	7.4	22.9%
Total('000BOE)	2,909	3,616	707	24.3%

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

#### (1)-5. Coal – Production Volume

(Units:Thousand tons)

	FY 2015 1Q	FY 2016 1Q	Change	
Ensham	750	1,017	267	35.6%
Muswellbrook	407	330	(77)	(19.0%)
Boggabri	1,207	1,442	235	19.5%
Tarawonga	139	133	(6)	(4.2%)
Sub Total	2,503	2,922	419	16.7%
Malinau	219	310	91	41.6%
Total Production Volume	2,722	3,232	510	18.7%

\*Figures based on interest owned by Idemitsu Group

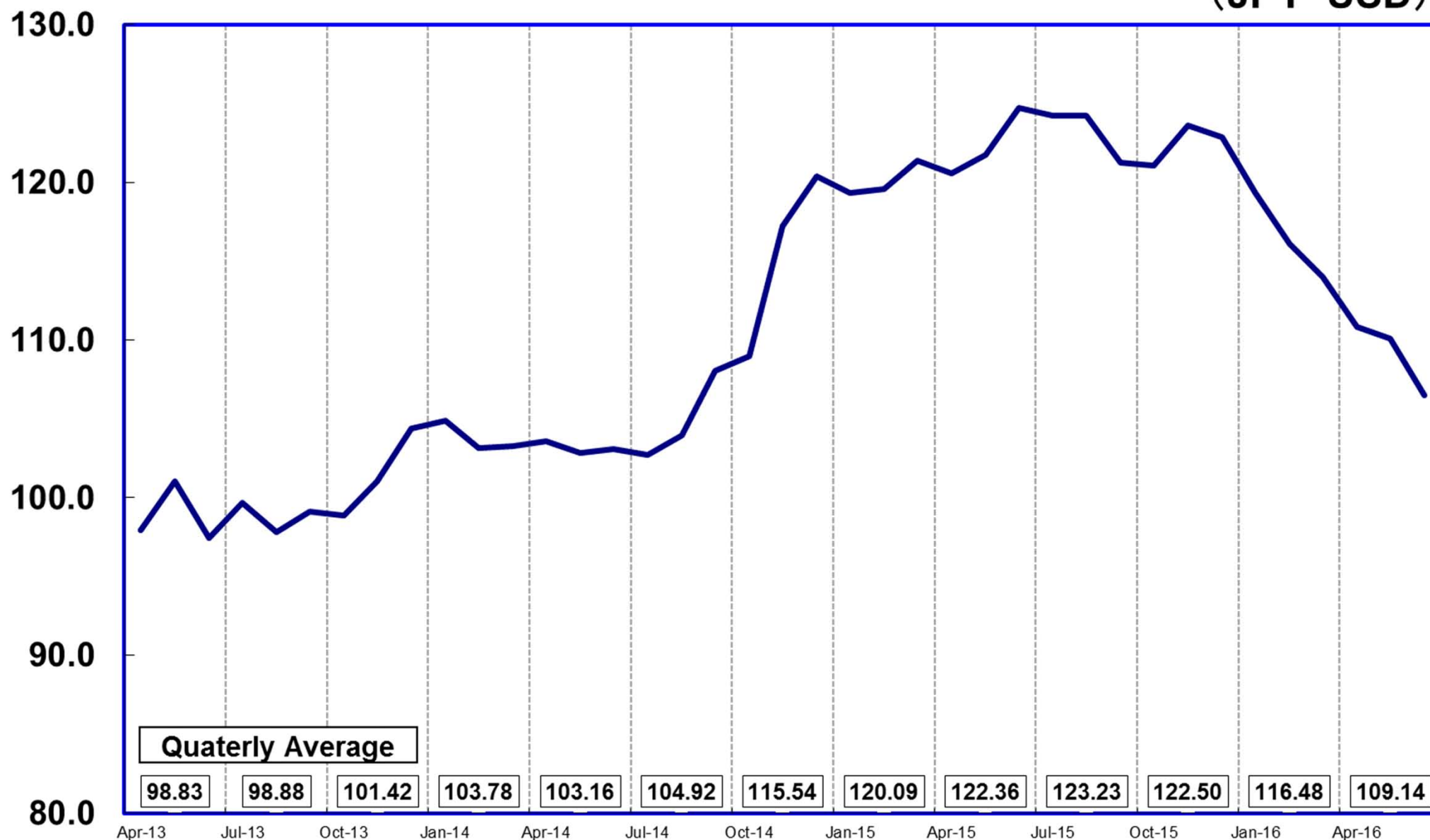
\*Fiscal years for Oil Exploration and Production and Coal operations end in December

# 4. Foreign Exchange

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(1)USD

(JPY・USD)

