

Presentation on Results for the 2nd Quarter FY 2016

Idemitsu Kosan Co.,Ltd.

November 1, 2016



1. 2nd Quarter FY 2016 Financials

(1) Overview

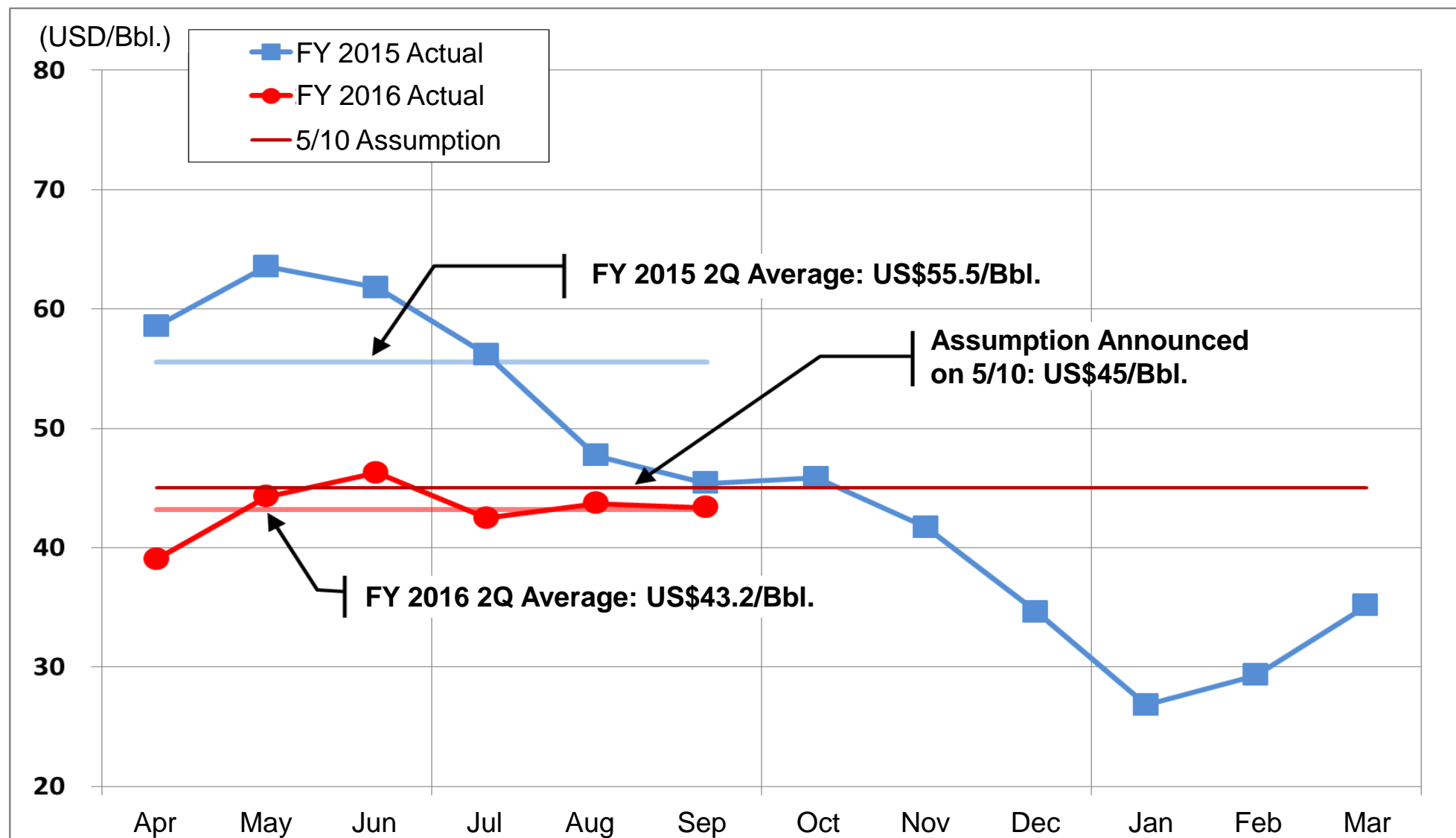
(2) Segment Information

2. Reference Materials

Crude Oil Price Trends



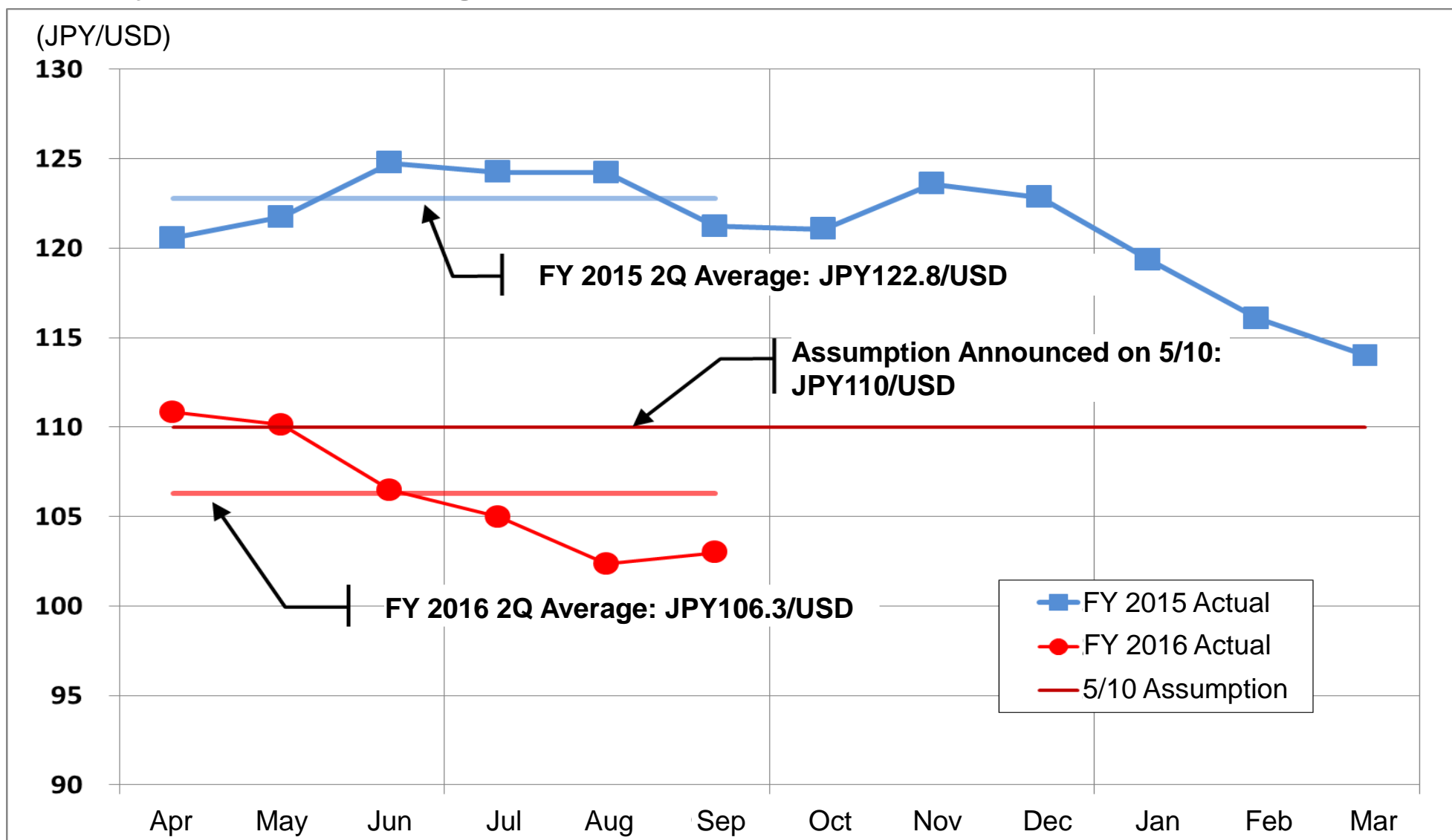
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends



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



<FY 2016 2Q Financials>

- Operating income increased by ¥42.8 billion year-on-year, to ¥32.5 billion, due to increased profits in the petroleum products business resulting from a decrease in losses from inventory valuation, improved petroleum product margins, and reductions in refinery fuel costs and other expenses
- Ordinary income increased by ¥44.3 billion year-on-year, to ¥32.1 billion and Net income attributable to owners of the parent increased by ¥29.3 billion year-on-year, to ¥22.7 billion.

