

# **Presentation on Results for the 1st Quarter FY 2017**

**Idemitsu Kosan Co.,Ltd.**

**August 14, 2017**



## **1. FY 2017 1st Quarter Financials**

### **(1) Overview**

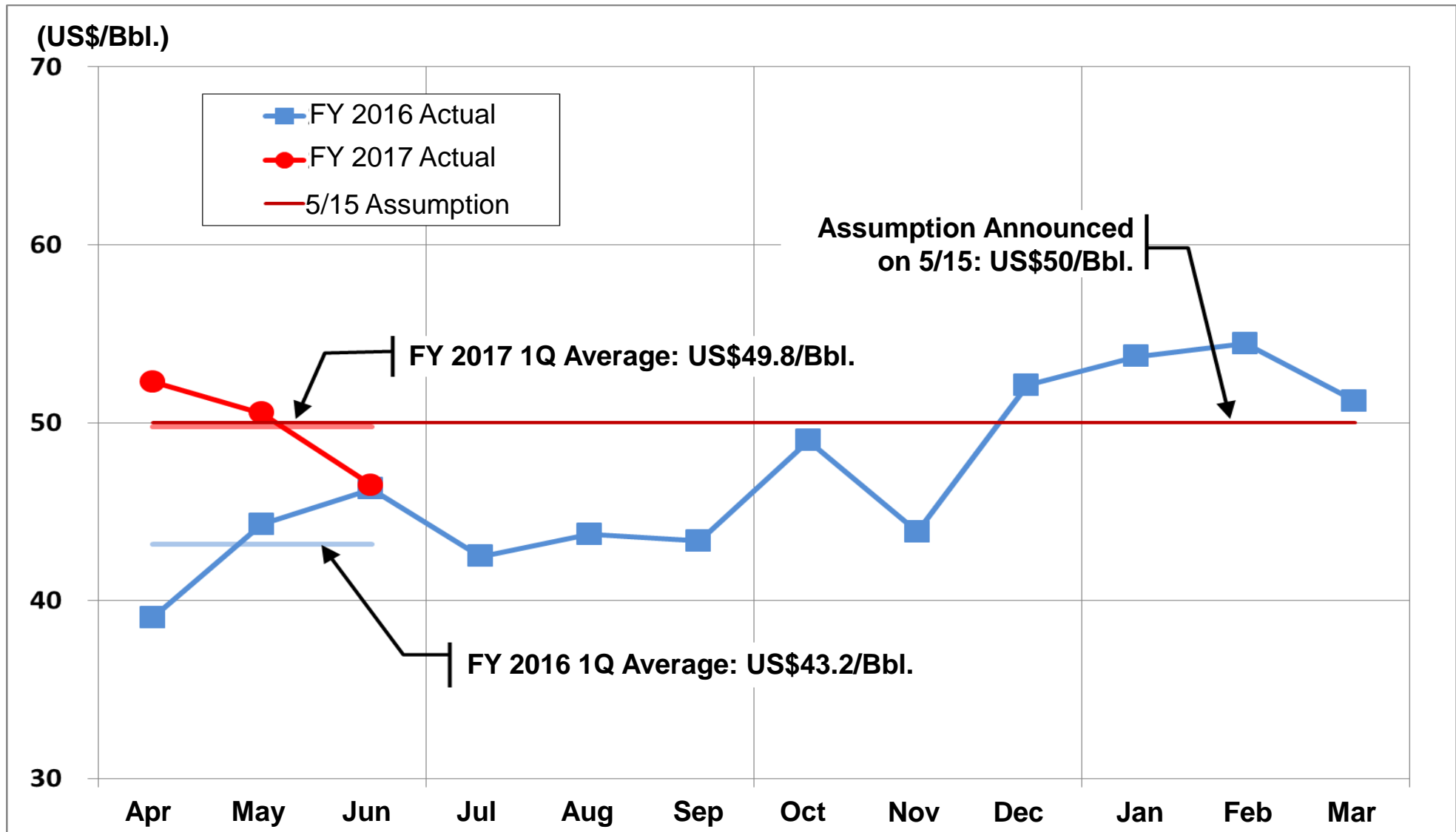
### **(2) Segment Information**

## **2. Reference Materials**

# Crude Oil Price Trends



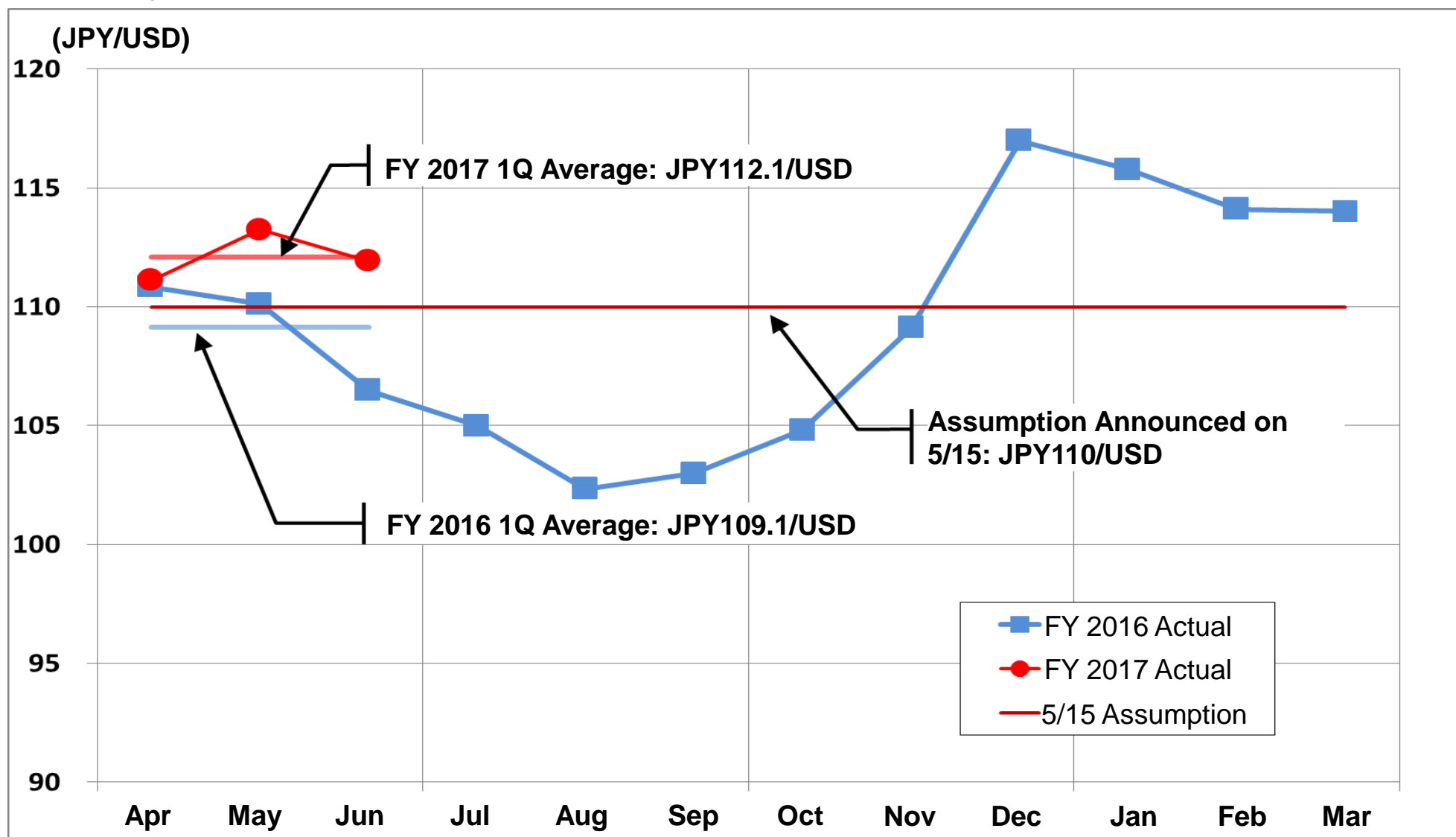
## <Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



# JPY/USD Exchange Rate (TTS) Trends

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



## <FY 2017 1st Quarter Results>

- Operating income increased by ¥10.0 billion year-on-year to ¥34.6 billion due to increased earnings in the resources segment resulting from pricing changes, among other factors
- Ordinary income increased by ¥14.9 billion year-on-year to ¥39.1 billion, and as a result, net income attributable to owners of the parent increased by ¥7.0 billion year-on-year to ¥25.4 billion