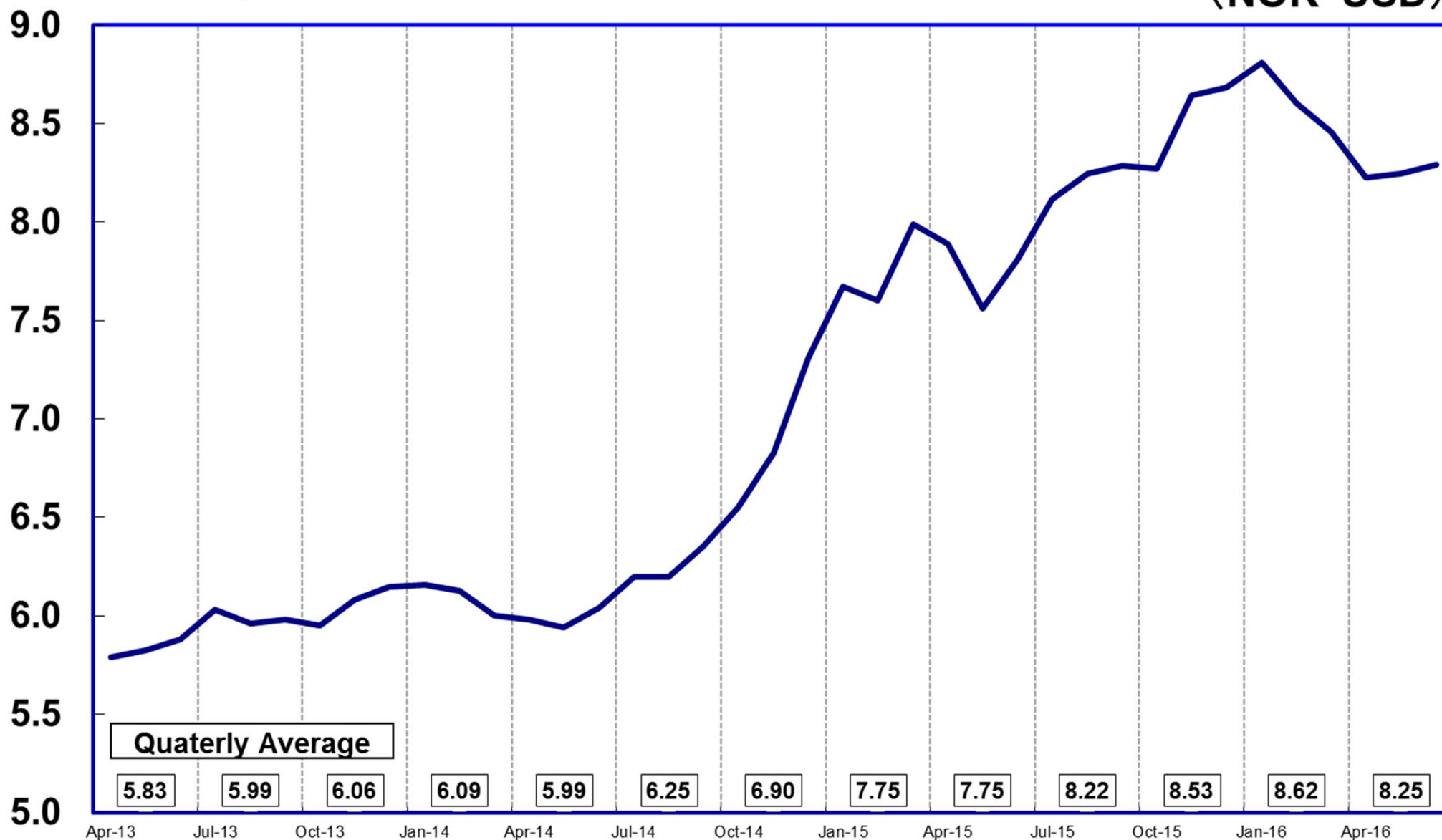


## 4. Foreign Exchange

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### (2) Norwegian Krone

(NOK-USD)

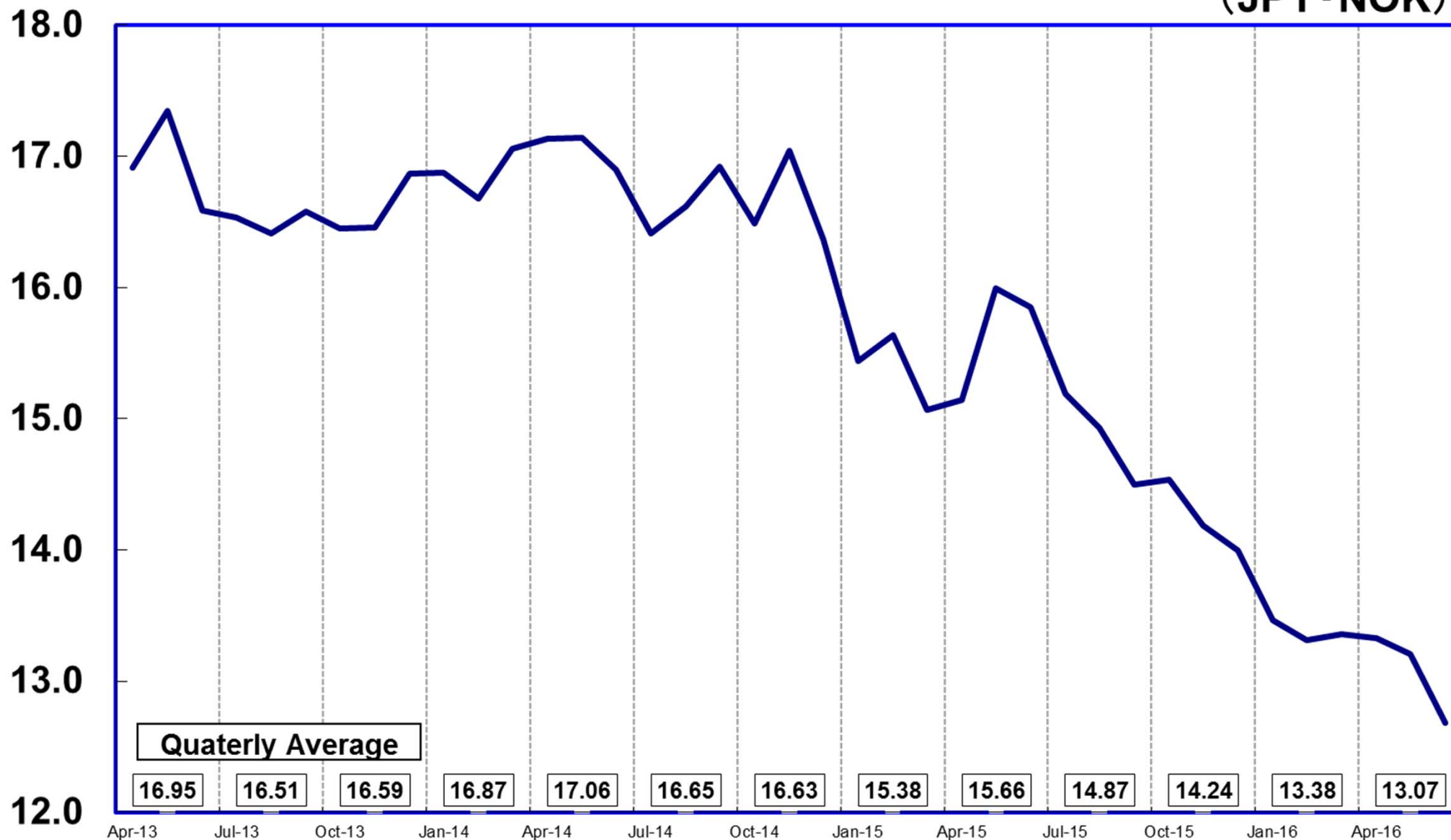


## 4. Foreign Exchange

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### (3) Norwegian Krone

(JPY・NOK)