<Forecasts for FY 2016 Performance>

- Forecasts announced on May 10 remain unchanged

1. 2rd Quarter FY 2016 Financials

(1) Overview



1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2015 2Q	FY2016 2Q	Change	
Crude Oil (DB FOB)	55.5	43.2	(12.3)	(22.2%)
Crude Oil (Brent)	57.9	39.7	(18.2)	(31.4%)
Naphtha Price (Customs)	548	404	(144)	(26.3%)
Exchange Rate (TTS)	122.8	106.3	(16.5)	(13.4%)

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2015 2Q	FY2016 2Q	Change	
Net Sales	1,866.1	1,426.3	(439.8)	(23.6%)
Operating Income	(10.3)	32.5	42.8	—
<i>(Inventory impact)</i>	(38.4)	(4.8)	33.7	—
<i>(Excluding inventory impact)</i>	28.1	37.3	9.2	32.6%
Non-operating Income/Loss	(2.0)	(0.5)	1.5	—
Ordinary Income	(12.2)	32.1	44.3	—
Extraordinary Gain/Loss	0.7	(0.1)	(0.8)	—
Net income attributable to owners of the parent	(6.6)	22.7	29.3	—

* 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 2Q	FY2016 2Q	Change	
Petroleum Products	(31.7)	13.5	45.2	—
<i>(Excluding inventory impact)</i>	6.4	18.2	11.8	184.2%
Petrochemical Products	22.2	16.9	(5.4)	(24.1%)
<i>(Excluding inventory impact)</i>	22.6	16.9	(5.6)	(25.0%)
Resources	(1.2)	2.3	3.5	—
<i>Oil Exploration and Production</i>	(0.1)	1.5	1.7	—
<i>Coal, etc.</i>	(1.1)	0.8	1.8	—
Others	2.5	1.6	(0.9)	(36.0%)
Reconciliation	(2.1)	(1.7)	0.4	—
Total	(10.3)	32.5	42.8	—
<i>(Excluding inventory impact)</i>	28.1	37.3	9.2	32.6%

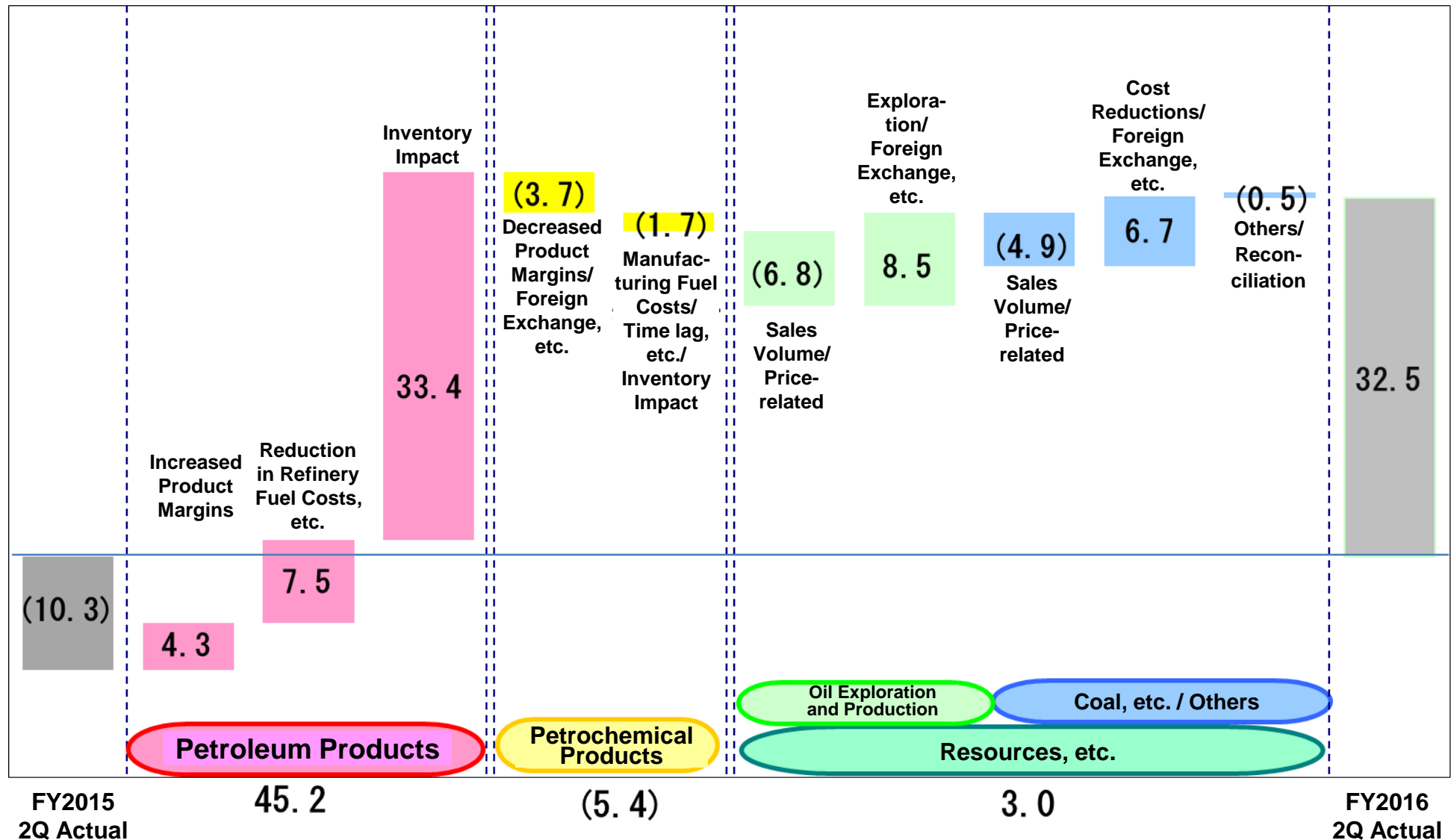
* Fiscal years for Oil Exploration and Production included in the Resources Business and the coal operations end in December

(2) Segment Information



2) Factors Causing Changes in Operating Income (YoY)

(Units: ¥ billions)



2. 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

4. Foreign Exchange

5. Market Conditions

6. Capacity Utilization at Refineries

7. Number of Service Stations

1. Financial Reporting



(1) – 1. FY 2016 2Q Net Sales by Segment

(Units: ¥ billions)

	FY2015 2Q	FY2016 2Q	Change	
Petroleum Products	1,466.7	1,087.3	(379.4)	(25.9%)
Petrochemical Products	267.2	208.1	(59.2)	(22.1%)
Resources	101.2	104.0	2.9	2.8%
<i>Oil Exploration and Production</i>	33.9	33.3	(0.6)	(1.6%)
<i>Coal, etc.</i>	67.3	70.7	3.4	5.1%
Others/Reconciliation	31.0	26.9	(4.1)	(13.3%)
Total	1,866.1	1,426.3	(439.8)	(23.6%)

1. Financial Reporting



(2) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY2015 2Q	FY2016 2Q	Change
Gain on Sale of Fixed Assets	0.2	1.3	1.1
Gain on Sale of Affiliate Stock	3.6	0.0	(3.6)
Other	0.0	0.3	0.2
Total Extraordinary Gains	3.9	1.6	(2.2)
Loss on Sale and Depletion of Fixed Assets	1.2	1.3	0.1
Impairment Losses	0.4	0.4	(0.1)
Loss on business of subsidiaries and affiliates	1.4	-	(1.4)
Other	0.1	0.1	(0.1)
Total Extraordinary Losses	3.1	1.7	(1.4)
Total Extraordinary Gains/Losses	0.7	(0.1)	(0.8)

1. Financial Reporting



(3) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2016	9/30/2016	Change		3/31/2016	9/30/2016	Change
Cash and Deposits	121.1	98.3	(22.8)	Payables	291.7	285.0	(6.6)
Receivables	259.8	236.2	(23.7)	Short-term Borrowings	293.9	305.8	11.8
Inventory	362.7	377.0	14.3	Other Current Liabilities	351.5	335.1	(16.4)
Other Current Assets	115.0	117.1	2.1	Total Current Liabilities	937.2	925.9	(11.2)
				Long-term Borrowings	615.6	581.9	(33.7)
				Other Fixed Liabilities	311.6	301.9	(9.8)
Total Current Assets	858.7	828.6	(30.1)	Total Fixed Liabilities	927.3	883.8	(43.5)
Tangible Fixed Assets	1,066.6	1,020.4	(46.1)	Total Liabilities	1,864.5	1,809.7	(54.7)
(Land)	586.7	585.1	(1.6)	Shareholders' Equity	348.6	368.0	19.4
(Other)	479.9	435.3	(44.6)	Other Comprehensive Income	152.0	111.8	(40.3)
Other Fixed Assets	476.9	472.2	(4.7)	Noncontrolling Interests	37.0	31.8	(5.3)
Total Fixed Assets	1,543.5	1,492.6	(50.8)	Total Net Assets	537.7	511.5	(26.2)
Total Assets	2,402.1	2,321.2	(80.9)	Total Liabilities and Net Assets	2,402.1	2,321.2	(80.9)