## <Forecast for FY2017 Performance>

- Our forecasts announced on May 15 remain unchanged

## **1. FY 2017 1st Quarter Financials**

# (1) Overview



## 1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

|                         | FY2016 1Q | FY2017 1Q | Change |       |
|-------------------------|-----------|-----------|--------|-------|
| Crude Oil (DB FOB)      | 43.2      | 49.8      | 6.6    | 15.2% |
| Crude Oil (Brent)       | 33.9      | 53.8      | 19.9   | 58.7% |
| Naphtha Price (Customs) | 395       | 482       | 86     | 21.9% |
| Thermal Coal (NEWC)     | 51.0      | 83.2      | 32     | 63.1% |
| Exchange Rate (TTS)     | 109.1     | 112.1     | 3.0    | 2.7%  |

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

## 2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

|   | FY2016 1Q | FY2017 1Q | Change |        |
|---|-----------|-----------|--------|--------|
| Net Sales                                       | 678.8     | 831.7     | 153.0  | 22.5%  |
| Operating Income                                | 24.6      | 34.6      | 10.0   | 40.7%  |
| <i>(Inventory impact)</i>                       | 6.3       | (6.0)     | (12.4) | —      |
| <i>(Excluding inventory impact)</i>             | 18.2      | 40.6      | 22.4   | 122.6% |
| Non-operating Income/Loss                       | (0.4)     | 4.5       | 4.9    | —      |
| Ordinary Income                                 | 24.2      | 39.1      | 14.9   | 61.4%  |
| Extraordinary Gain/Loss                         | (0.8)     | (0.3)     | 0.5    | —      |
| Net Income attributable to owners of the parent | 18.4      | 25.4      | 7.0    | 37.8%  |
| <i>(Excluding inventory impact)</i>             | 14.0      | 29.5      | 15.5   | 110.5% |

\* 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)

|                                       | FY2016 1Q    | FY2017 1Q    | Change        |                |
|---------------------------------------|--------------|--------------|---------------|----------------|
| <b>Petroleum Products</b>             | <b>17.3</b>  | <b>6.9</b>   | <b>(10.4)</b> | <b>(60.2%)</b> |
| <i>(Excluding inventory impact)</i>   | <i>10.7</i>  | <i>12.9</i>  | <i>2.2</i>    | <i>20.5%</i>   |
| <b>Petrochemical Products</b>         | <b>9.3</b>   | <b>10.2</b>  | <b>0.9</b>    | <b>9.7%</b>    |
| <b>Resources</b>                      | <b>(1.3)</b> | <b>18.4</b>  | <b>19.7</b>   | <b>—</b>       |
| <i>Oil Exploration and Production</i> | <i>(1.5)</i> | <i>6.8</i>   | <i>8.3</i>    | <i>—</i>       |
| <i>Coal, etc.</i>                     | <i>0.2</i>   | <i>11.6</i>  | <i>11.4</i>   | <i>5754.4%</i> |
| <b>Others</b>                         | <b>0.1</b>   | <b>0.6</b>   | <b>0.5</b>    | <b>965.6%</b>  |
| <b>Reconciliation</b>                 | <b>(0.7)</b> | <b>(1.4)</b> | <b>(0.7)</b>  | <b>—</b>       |
| <b>Total</b>                          | <b>24.6</b>  | <b>34.6</b>  | <b>10.0</b>   | <b>40.7%</b>   |
| <i>(Excluding inventory impact)</i>   | <i>18.2</i>  | <i>40.6</i>  | <i>22.4</i>   | <i>122.6%</i>  |

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



## (2) Segment Information



### 2) Factors Causing Changes in Operating Income (Year-on-year)

(Units: ¥ billions)

#### **Petroleum Products (10.4)**

|                             |        |                                     |       |
|-----------------------------|--------|-------------------------------------|-------|
| Increase in Product Margins | +4.6   | Increased Refinery Fuel Costs, etc. | (2.4) |
| Inventory Impact            | (12.6) |                                     |       |

#### **Petrochemical Products +0.9**

|                                   |      |                                |      |
|-----------------------------------|------|--------------------------------|------|
| Increase in Product Margins, etc. | +0.7 | Manufacturing fuel costs, etc. | +0.2 |
|-----------------------------------|------|--------------------------------|------|

#### **Oil Exploration and Production +8.3**

|                     |      |                          |      |
|---------------------|------|--------------------------|------|
| Price-related, etc. | +8.0 | Operating Expenses, etc. | +0.3 |
|---------------------|------|--------------------------|------|

#### **Coal, etc. / Other +11.2**

|                       |       |                        |       |
|-----------------------|-------|------------------------|-------|
| Price-related         | +12.6 | Foreign Exchange, etc. | (1.2) |
| Others/Reconciliation | (0.2) |                        |       |

## 2. References

## **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 2017 1Q Net Sales by Segment

(Units: ¥ billions)

|   | FY2016 1Q    | FY2017 1Q    | Change       |              |
|---|--------------|--------------|--------------|--------------|
| Petroleum Products                            | 508.4        | 631.1        | 122.6        | 24.1%        |
| Petrochemical Products                        | 107.1        | 114.3        | 7.2          | 6.7%         |
| Resources                                     | 51.2         | 72.2         | 21.0         | 41.0%        |
| <i>Oil Exploration<br/>    and Production</i> | 15.8         | 19.2         | 3.4          | 21.4%        |
| <i>Coal, etc.</i>                             | 35.4         | 53.0         | 17.6         | 49.7%        |
| Others/Reconciliation                         | 12.0         | 14.2         | 2.1          | 17.7%        |
| <b>Total</b>                                  | <b>678.8</b> | <b>831.7</b> | <b>153.0</b> | <b>22.5%</b> |

# 1. Financial Reporting

## (2) Extraordinary Gains/Losses

(Units: ¥ billions)

|   |  | FY2016 1Q    | FY2017 1Q    | Change       |
|---|--|--------------|--------------|--------------|
|   | Gain on Sale of Fixed Assets               | 0.0          | 0.0          | 0.0          |
|   | Gain on Sale of Affiliate Stock            | 0.0          | 0.0          | 0.0          |
|   | Other                                      | 0.0          | 0.0          | 0.0          |
|   | <b>Total Extraordinary Gains</b>           | <b>0.1</b>   | <b>0.0</b>   | <b>(0.1)</b> |
|   | Loss on Sale and Depletion of Fixed Assets | 0.8          | 0.3          | (0.5)        |
|   | Impairment Losses                          | 0.1          | 0.0          | (0.1)        |
|   | Other                                      | 0.0          | 0.0          | 0.0          |
|   | <b>Total Extraordinary Losses</b>          | <b>0.9</b>   | <b>0.3</b>   | <b>(0.6)</b> |
| <b>Total Extraordinary Gains/Losses</b> |  | <b>(0.8)</b> | <b>(0.3)</b> | <b>0.5</b>   |

# 1. Financial Reporting



## (3) Consolidated Balance Sheet

(Units: ¥ billions)

|                             | 3/31/2017      | 6/30/2017      | Change        |   | 3/31/2017      | 6/30/2017      | Change        |
|-----------------------------|----------------|----------------|---------------|---|----------------|----------------|---------------|
| Cash and Deposits           | 91.4           | 141.6          | 50.2          | Payables                                | 331.6          | 296.7          | (34.9)        |
| Receivables                 | 327.4          | 290.1          | (37.3)        | Short-term Borrowings                   | 471.6          | 473.6          | 2.0           |
| Inventory                   | 430.9          | 421.5          | (9.4)         | Other Current Liabilities               | 341.8          | 352.1          | 10.3          |
| Other Current Assets        | 110.1          | 103.7          | (6.4)         | <b>Total Current Liabilities</b>        | <b>1,145.0</b> | <b>1,122.4</b> | <b>(22.5)</b> |
|                             |                |                |               | Long-term Borrowings                    | 579.1          | 583.8          | 4.7           |
|                             |                |                |               | Other Fixed Liabilities                 | 297.6          | 287.7          | (9.9)         |
| <b>Total Current Assets</b> | <b>959.8</b>   | <b>956.9</b>   | <b>(2.8)</b>  | <b>Total Fixed Liabilities</b>          | <b>876.7</b>   | <b>871.5</b>   | <b>(5.2)</b>  |
| Tangible Fixed Assets       | 1,022.1        | 1,016.5        | (5.6)         | <b>Total Liabilities</b>                | <b>2,021.7</b> | <b>1,993.9</b> | <b>(27.8)</b> |
| (Land)                      | 584.4          | 585.5          | 1.2           | Shareholders' Equity                    | 429.2          | 452.1          | 23.0          |
| (Other)                     | 437.7          | 431.0          | (6.7)         | Other Comprehensive Income              | 154.6          | 149.3          | (5.4)         |
| Other Fixed Assets          | 659.8          | 655.2          | (4.6)         | Noncontrolling Interests                | 36.1           | 33.4           | (2.7)         |
| <b>Total Fixed Assets</b>   | <b>1,681.9</b> | <b>1,671.7</b> | <b>(10.1)</b> | <b>Total Net Assets</b>                 | <b>619.9</b>   | <b>634.8</b>   | <b>14.8</b>   |
| <b>Total Assets</b>         | <b>2,641.6</b> | <b>2,628.7</b> | <b>(12.9)</b> | <b>Total Liabilities and Net Assets</b> | <b>2,641.6</b> | <b>2,628.7</b> | <b>(12.9)</b> |

|                             |         |         |      |
|-----------------------------|---------|---------|------|
| Total Interest-bearing Debt | 1,052.3 | 1,059.0 | 6.6  |
| Equity Ratio                | 22.1%   | 22.9%   | 0.8% |