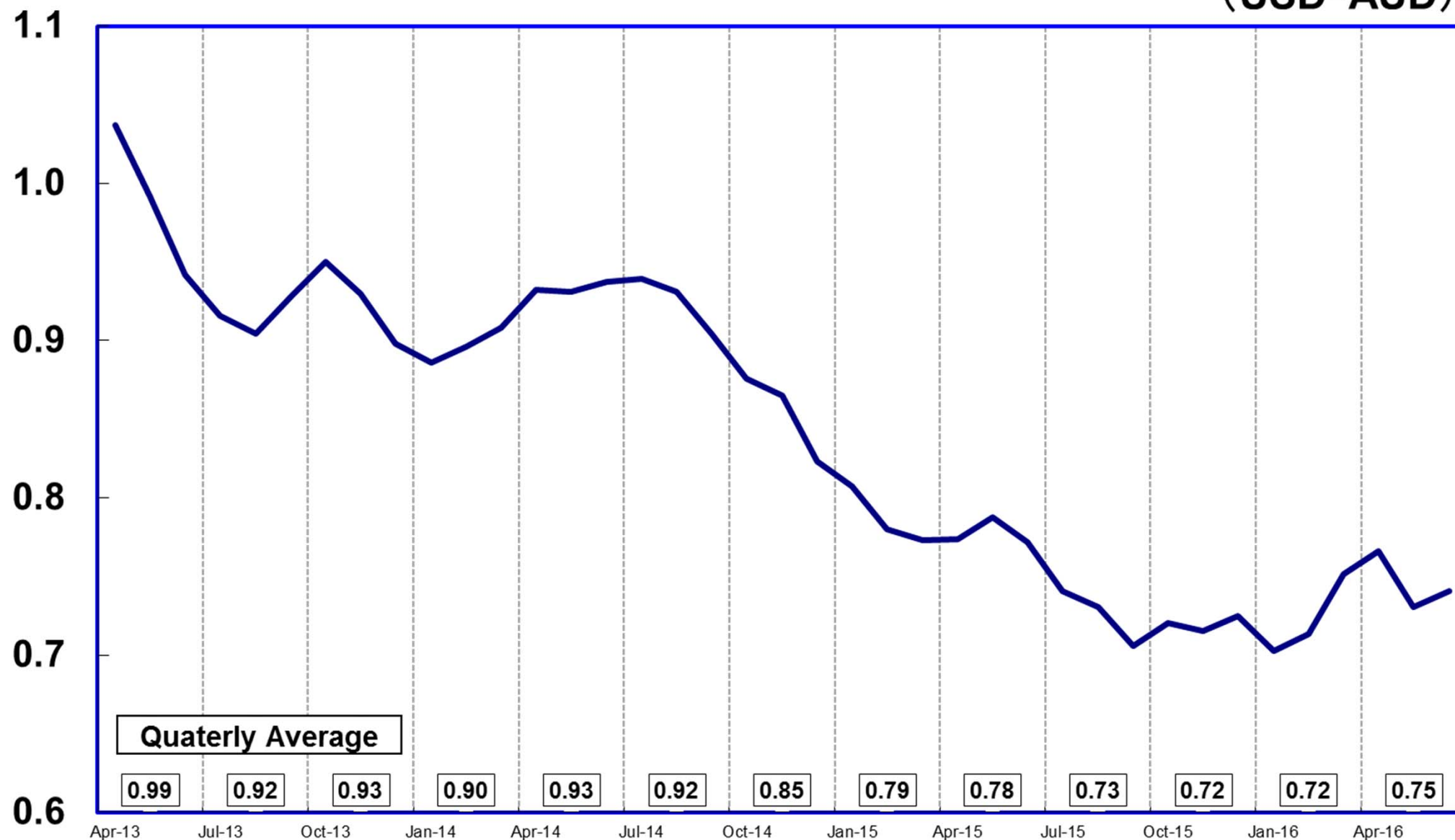


# 4. Foreign Exchange

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## (4) Australian Dollar

(USD・AUD)