Total Interest-bearing Debt	909.6	887.7	(21.9)
Equity Ratio	20.8%	20.7%	(0.2%)

1. Financial Reporting



(4) Consolidated Statement of Cash Flows

(Units: ¥ billions)

	FY2015 2Q	FY2016 2Q	Change
CF from Operating Activities	9.9	32.9	23.0
Net Income before Tax Adjustments	(11.5)	32.0	43.5
Depreciation Expense	37.4	33.8	(3.7)
Increase in Sales Receivables and Inventory	36.3	(10.4)	(46.7)
Other	(52.3)	(22.5)	29.8
CF from Investing Activities	(57.2)	(33.8)	23.5
Purchase of Tangible Fixed Assets	(34.9)	(21.5)	13.3
Other	(22.4)	(12.2)	10.1
CF from Financing Activities	29.8	(11.6)	(41.4)
Increase (Decrease) in Borrowings, etc.	33.9	(4.9)	(38.8)
Other	(4.1)	(6.8)	(2.6)
Translation Gains/Losses	(0.8)	(9.5)	(8.7)
Increase in Cash and Cash Equivalents	(18.3)	(22.0)	(3.7)
Cash and Cash Equivalents - Beginning Balance	111.2	118.7	7.5
Cash and Cash Equivalents - Ending Balance	92.9	96.8	3.9

2. Sensitivity

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

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.4 billion)
	Inventory impact	¥ 2.1 billion
		¥ 1.7 billion
Oil Exploration & Production		¥ 0.3 billion

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

Petroleum Products	Decrease in refinery fuel costs, etc.	¥ 0.1 billion
	Inventory impact	(¥ 0.8 billion)
		(¥ 0.7 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 2015 2Q	FY 2016 2Q	Change	
Gasoline	4,210	4,089	(121)	(2.9%)
(Premium-Unleaded)	468	449	(19)	(4.1%)
(Regular-Unleaded)	3,743	3,641	(102)	(2.7%)
Naphtha	126	110	(16)	(12.6%)
Jet Fuel	807	834	27	3.4%
Kerosene	634	521	(113)	(17.9%)
Diesel Oil	3,057	2,949	(108)	(3.5%)
Heavy Fuel Oil A	1,145	962	(183)	(16.0%)
Heavy Fuel Oil C	1,213	1,089	(124)	(10.2%)
Toal Domestic Sales Volume	11,193	10,555	(639)	(5.7%)
Exported Volume	1,724	2,026	303	17.6%
(General Exports)	619	1,015	396	64.0%
Total Sales Volume	12,917	12,581	(336)	(2.6%)

3. Sales and Production



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

(Units: Thousand tons, %)

	FY 2015 2Q	FY 2016 2Q	Change	
Petrochemical Products-Total	1,549	1,630	81	5.2%
(Basic Chemicals)	1,527	1,609	82	5.4%
(Performance Chemicals)	22	22	(1)	(2.6%)

(3) Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2015 2Q	FY 2016 2Q	Change	
Lubricants	546	577	30	5.6%

*Includes sales of overseas licenses

3. Sales and Production



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

(Units: Thousand BOED)

	FY 2015 2Q	FY 2016 2Q	Change	
Norway	27.5	34.2	6.7	24.3%
United Kingdom	4.8	4.7	(0.1)	(1.2%)
Vietnam	0.4	0.3	(0.1)	(18.3%)
Total('000BOED)	32.6	39.2	6.5	20.0%
Total('000BOE)	5,909	7,133	1224	20.7%

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

(5) Coal – Production Volume

(Units: Thousand tons)

	FY 2015 2Q	FY 2016 2Q	Change	
Ensham	1,443	2,084	641	44.4%
Muswellbrook	868	748	(120)	(13.8%)
Boggabri	2,744	2,818	74	2.7%
Tarawonga	306	294	(12)	(3.8%)
Sub Total	5,360	5,944	584	10.9%
Malinau	527.10	578	51	9.7%
Total Production Volume	5,887	6,522	635	10.8%

*Figures based on interest owned by Idemitsu Group

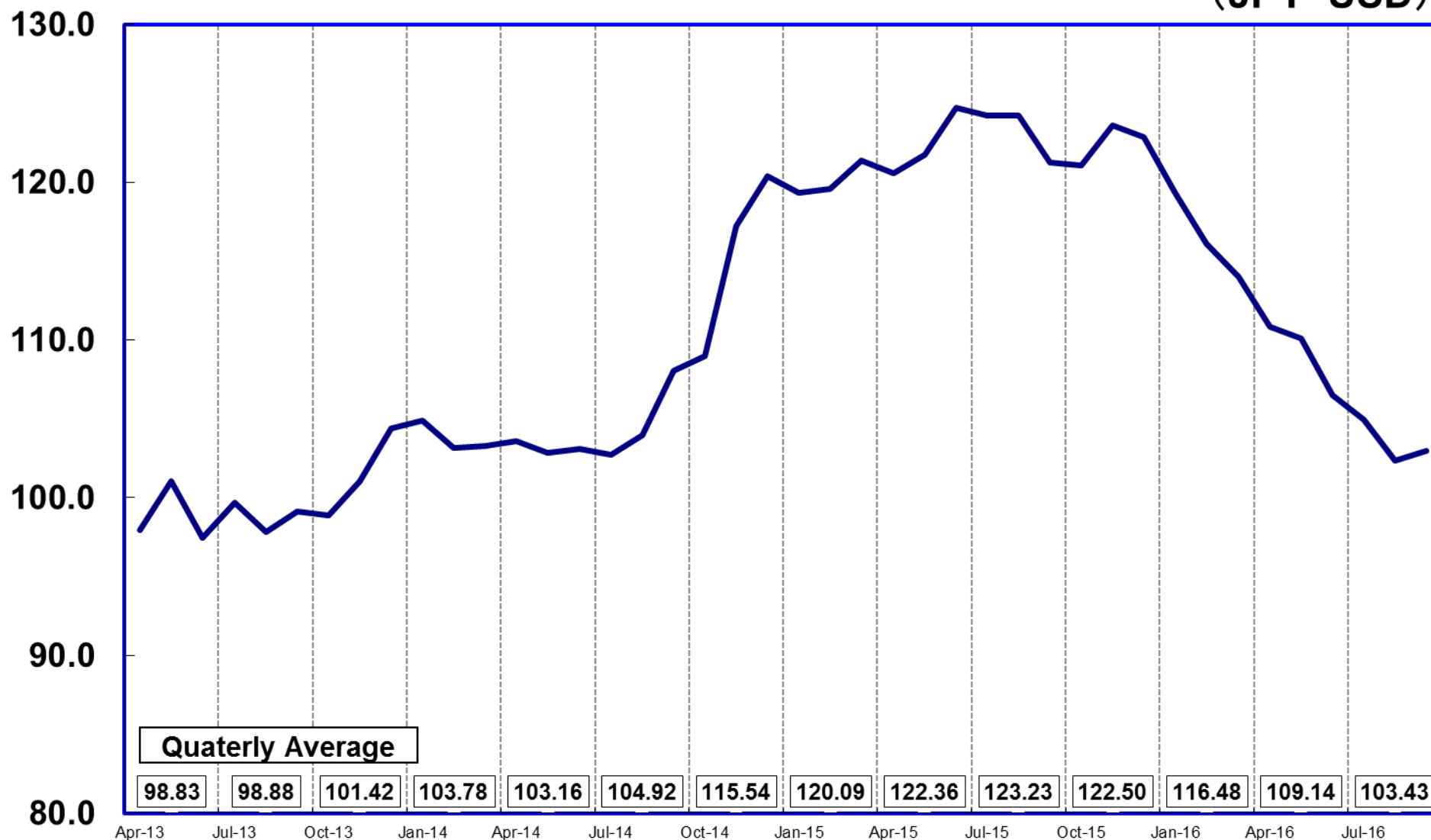
*Fiscal years for Oil Exploration and Production and Coal operations end in December

4. Foreign Exchange

出光

(1)USD

(JPY・USD)