## 2. Sensitivity

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

|   |  |                 |
|---|--|-----------------|
| <b>Petroleum<br/>Products</b>           | Increase in refinery<br>fuel costs, etc. | (¥ 0.6 billion) |
|   | Inventory impact                         | ¥ 3.5billion    |
|   |  | ¥ 2.9 billion   |
| <b>Oil Exploration &amp; Production</b> |  | ¥ 1.4 billion   |

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

|   |  |                 |
|---|--|-----------------|
| <b>Petroleum<br/>Products</b>           | Increase in refinery<br>fuel costs, etc. | (¥ 0.3 billion) |
|   | Inventory impact                         | ¥ 1.5 billion   |
|   |  | ¥ 1.2 billion   |
| <b>Petrochemical Products</b>           |  | ¥ 0.4billion    |
| <b>Oil Exploration &amp; Production</b> |  | —               |

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

(Units: Thousand KL, %)

|                                   | FY 2016 1Q   | FY 2017 1Q   | Change       |                |
|-----------------------------------|--------------|--------------|--------------|----------------|
| <b>Gasoline</b>                   | <b>1,936</b> | <b>1,929</b> | <b>(7)</b>   | <b>(0.4%)</b>  |
| <b>(Premium-Unleaded)</b>         | <b>215</b>   | <b>208</b>   | <b>(7)</b>   | <b>(3.3%)</b>  |
| <b>(Regular-Unleaded)</b>         | <b>1,720</b> | <b>1,721</b> | <b>0</b>     | <b>0.0%</b>    |
| <b>Naphtha</b>                    | <b>50</b>    | <b>65</b>    | <b>15</b>    | <b>29.6%</b>   |
| <b>Jet Fuel</b>                   | <b>399</b>   | <b>448</b>   | <b>49</b>    | <b>12.4%</b>   |
| <b>Kerosene</b>                   | <b>316</b>   | <b>314</b>   | <b>(2)</b>   | <b>(0.7%)</b>  |
| <b>Diesel Oil</b>                 | <b>1,442</b> | <b>1,474</b> | <b>33</b>    | <b>2.3%</b>    |
| <b>Heavy Fuel Oil A</b>           | <b>518</b>   | <b>486</b>   | <b>(31)</b>  | <b>(6.1%)</b>  |
| <b>Heavy Fuel Oil C</b>           | <b>534</b>   | <b>528</b>   | <b>(6)</b>   | <b>(1.2%)</b>  |
| <b>Toal Domestic Sales Volume</b> | <b>5,195</b> | <b>5,245</b> | <b>50</b>    | <b>1.0%</b>    |
| <b>Exported Volume</b>            | <b>870</b>   | <b>591</b>   | <b>(279)</b> | <b>(32.0%)</b> |
| <b>(General Exports)</b>          | <b>347</b>   | <b>156</b>   | <b>(190)</b> | <b>(54.9%)</b> |
| <b>Total Sales Volume</b>         | <b>6,065</b> | <b>5,836</b> | <b>(229)</b> | <b>(3.8%)</b>  |



### 3. Sales and Production



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

(Units: Thousand tons, %)

|                              | FY 2016 1Q | FY 2017 1Q | Change |        |
|------------------------------|------------|------------|--------|--------|
| Petrochemical Products-Total | 826        | 801        | (26)   | (3.1%) |
| (Basic Chemicals)            | 816        | 790        | (26)   | (3.2%) |
| (Performance Chemicals)      | 11         | 11         | (0)    | (0.3%) |

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

(Units: Thousand KL, %)

|            | FY 2016 1Q | FY 2017 1Q | Change |      |
|------------|------------|------------|--------|------|
| Lubricants | 281        | 305        | 23     | 8.3% |

\*Includes sales of overseas licenses

### 3. Sales and Production



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

(Units: Thousand BOED)

|                        | FY 2016 1Q   | FY 2017 1Q   | Change     |              |
|------------------------|--------------|--------------|------------|--------------|
| Norway                 | 35.1         | 38.7         | 3.6        | 10.2%        |
| United Kingdom         | 4.3          | 5.3          | 1.0        | 22.6%        |
| Vietnam                | 0.3          | 0.0          | (0.3)      | (100.0%)     |
| <b>Total('000BOED)</b> | <b>39.7</b>  | <b>44.0</b>  | <b>4.2</b> | <b>10.7%</b> |
| <b>Total('000BOE)</b>  | <b>3,616</b> | <b>3,958</b> | <b>342</b> | <b>9.5%</b>  |

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

#### (5) Coal – Production Volume

(Units: Thousand tons)

|                                | FY 2016 1Q   | FY 2017 1Q   | Change       |               |
|--------------------------------|--------------|--------------|--------------|---------------|
| Ensham                         | 1,017        | 965          | (52)         | (5.1%)        |
| Muswellbrook                   | 330          | 329          | (1)          | (0.3%)        |
| Boggabri                       | 1,442        | 1,345        | (97)         | (6.7%)        |
| Tarrawonga                     | 133          | 179          | 46           | 34.8%         |
| <b>Sub Total</b>               | <b>2,922</b> | <b>2,818</b> | <b>(104)</b> | <b>(3.6%)</b> |
| Malinau                        | 310          | 302          | (8)          | (2.5%)        |
| <b>Total Production Volume</b> | <b>3,232</b> | <b>3,120</b> | <b>(112)</b> | <b>(3.5%)</b> |

\*Figures based on interest owned by Idemitsu Group

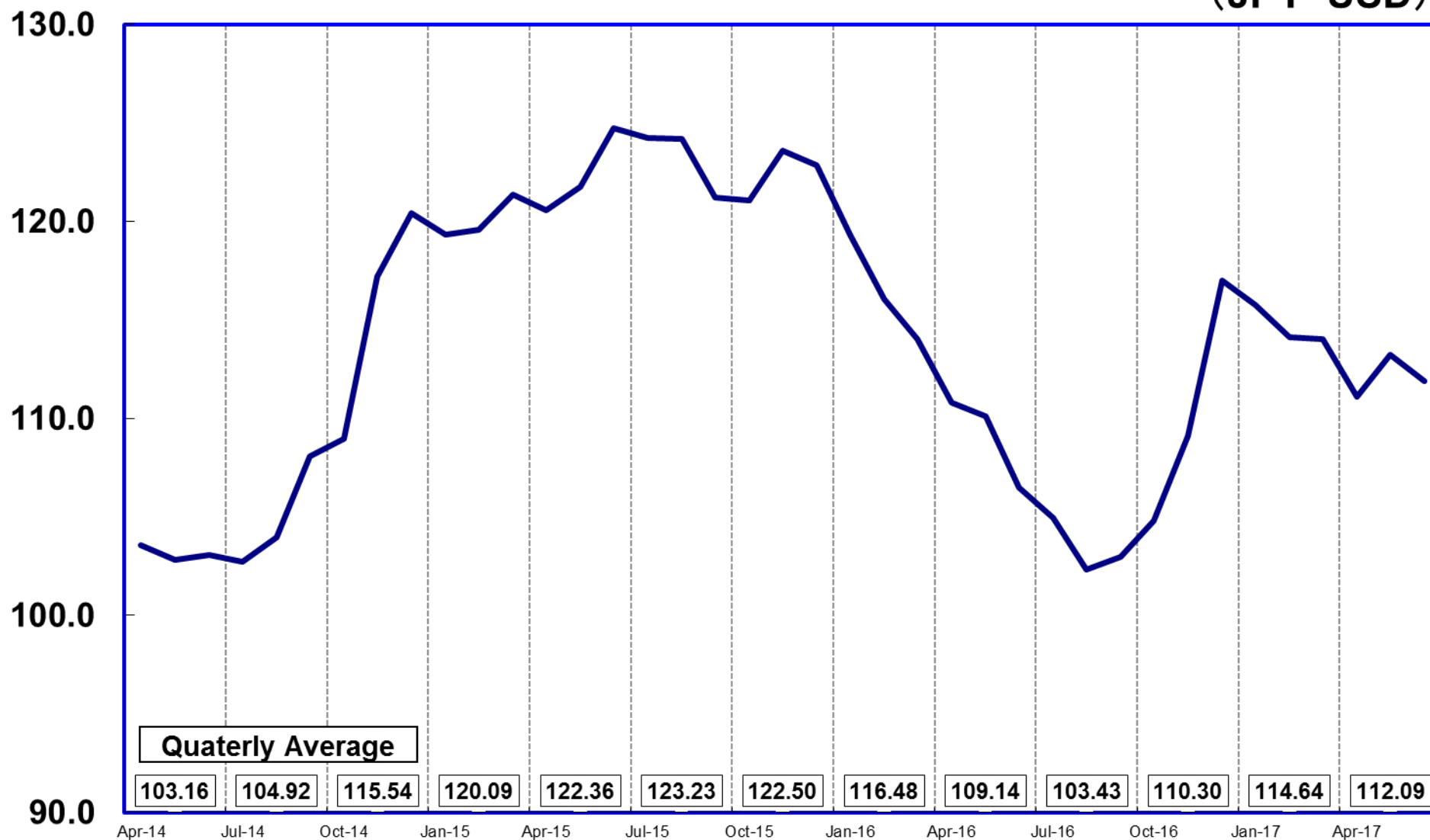
\*Fiscal years for Oil Exploration and Production and Coal operations end in December