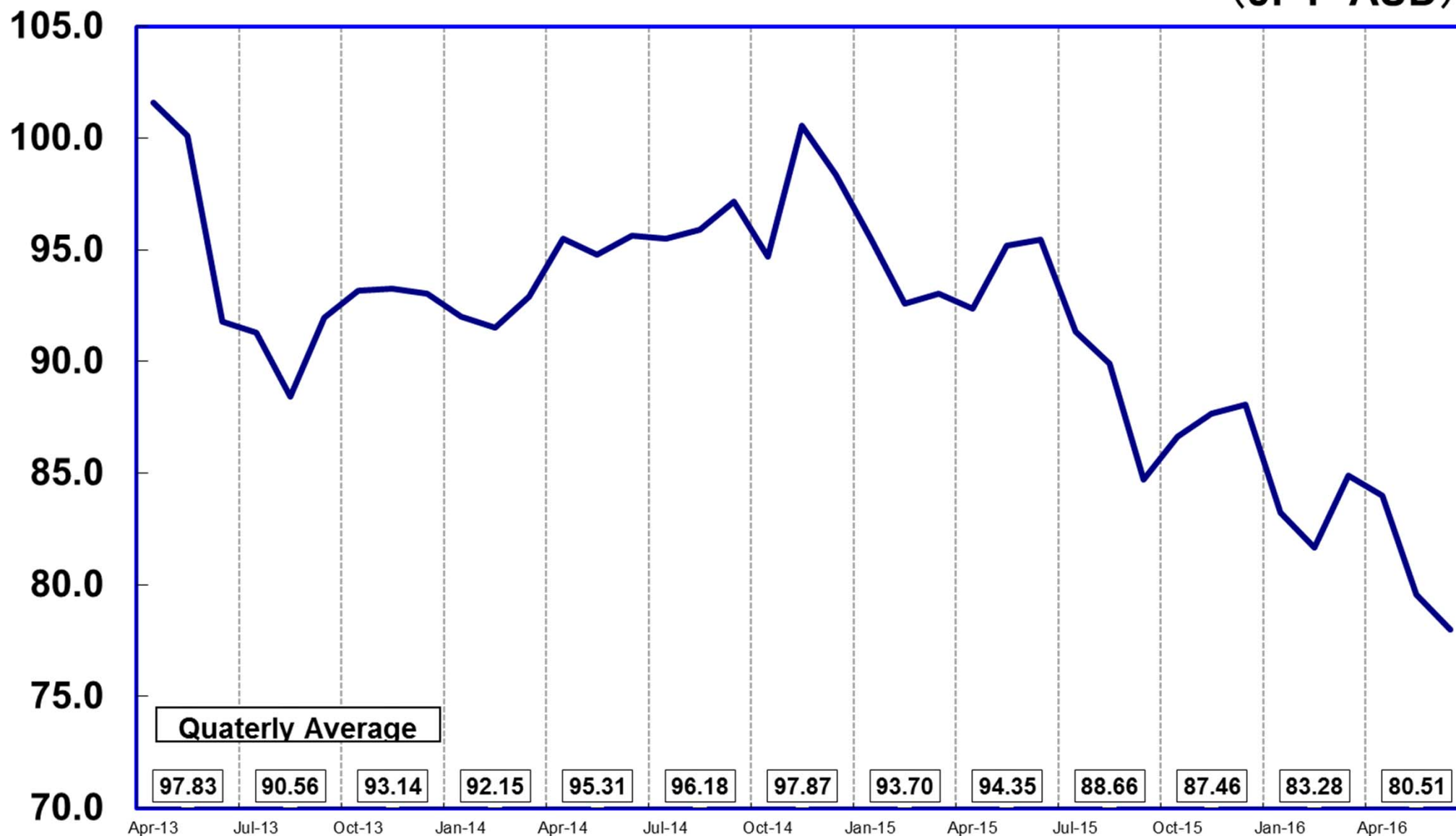


## 4. Foreign Exchange

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### (5) Australian Dollar

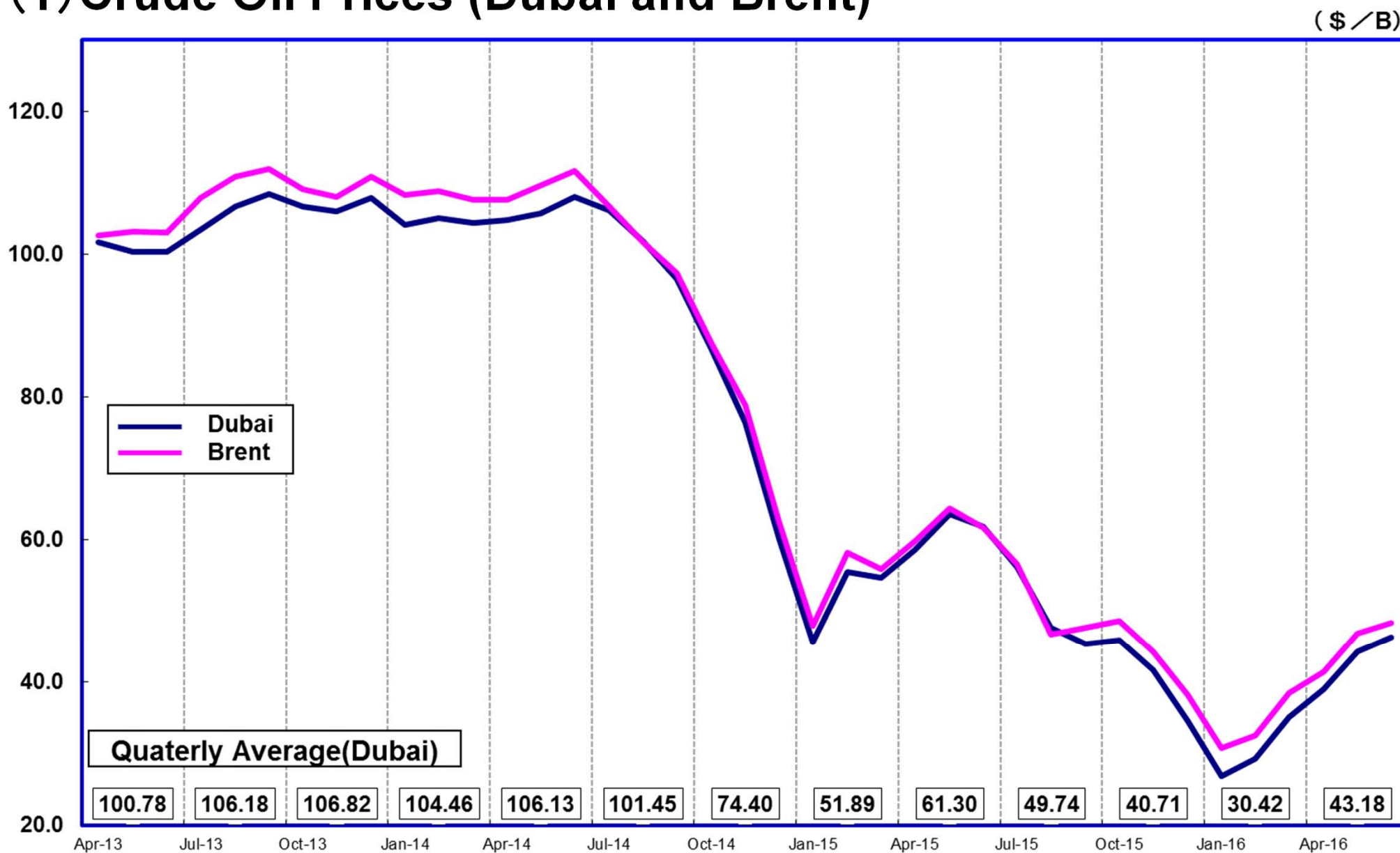
(JPY·AUD)