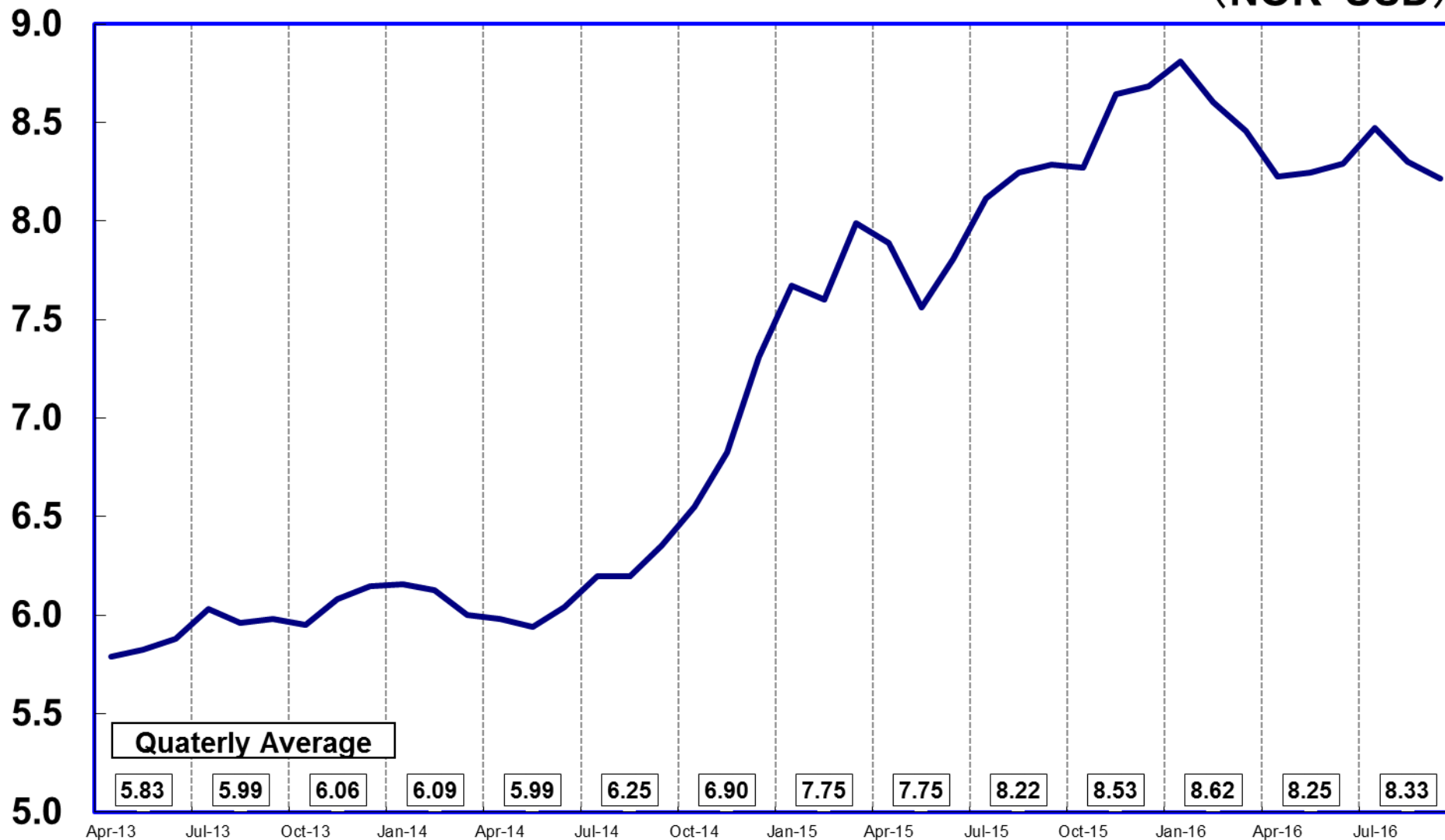


4. Foreign Exchange

出光

(2) Norwegian Krone

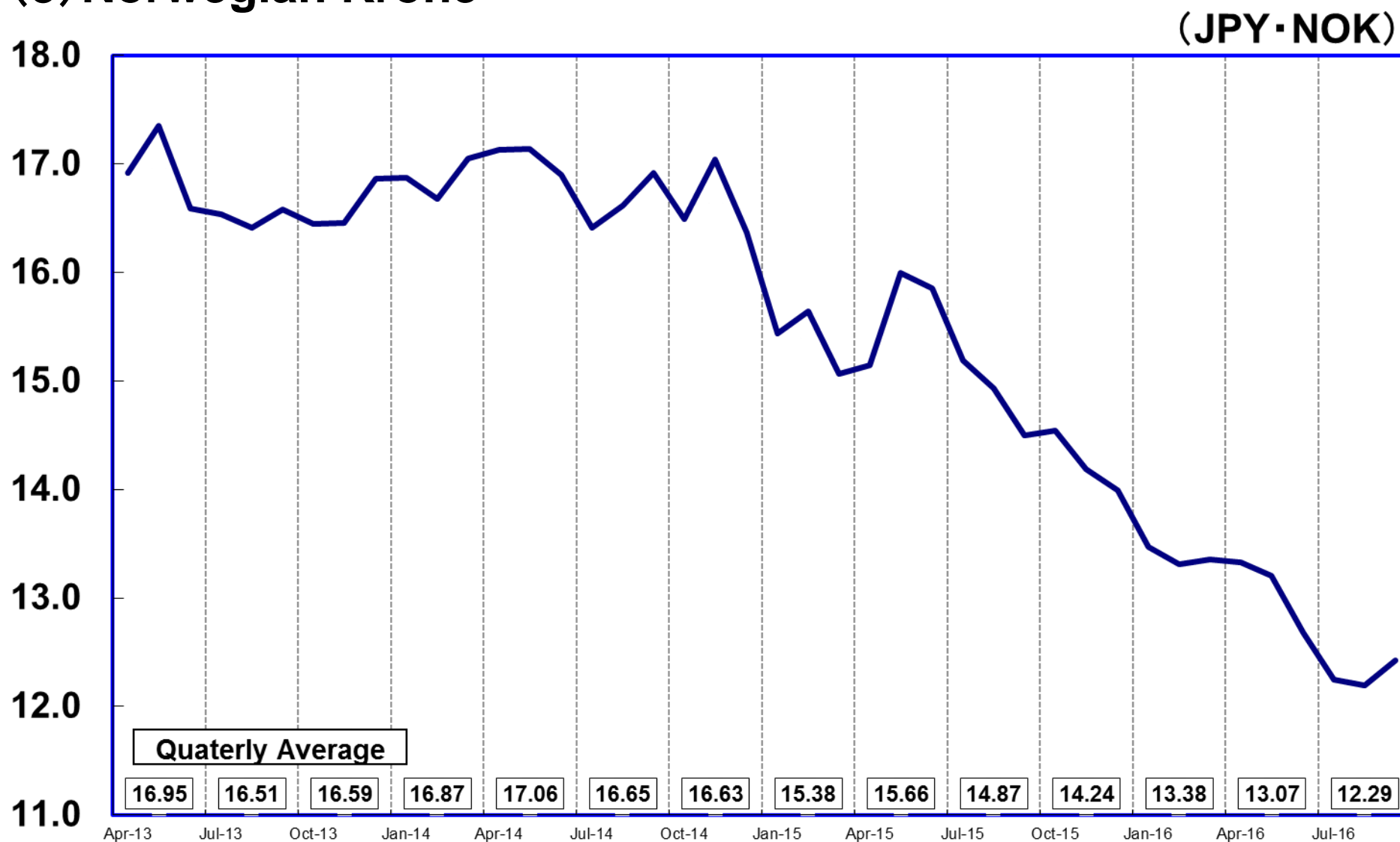
(NOK-USD)