## 4. Foreign Exchange

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(1) USD

(JPY・USD)

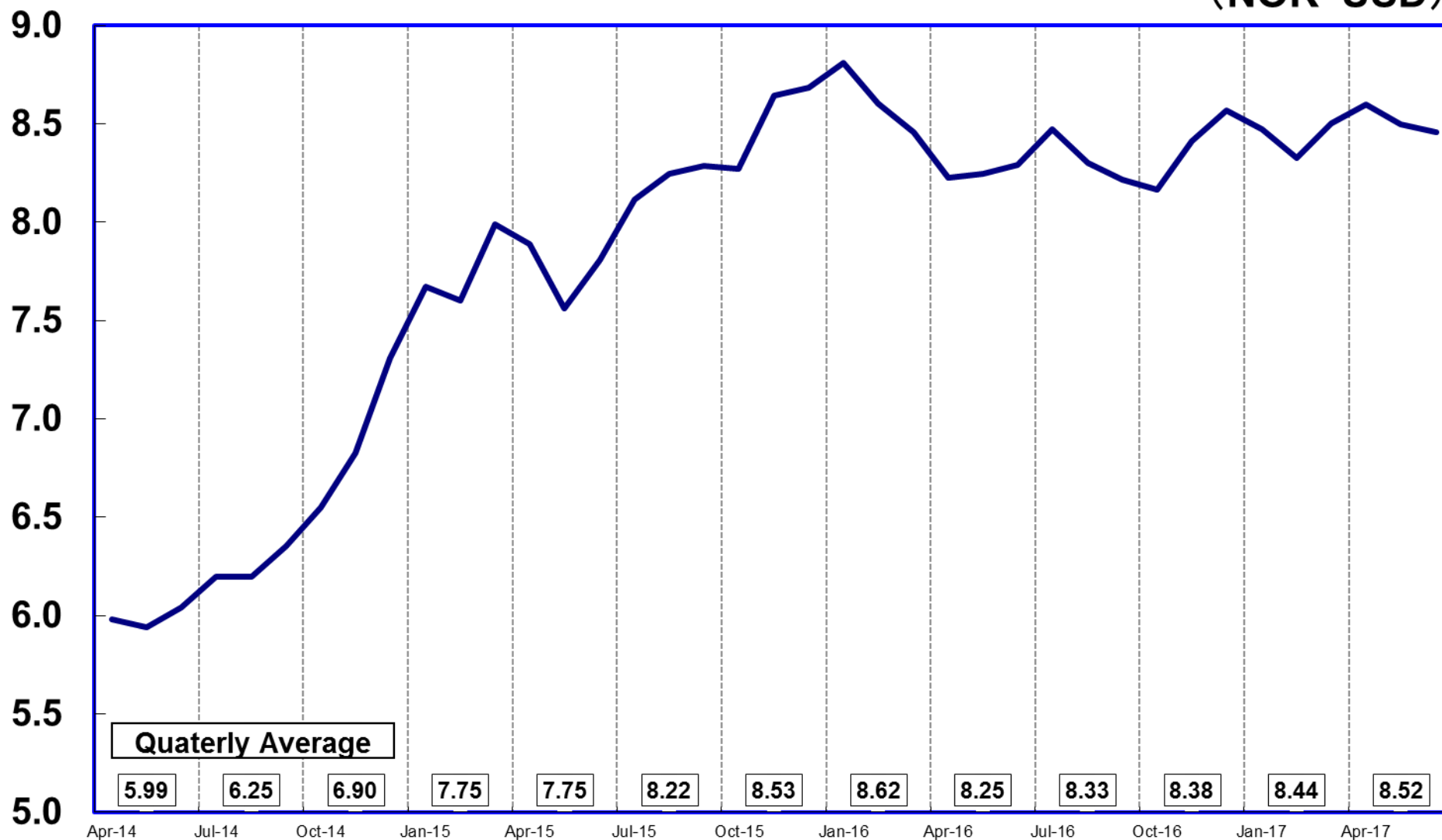


# 4. Foreign Exchange

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## (2) Norwegian Krone

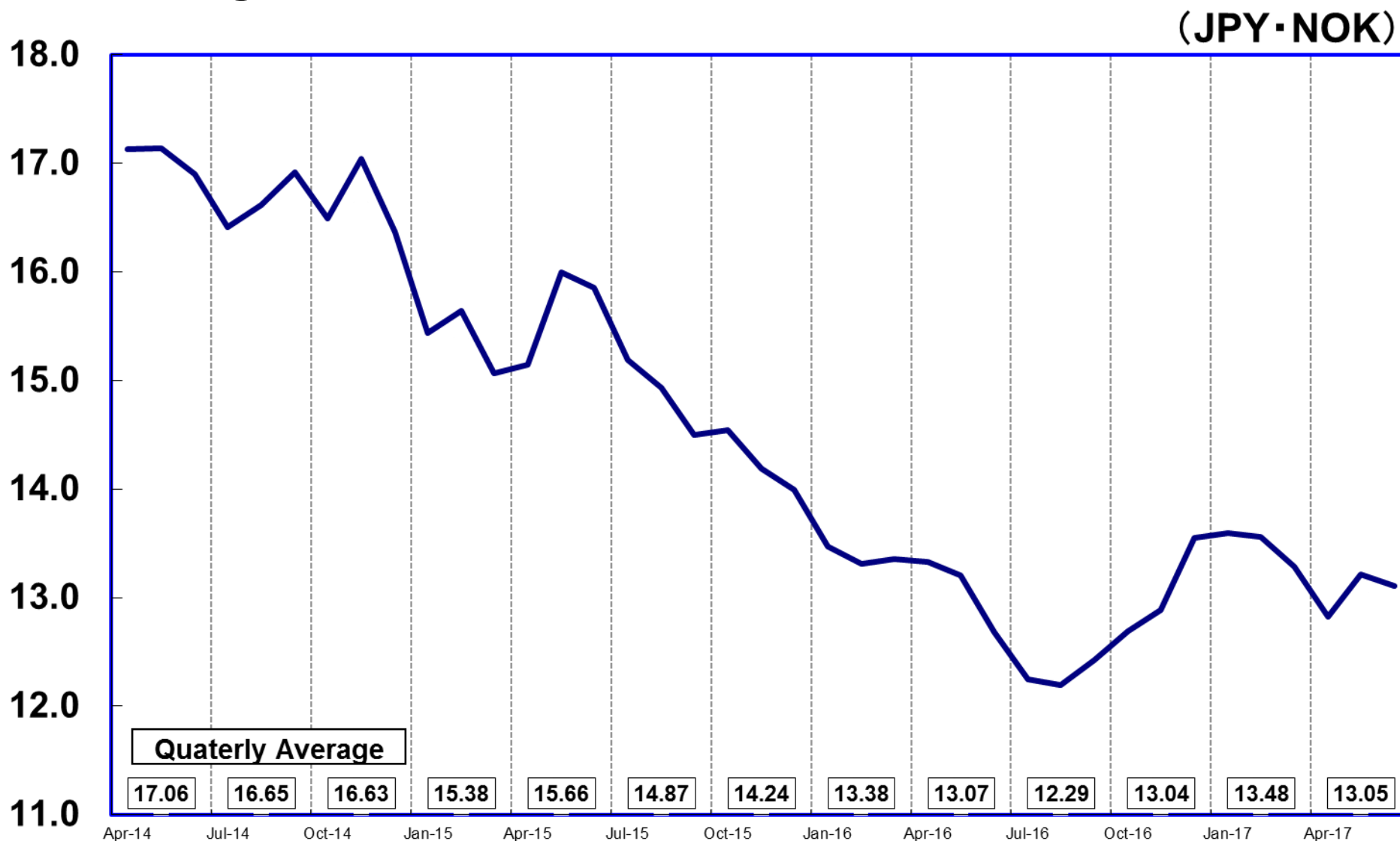
(NOK-USD)