# 5. Market Conditions

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

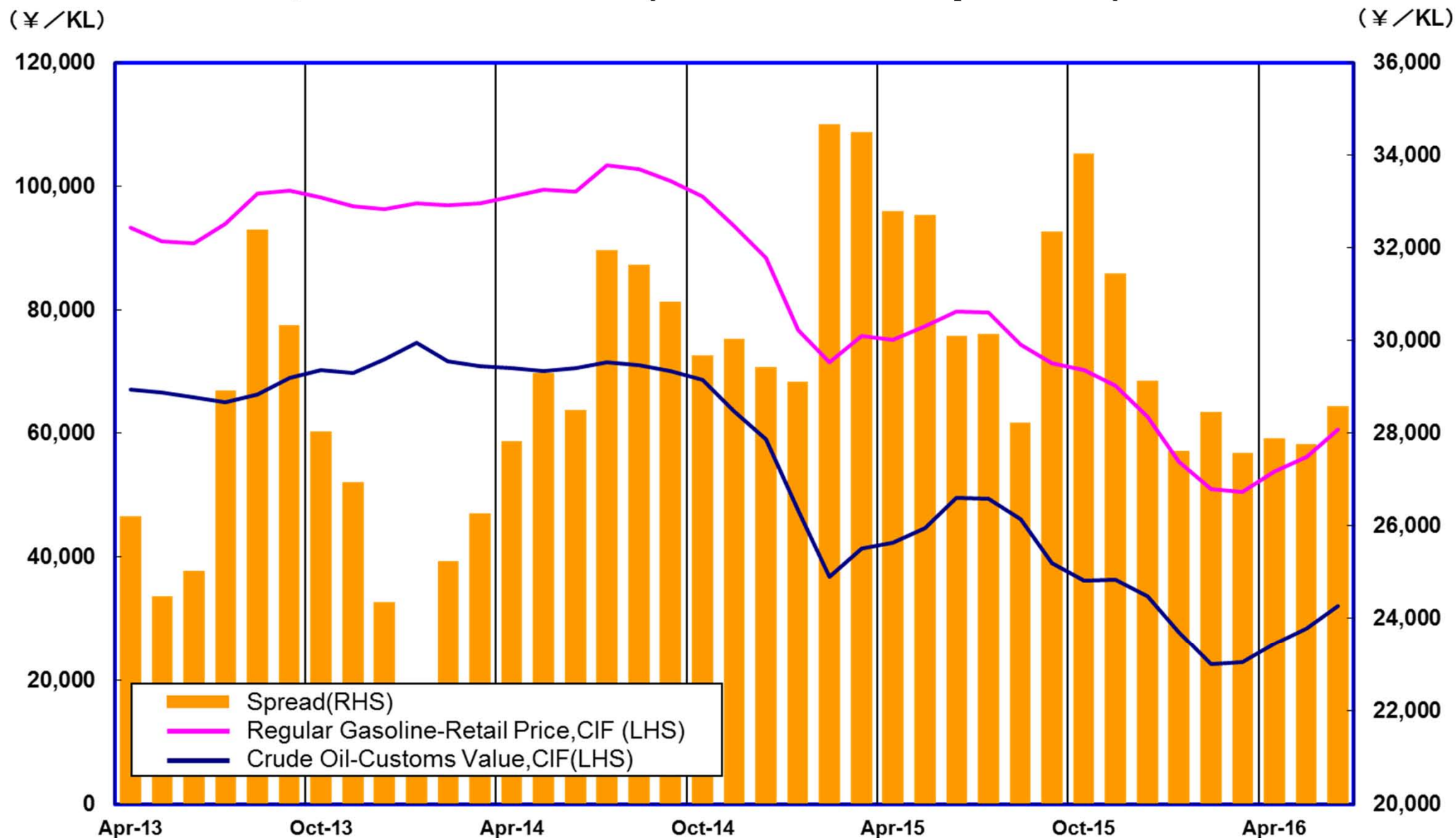




# 5. Market Conditions

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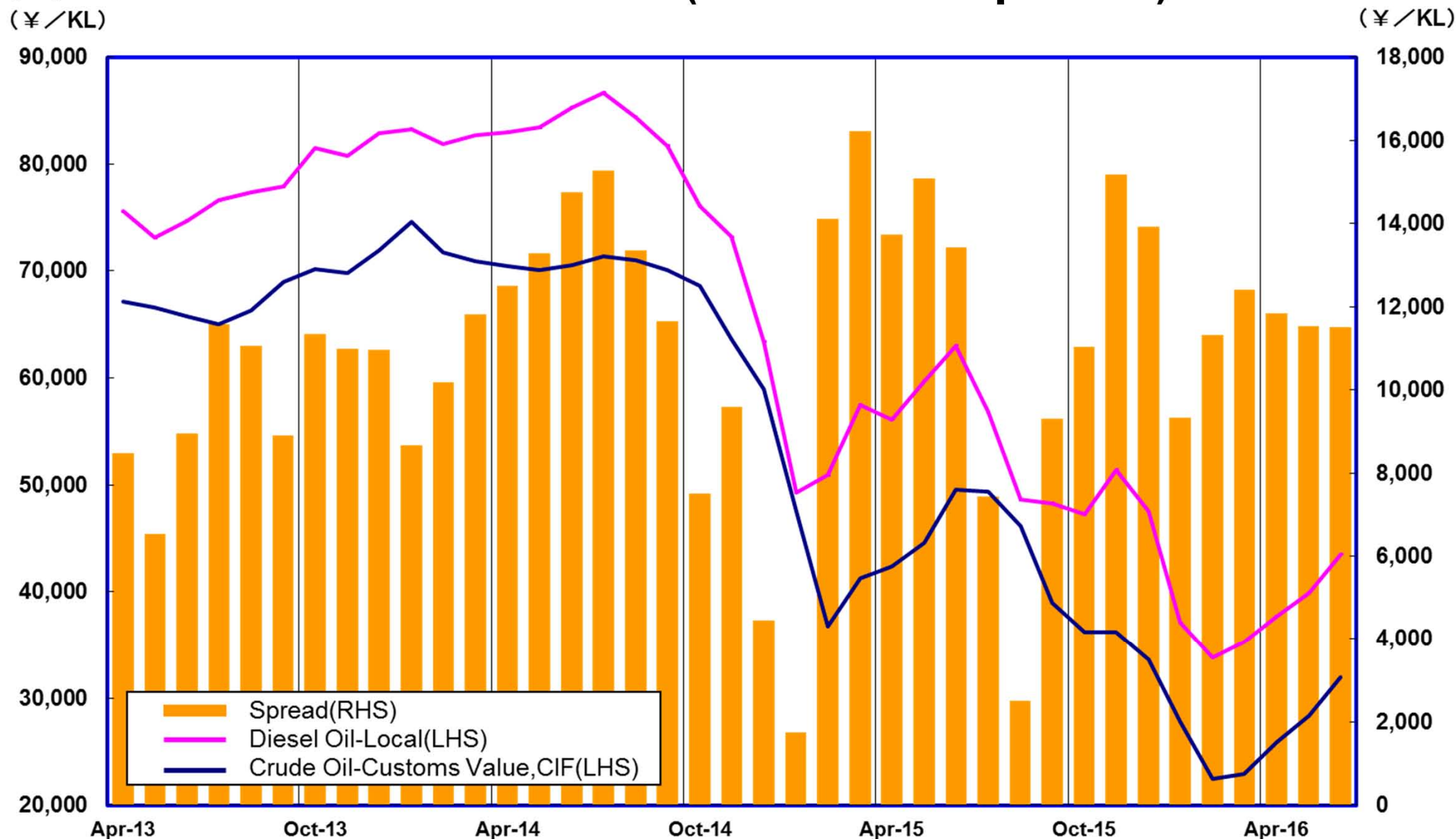