4. Foreign Exchange

出光

(3) Norwegian Krone

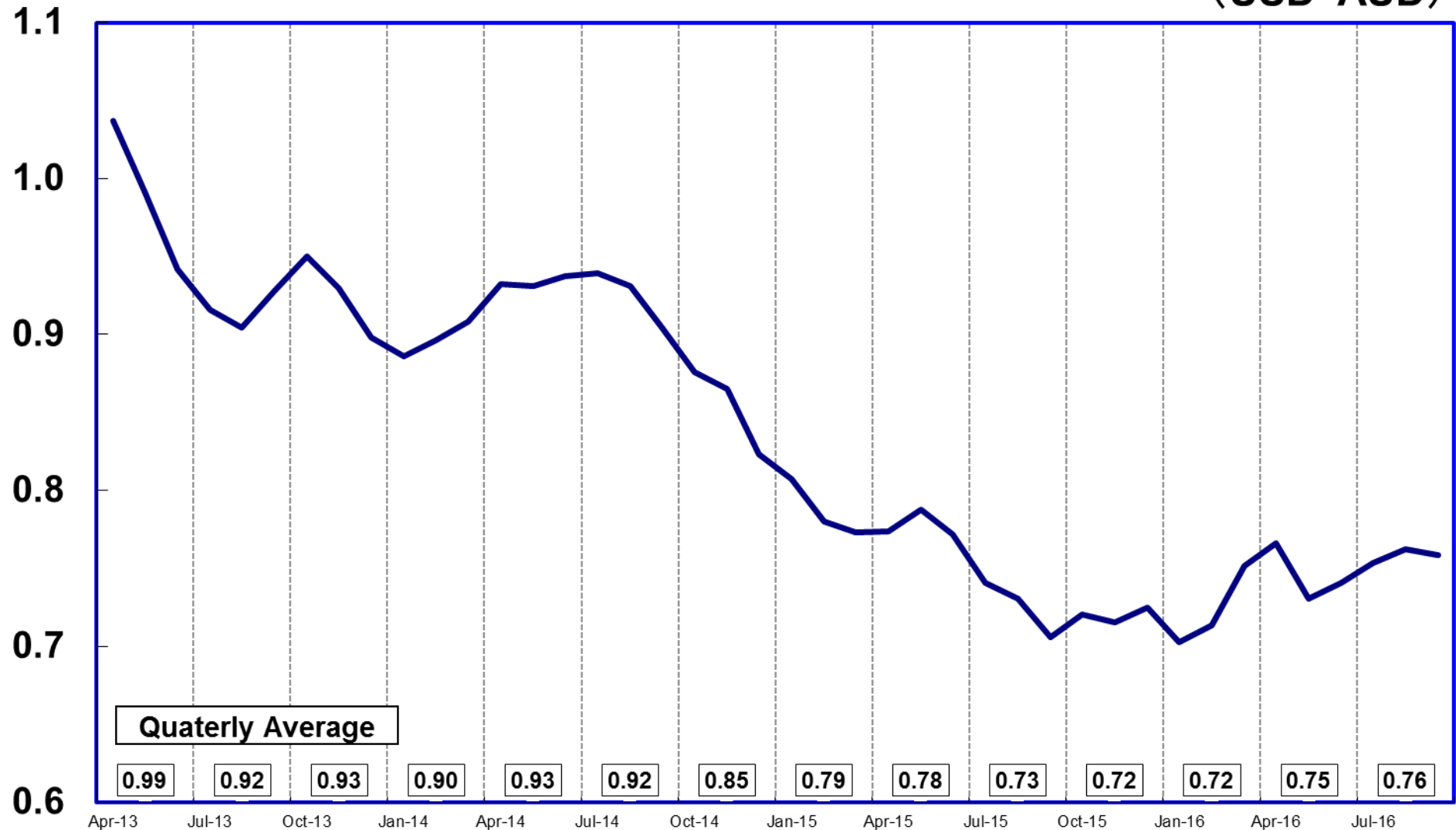


4. Foreign Exchange

出光

(4) Australian Dollar

(USD·AUD)