## 4. Foreign Exchange

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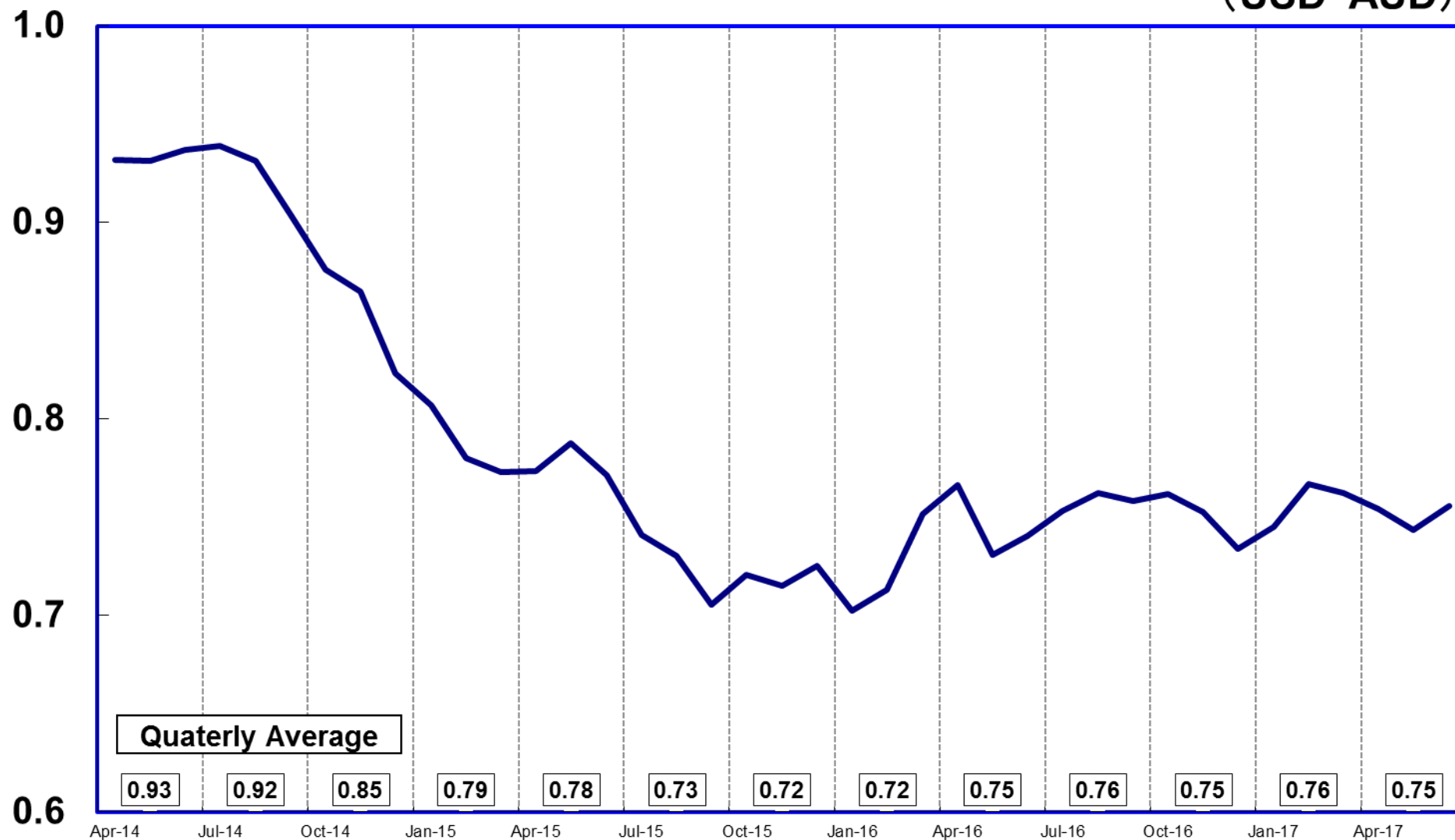
### (3) Norwegian Krone



# 4. Foreign Exchange

## (4) Australian Dollar

(USD·AUD)