## (2) Gasoline, Crude Oil CIF (Prices and Spreads)



# 5. Market Conditions

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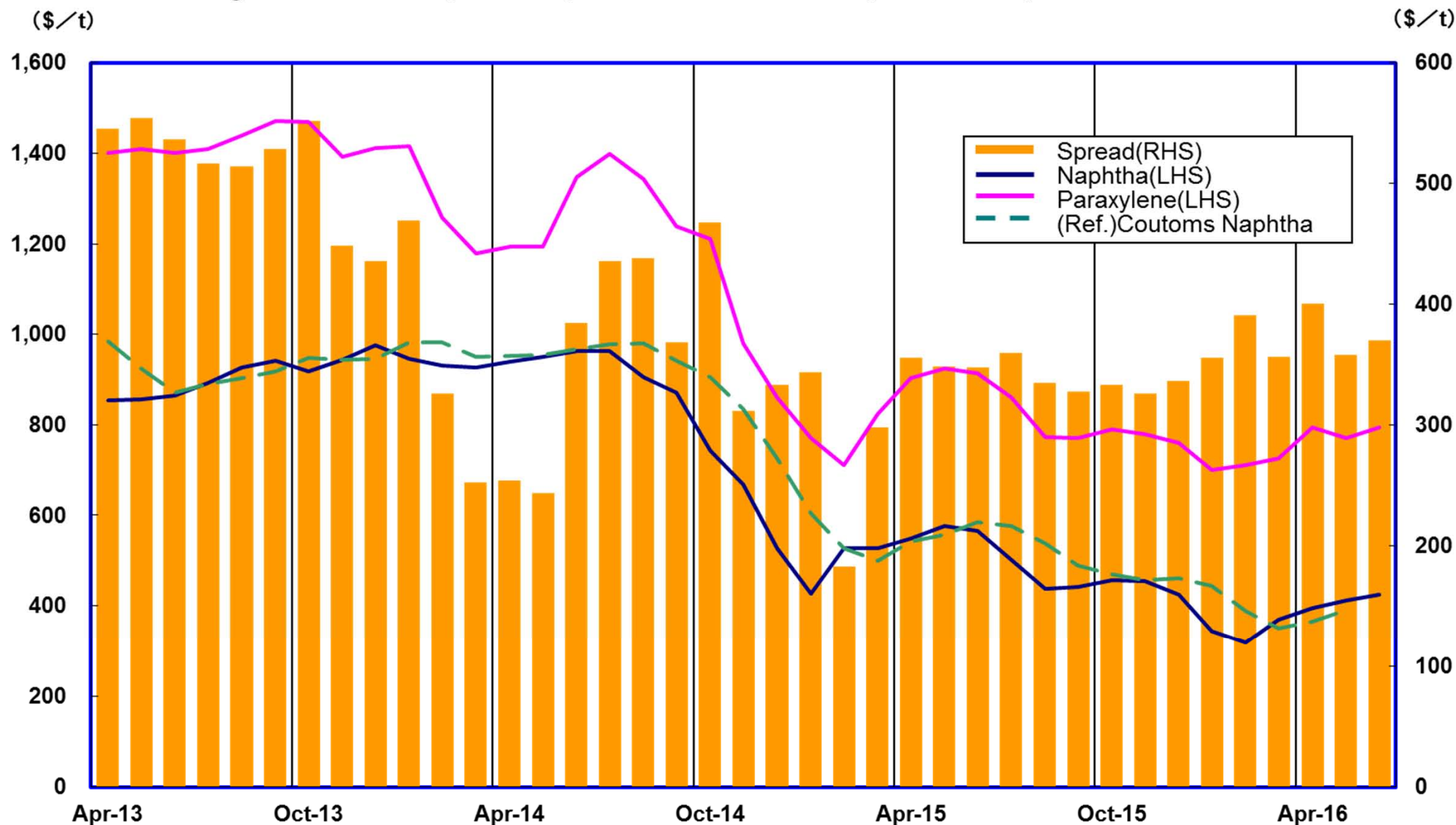
## (3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