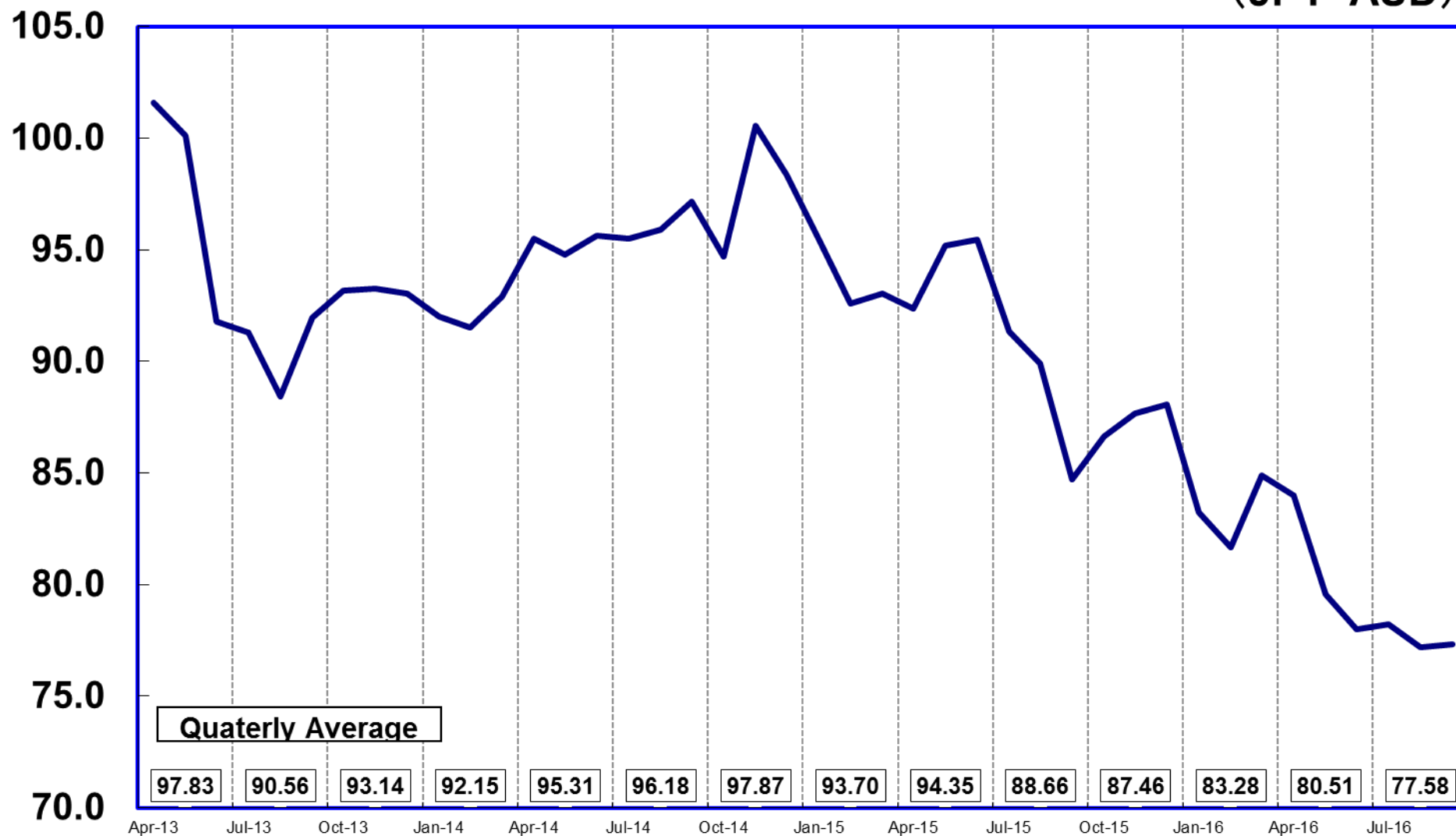


4. Foreign Exchange

出光

(5) Australian Dollar

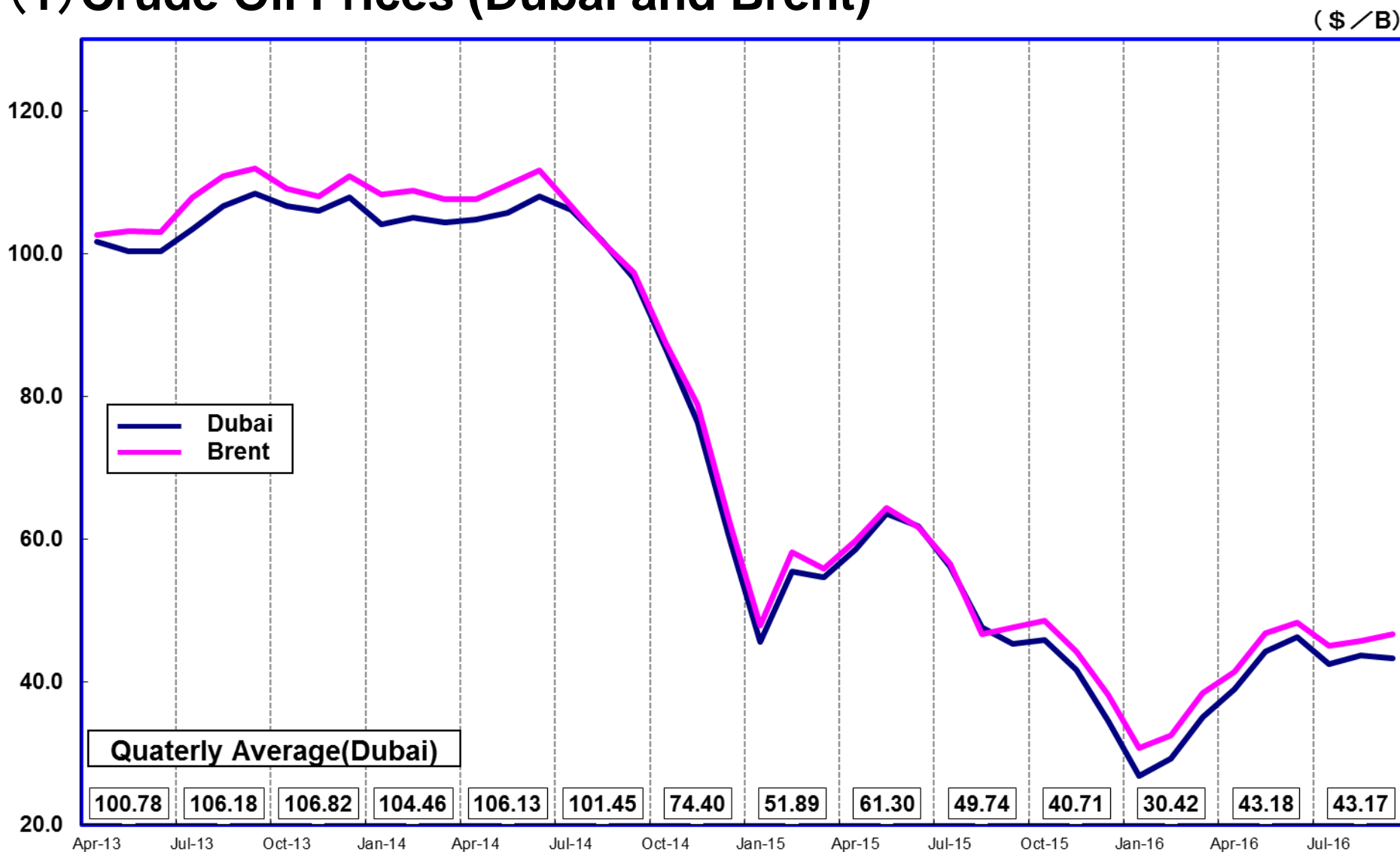
(JPY・AUD)



5. Market Conditions

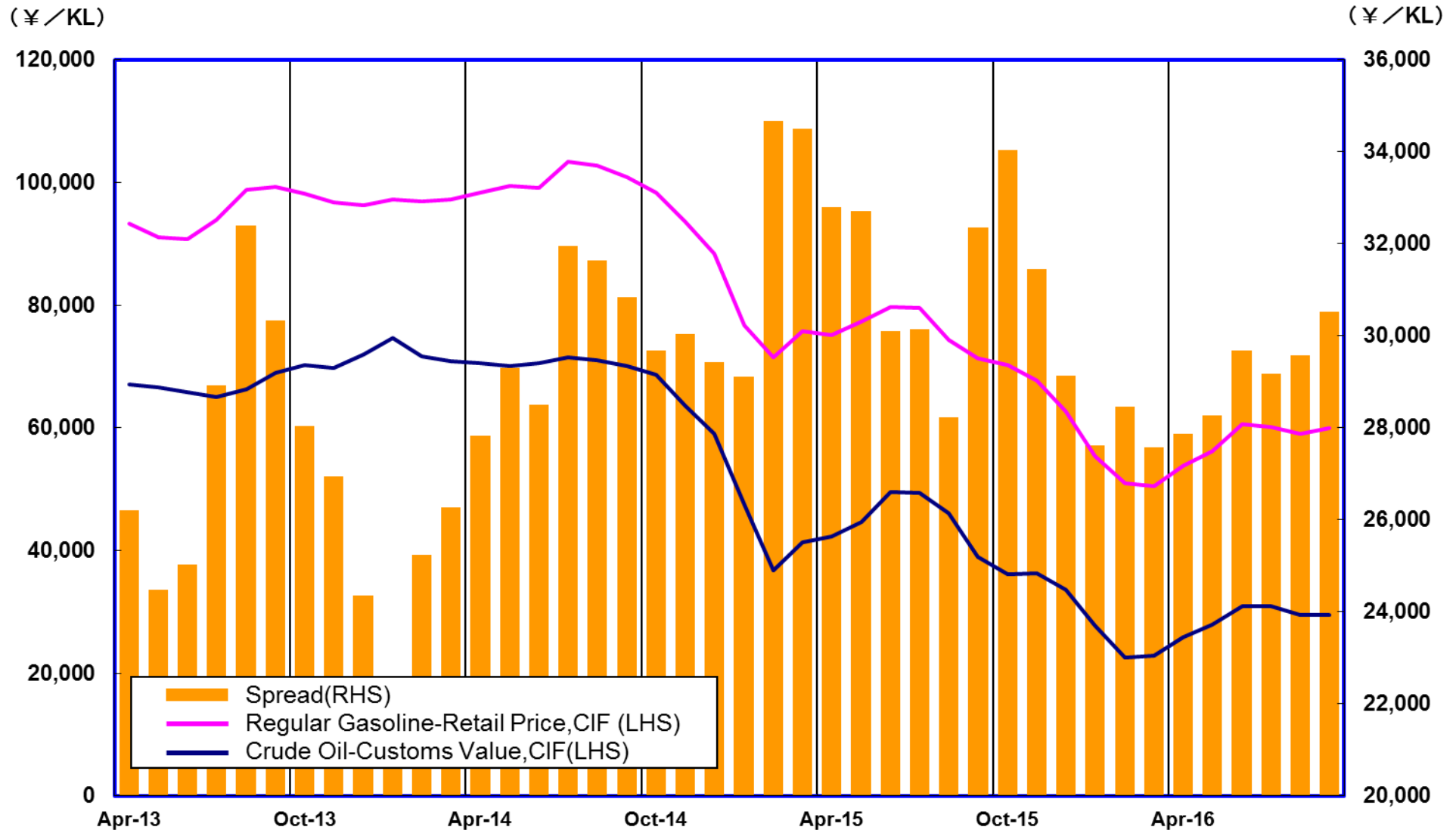
出光

(1) Crude Oil Prices (Dubai and Brent)



