

Presentation on Results for the 3rd Quarter FY 2017

Idemitsu Kosan Co.,Ltd.

February 14, 2018



1. FY 2017 3rd Quarter Results

(1) Overview

(2) Segment Information

2. Forecast for FY2017 Performance

(1) Overview

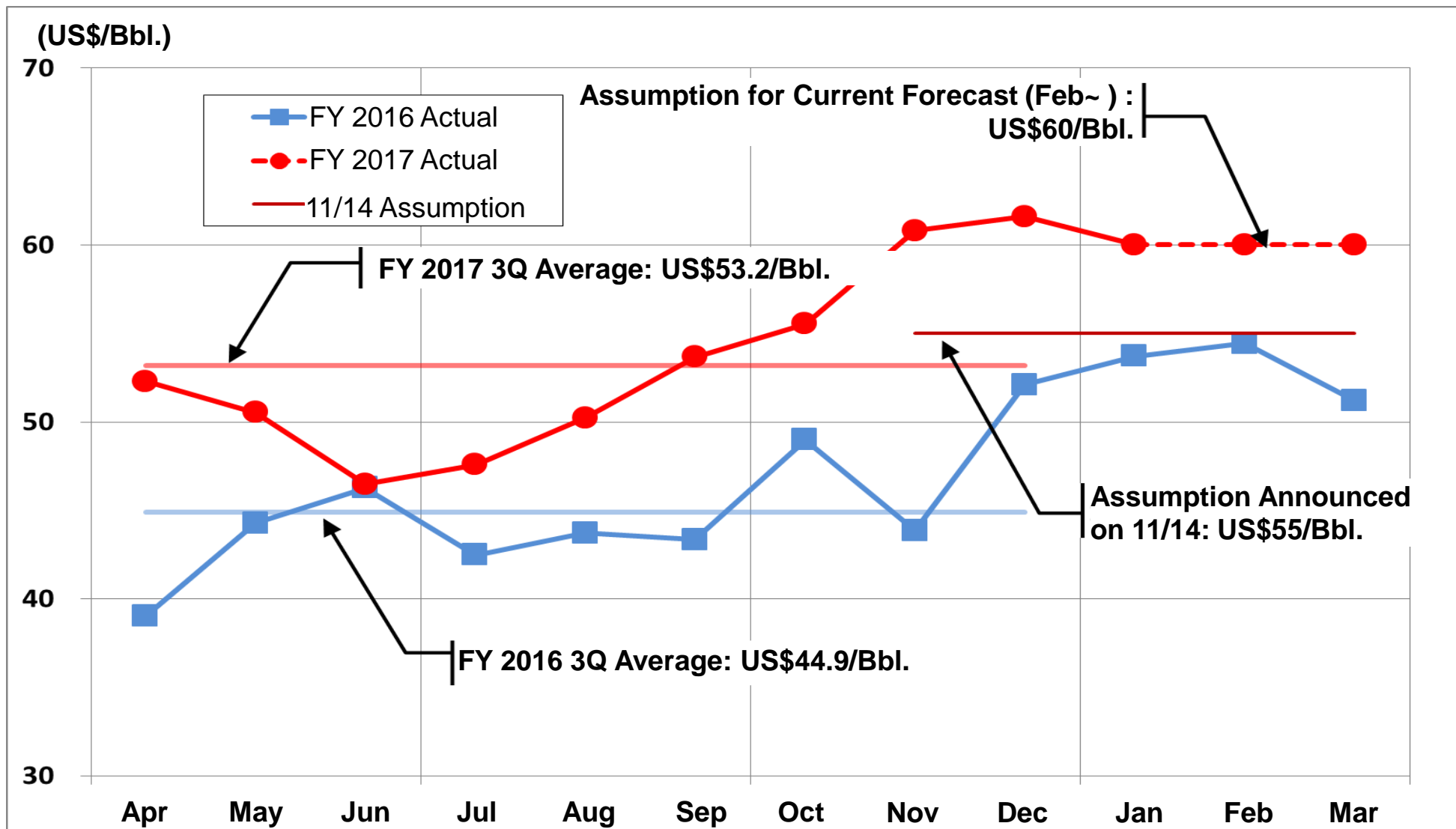
(2) Segment Information

3. Reference Materials

Crude Oil Price Trends