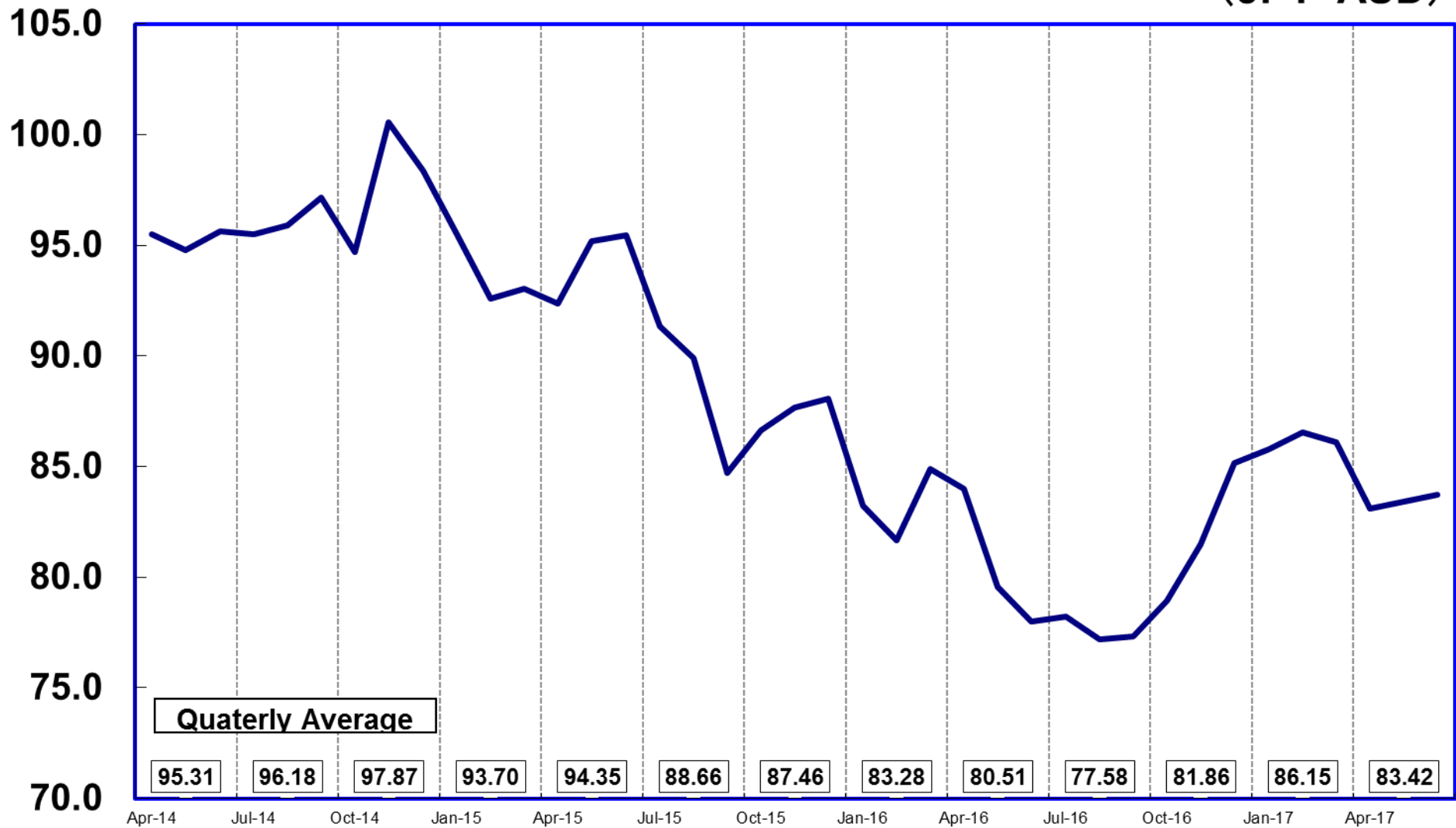


## 4. Foreign Exchange

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### (5) Australian Dollar

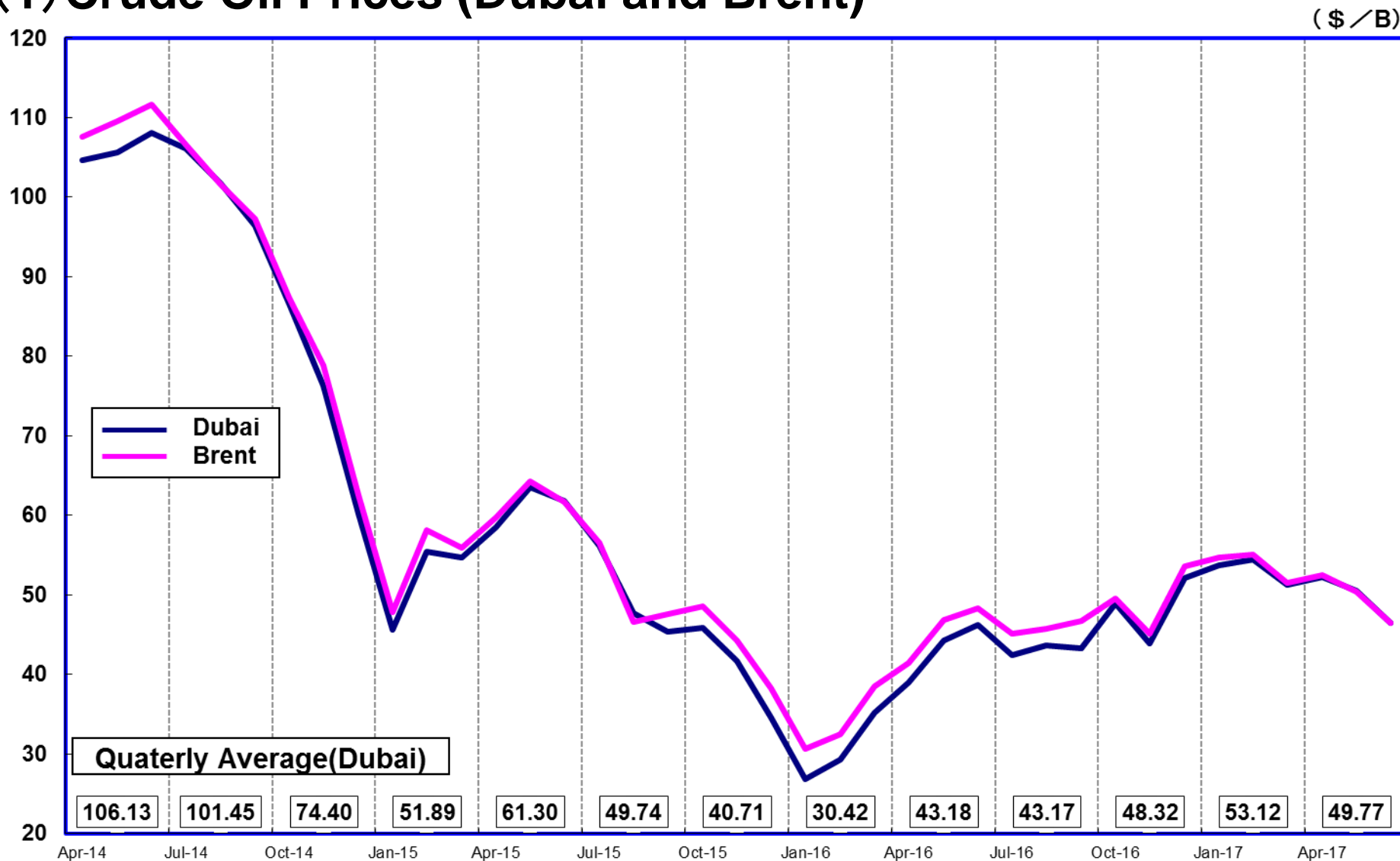
(JPY・AUD)



# 5. Market Conditions

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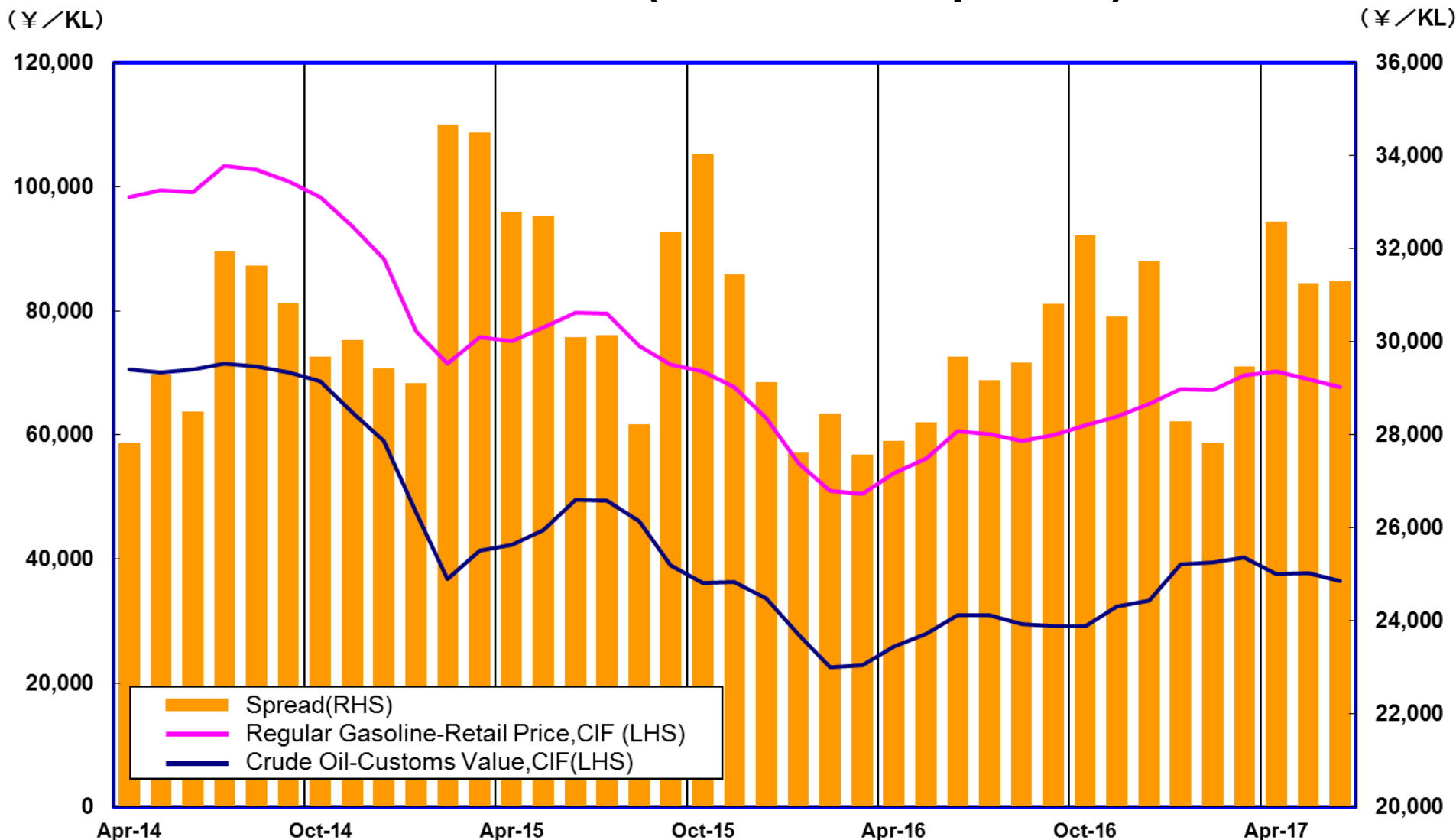
## (1) Crude Oil Prices (Dubai and Brent)