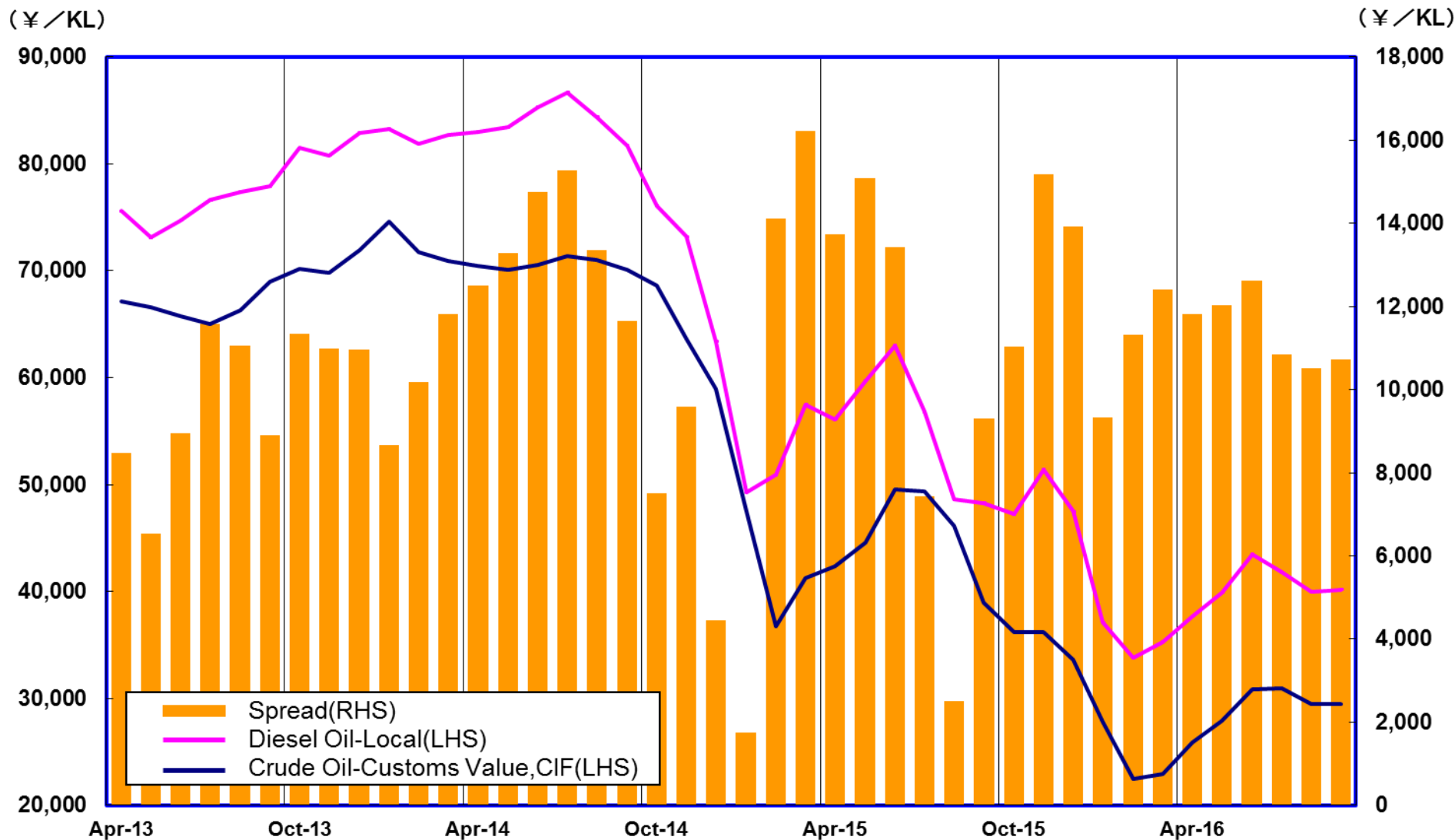
5. Market Conditions

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



5. Market Conditions

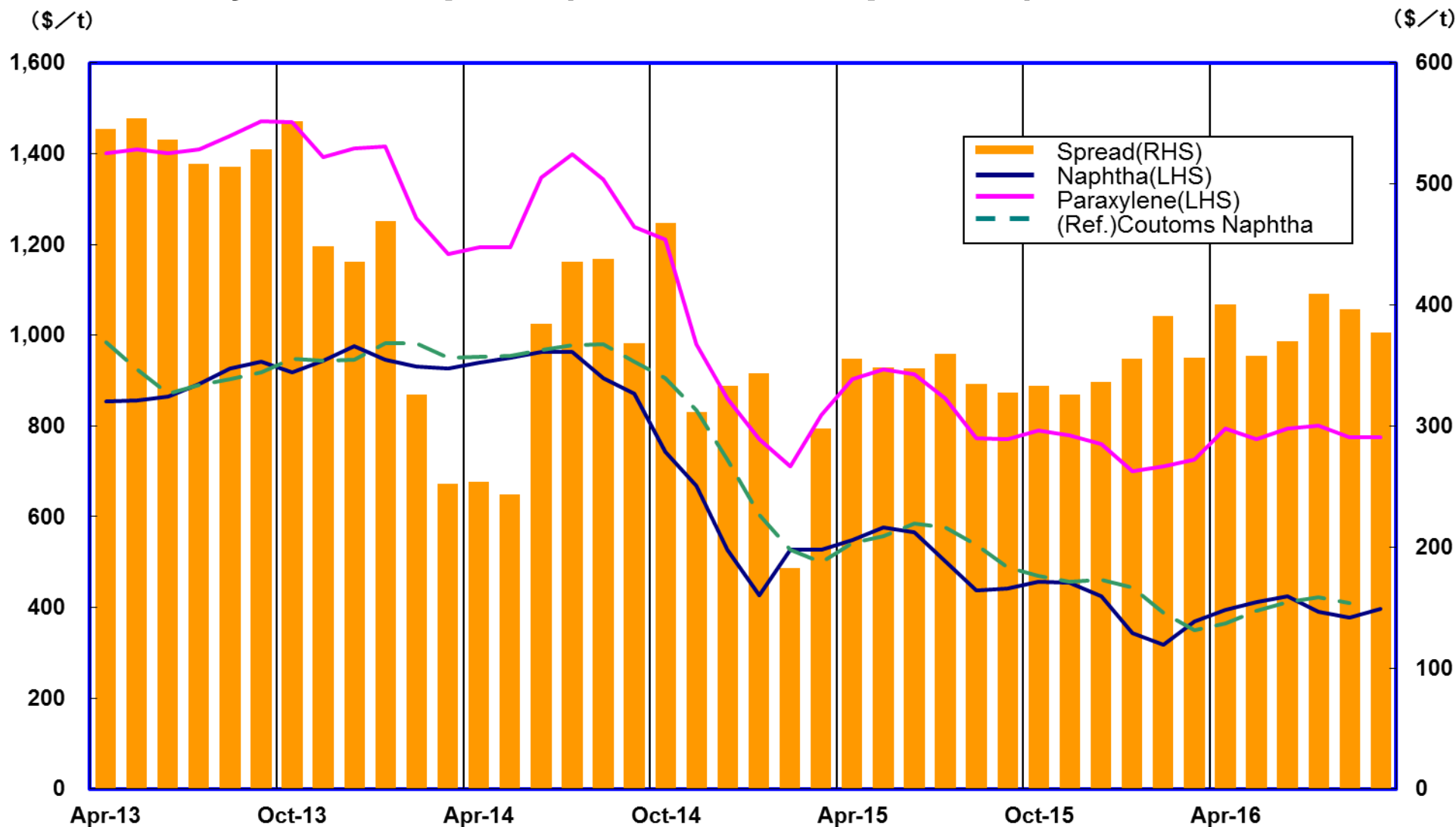
(3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



5. Market Conditions



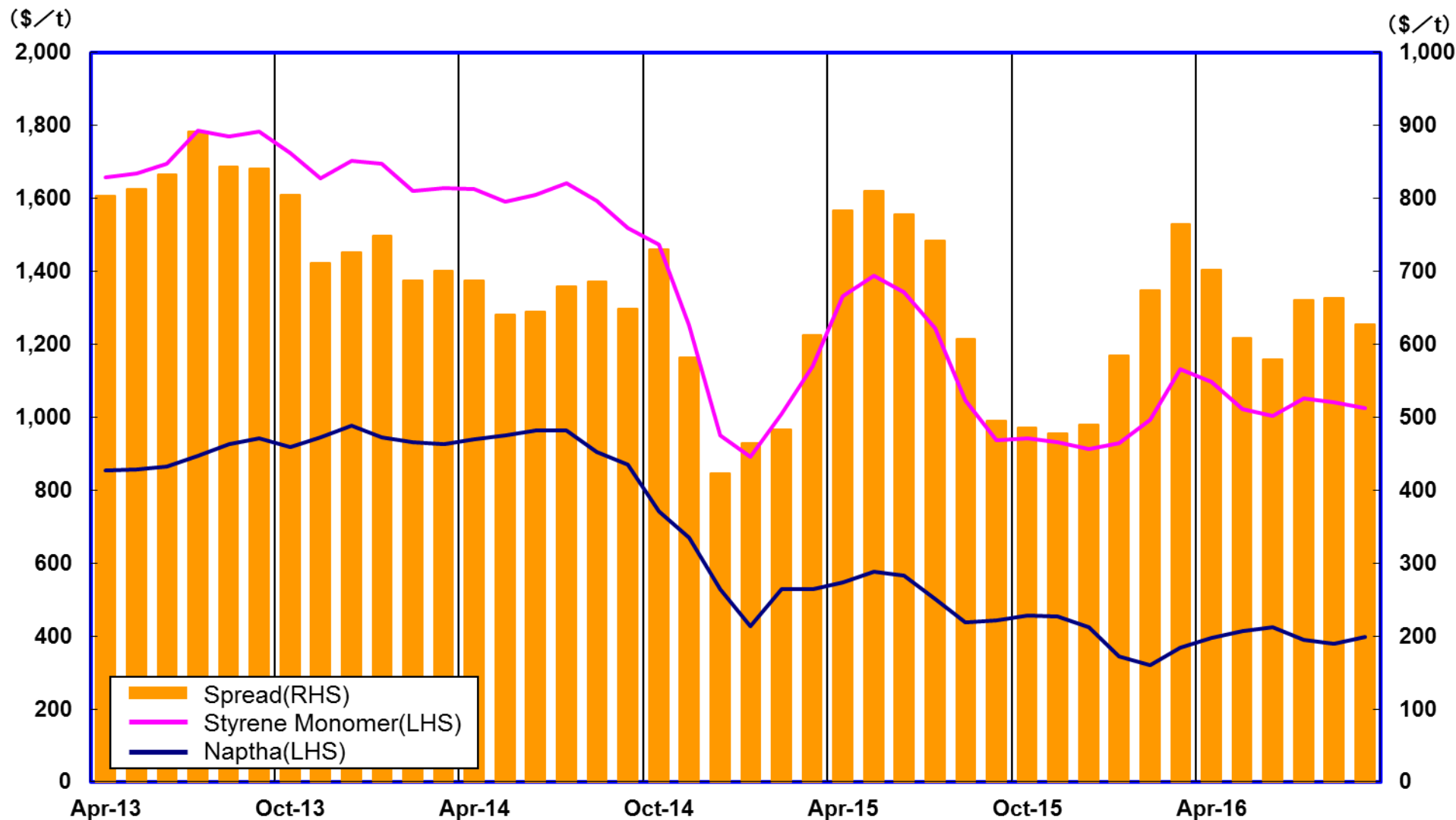
(4) Paraxylene, Naptha (Prices and Spreads)