# 5. Market Conditions

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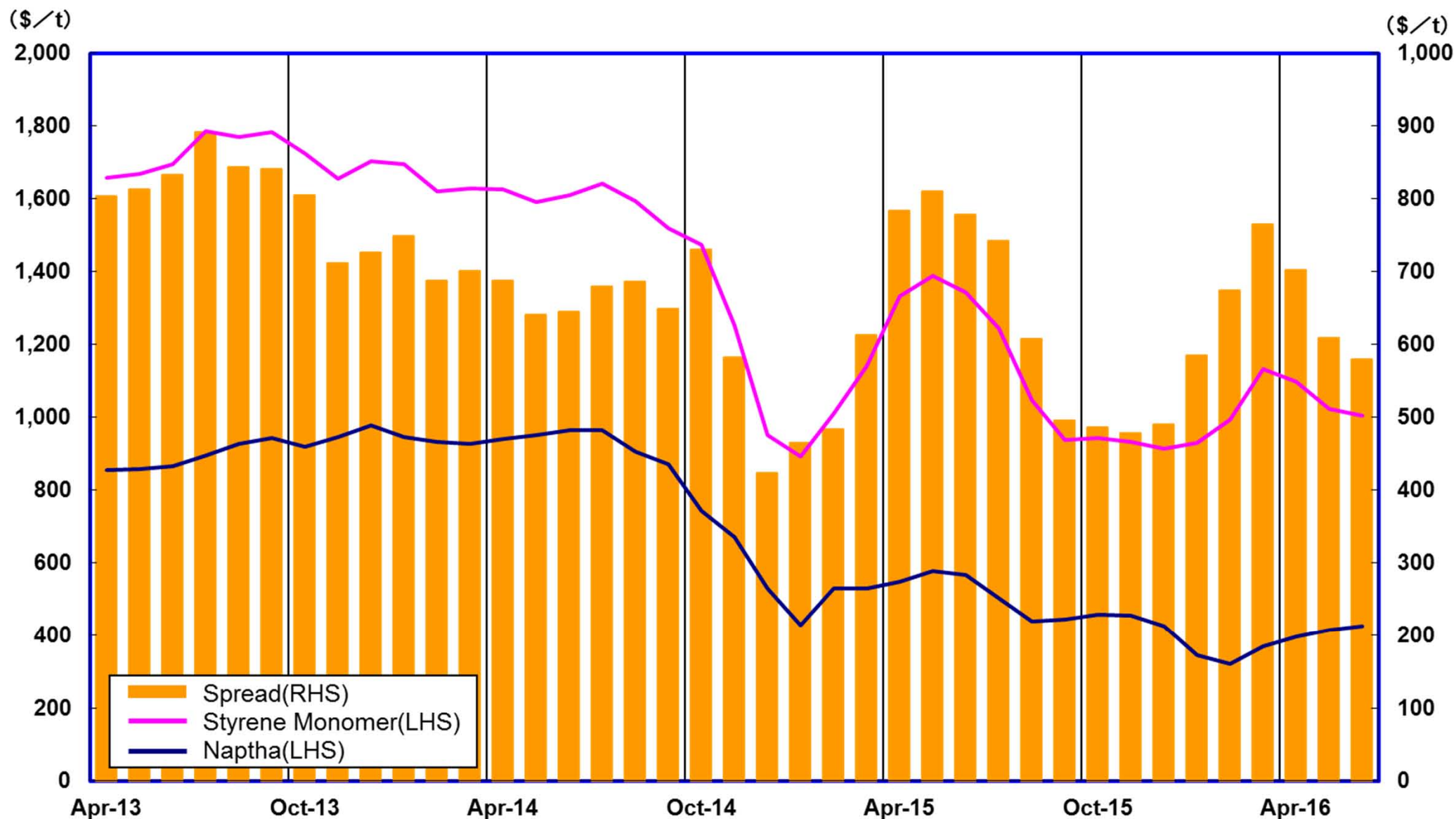
## (4) Paraxylene, Naptha (Prices and Spreads)