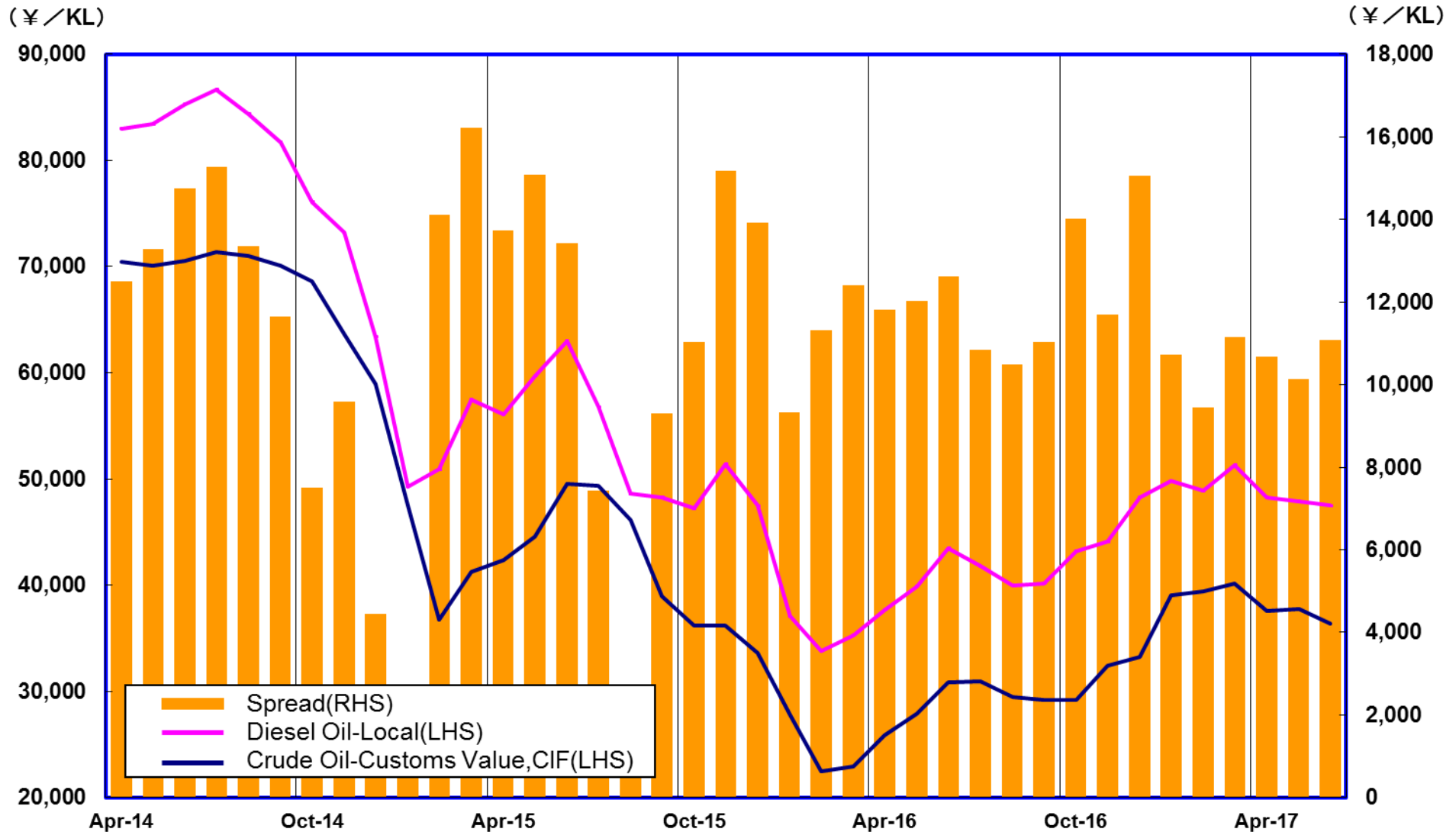
# 5. Market Conditions

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



# 5. Market Conditions

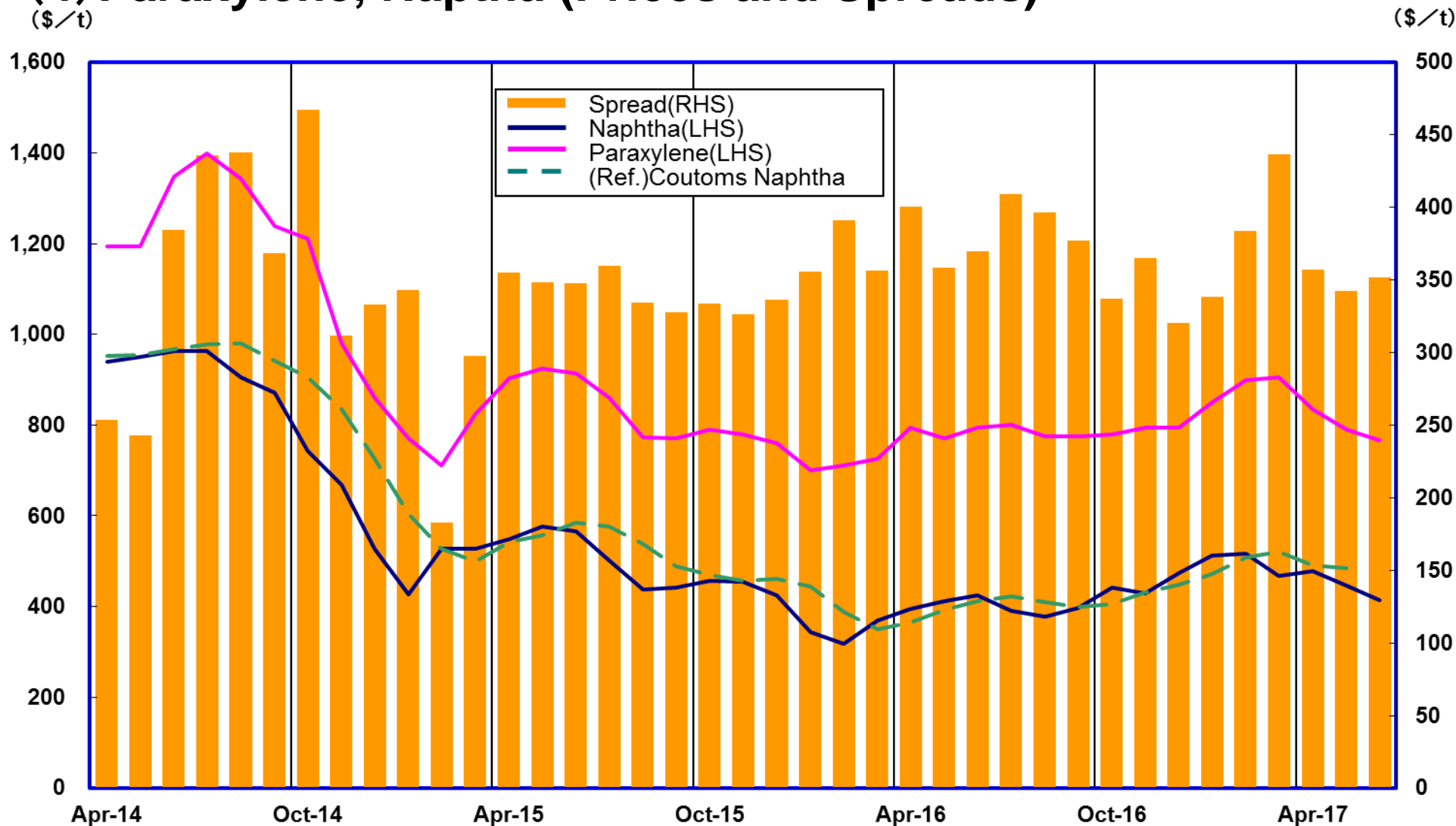
## (3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



# 5. Market Conditions



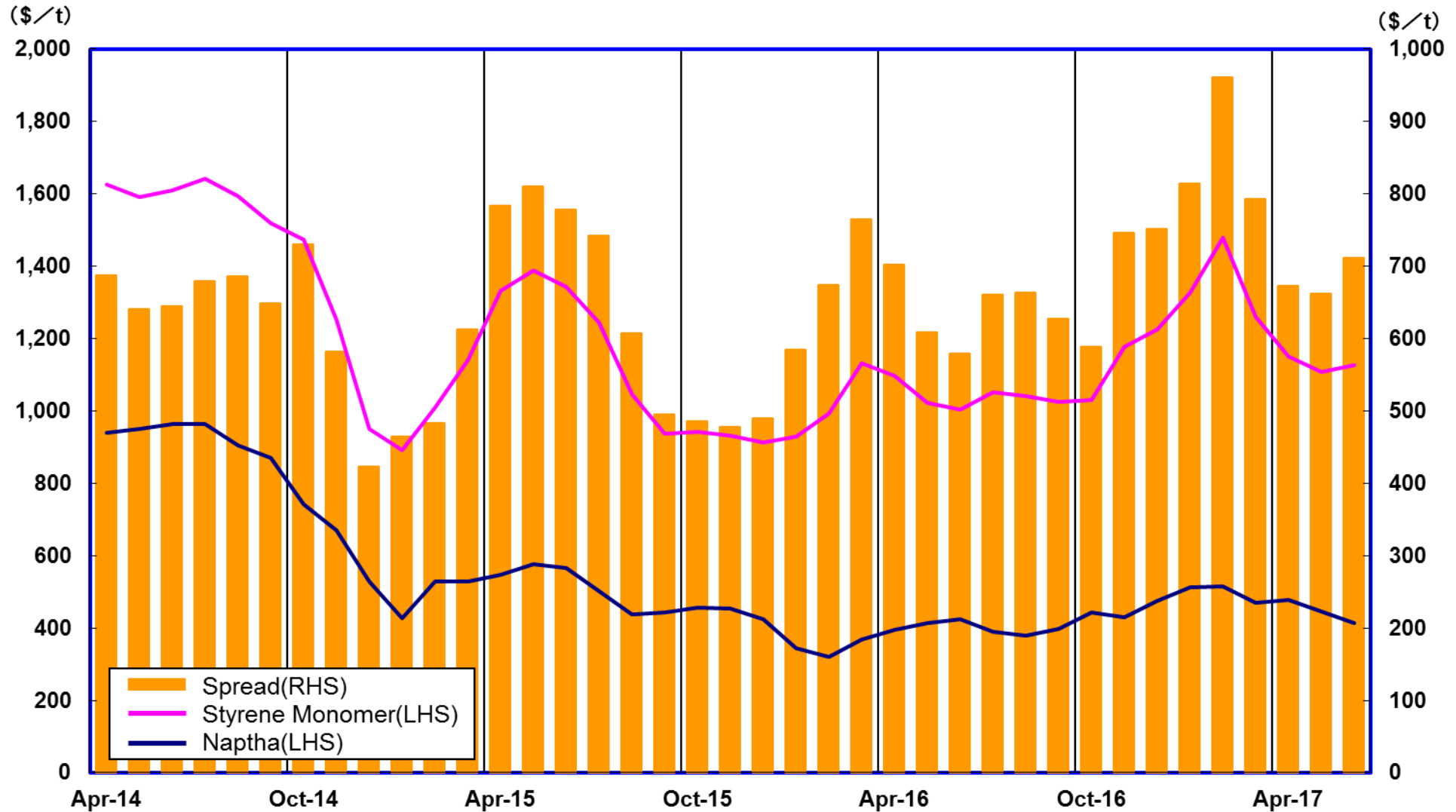
## (4) Paraxylene, Naptha (Prices and Spreads)