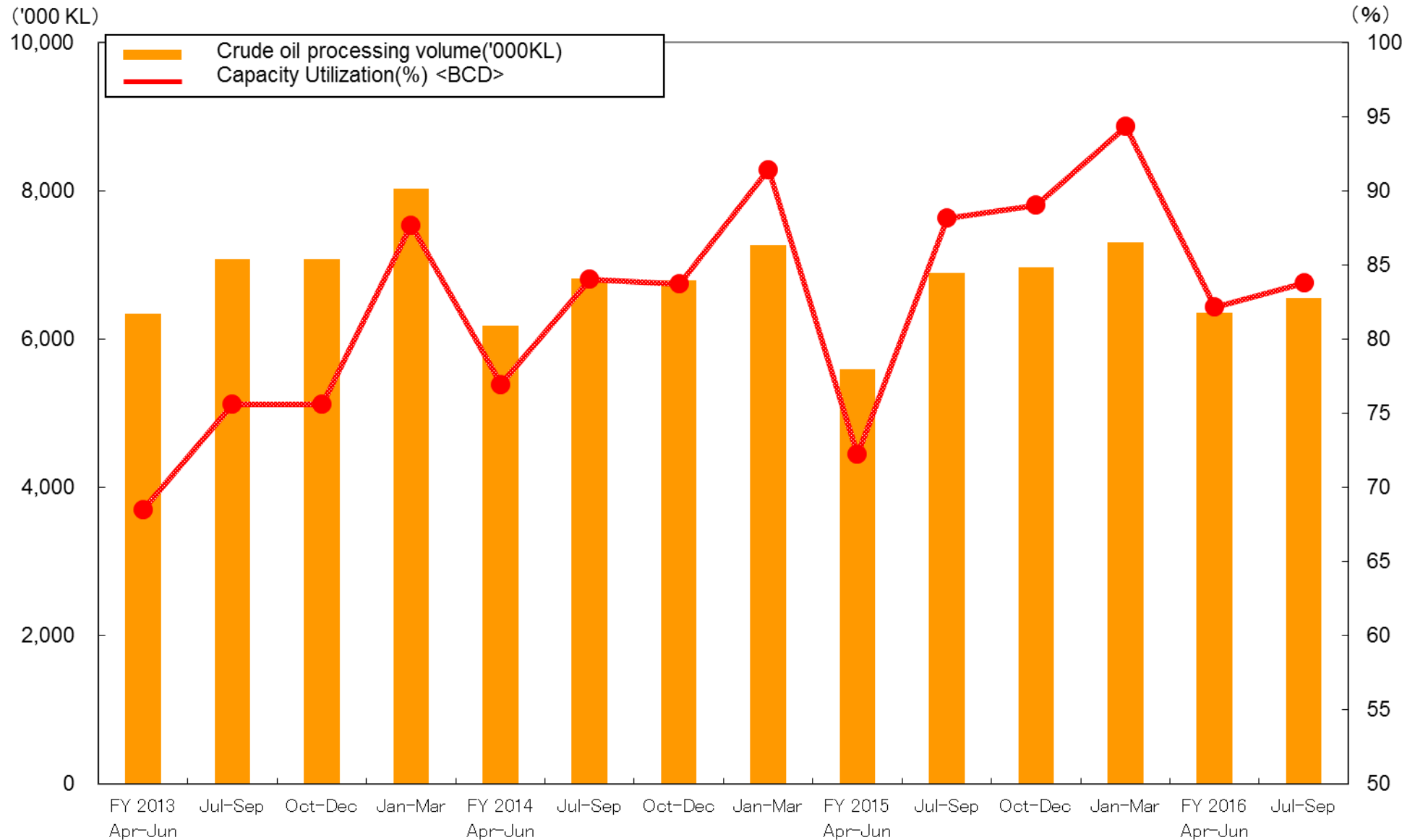
5. Market Conditions

出光

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

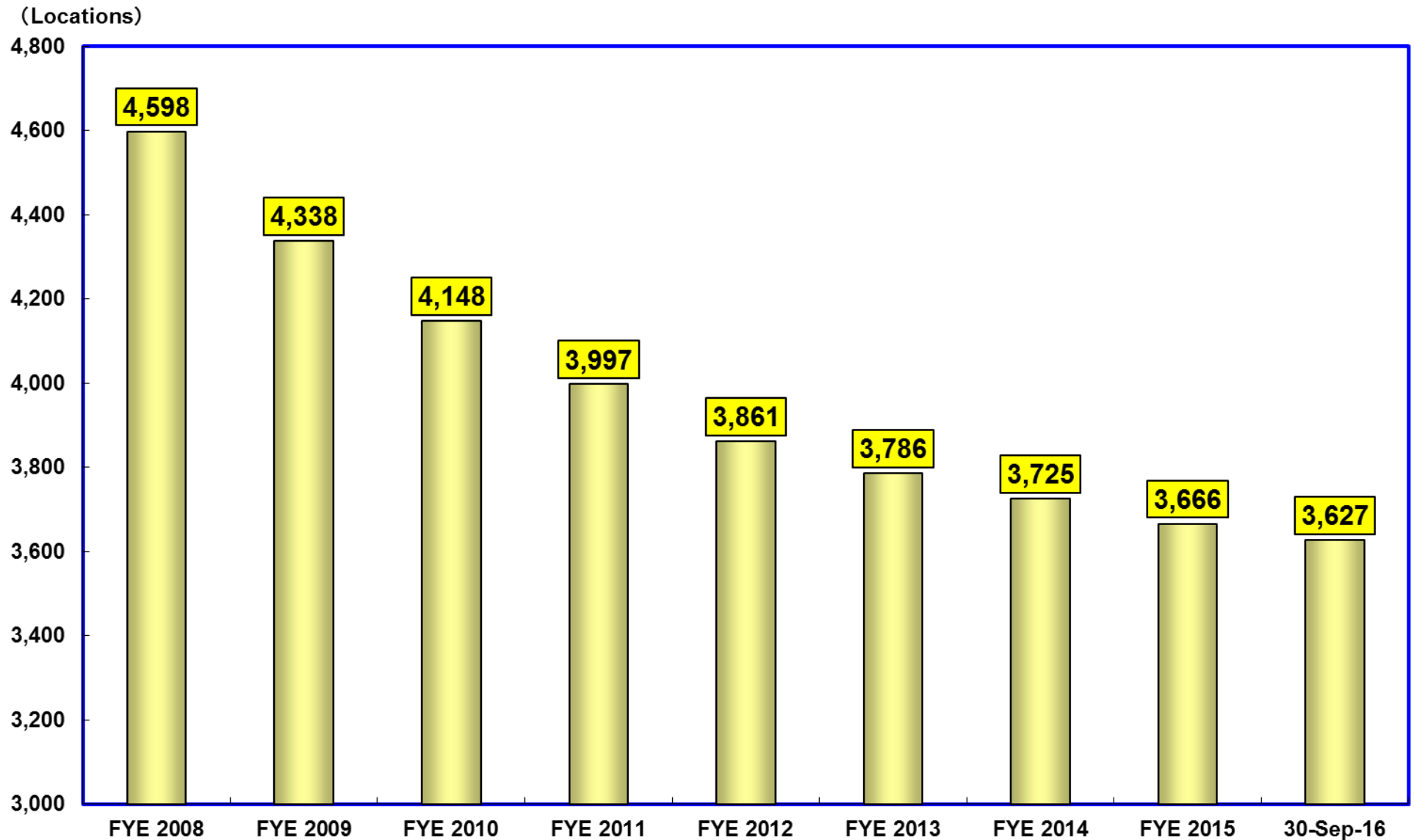


6. Capacity Utilization at Refineries



7. Number of Service Stations

出光



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.

出卷