# 5. Market Conditions

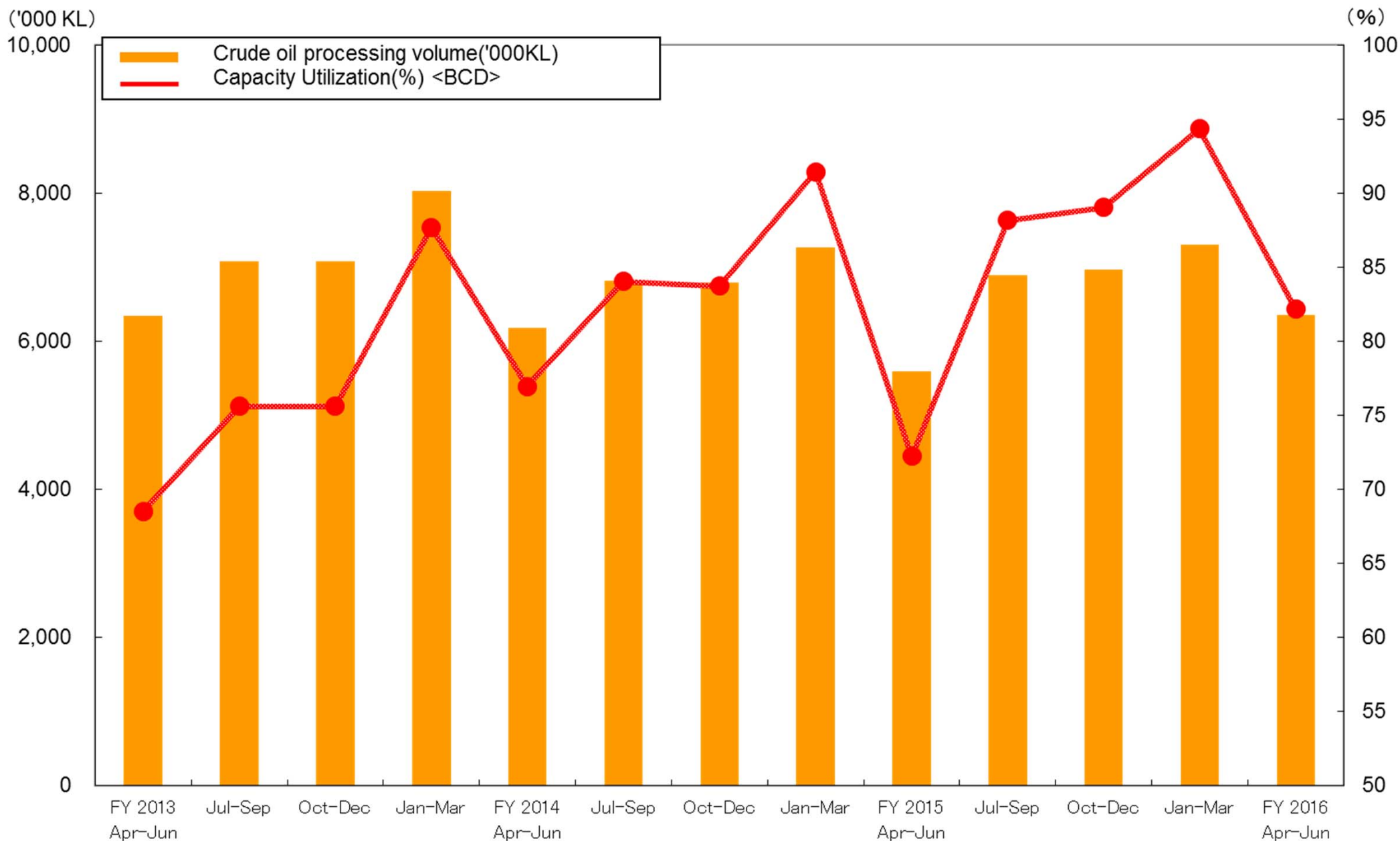
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## (5) Styrene Monomer, Naptha (Prices and Spreads)



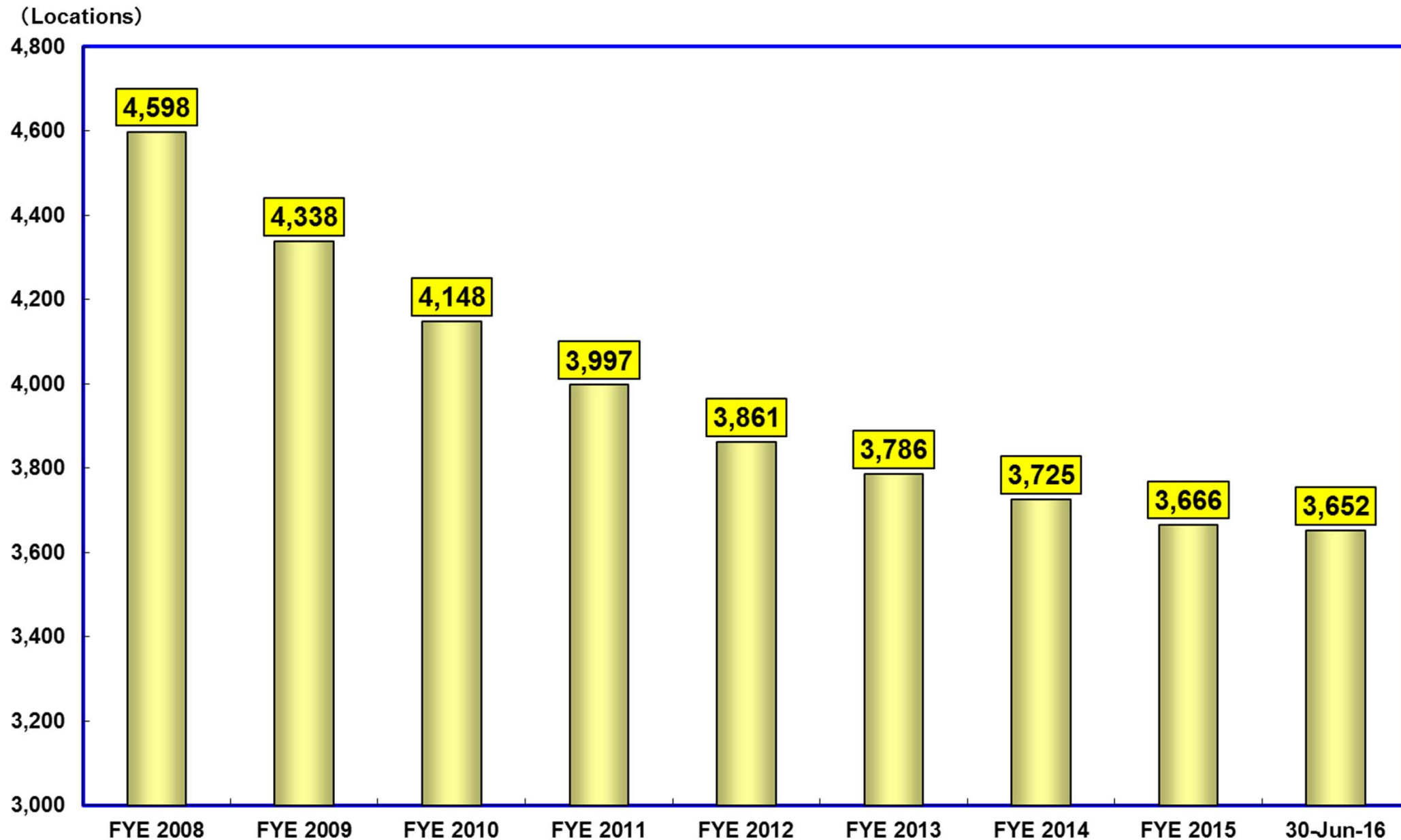
## 6. Capacity Utilization at Refineries

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# 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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