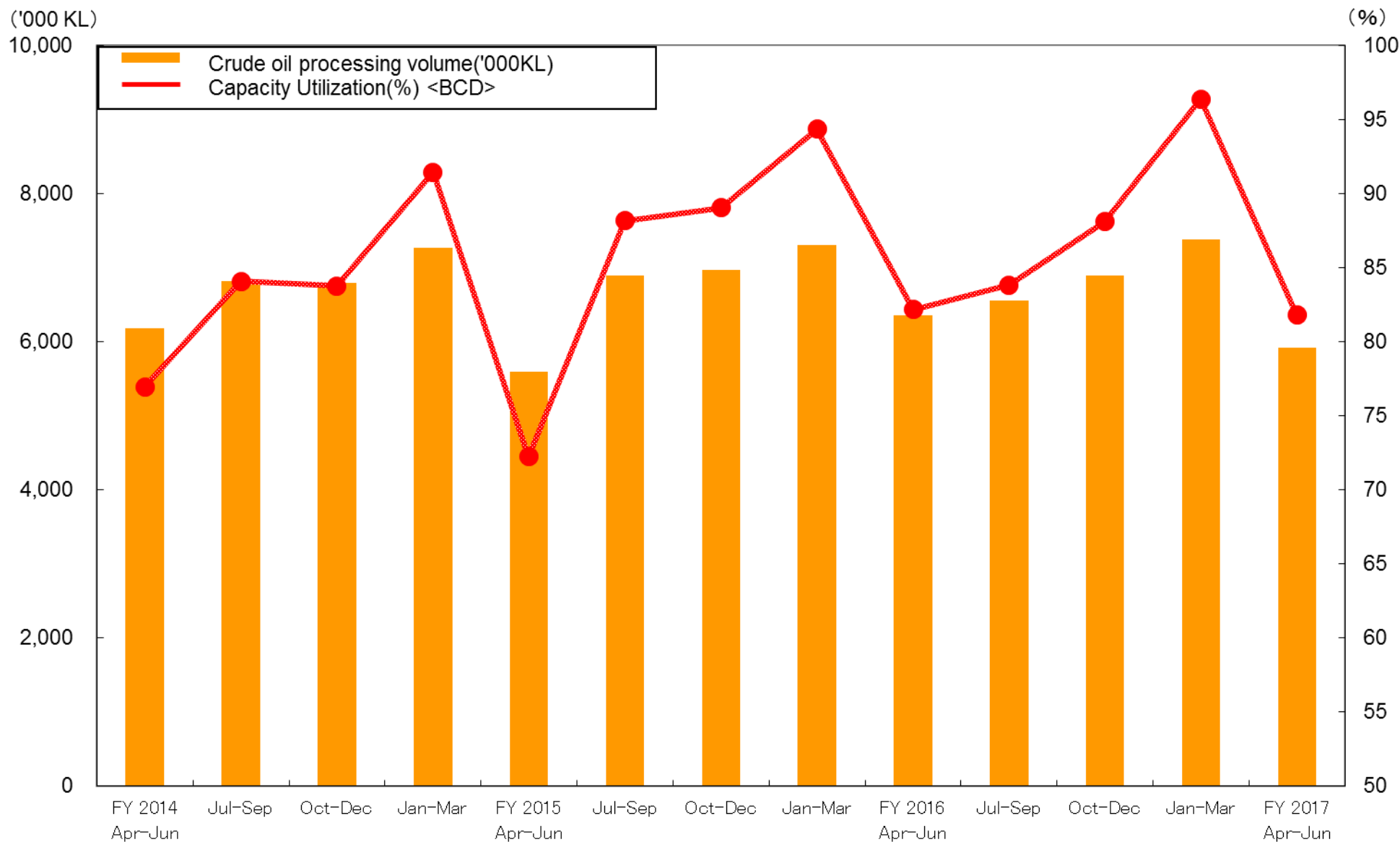
# 5. Market Conditions

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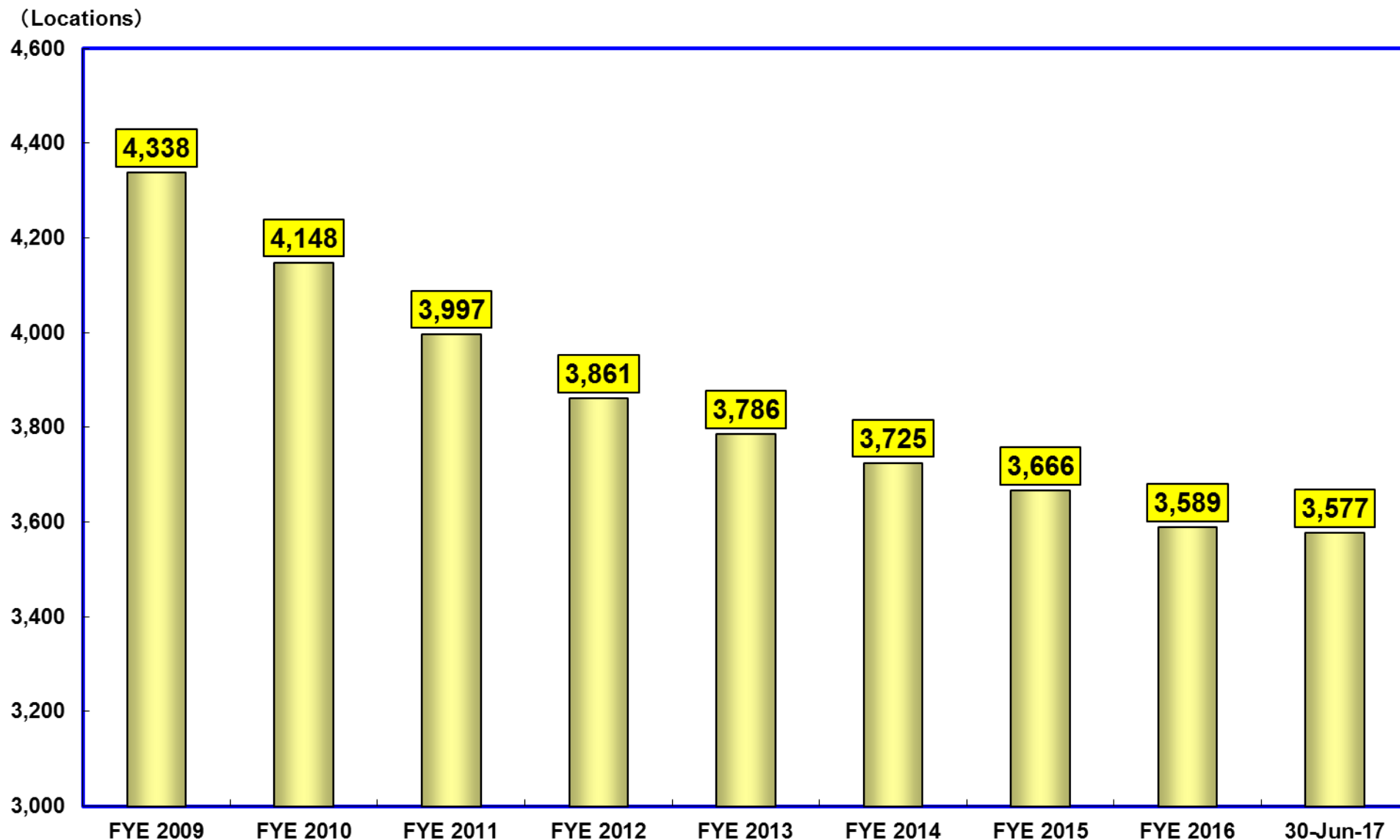
## (5) Styrene Monomer, Naptha (Prices and Spreads)



# 6. Capacity Utilization at Refineries



# 7. Number of Service Stations



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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