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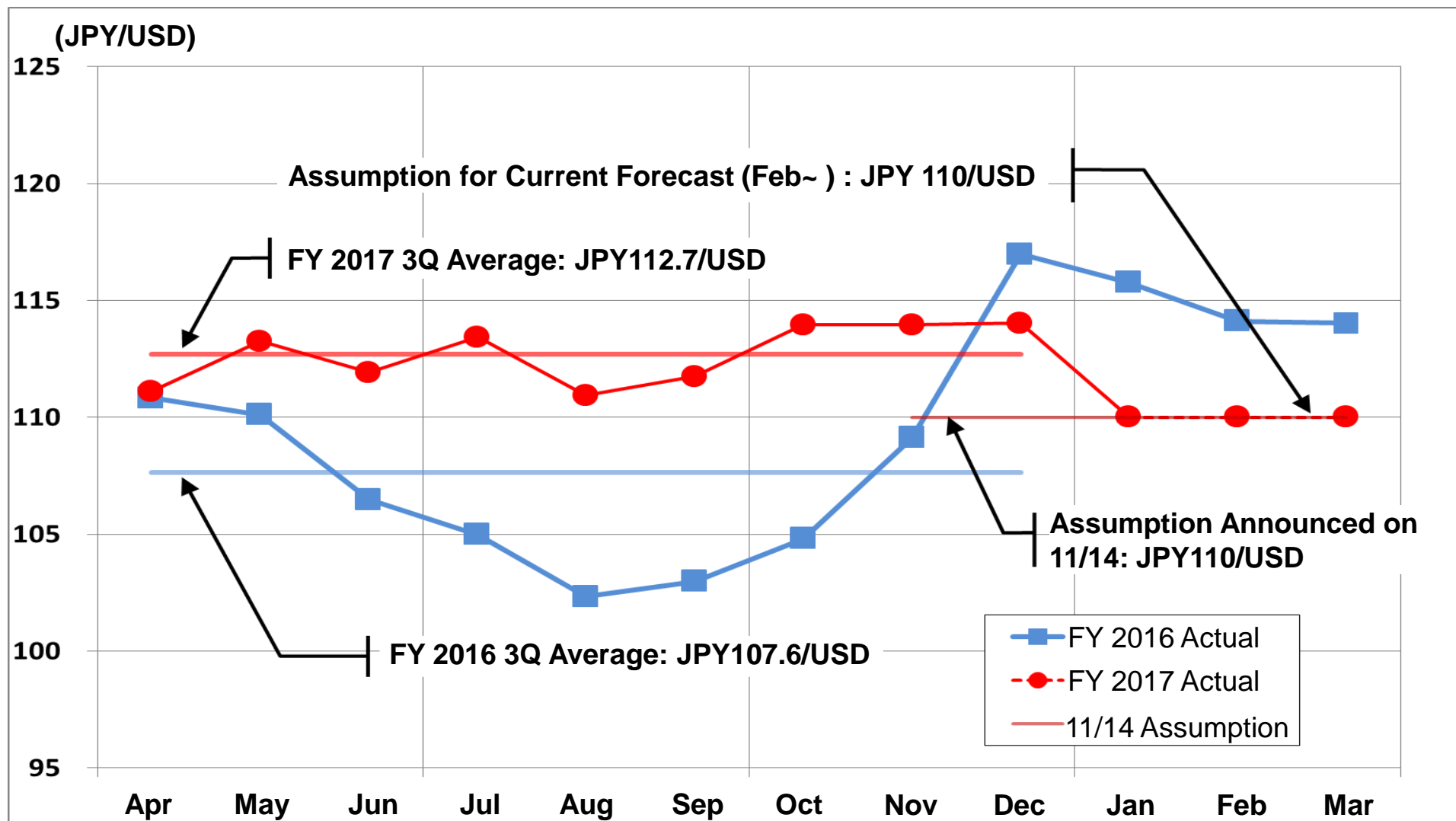
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends

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



<FY 2017 3rd Quarter Results>

- Operating income increased by ¥72.8 billion year-on-year to ¥156.4 billion, mainly due to improved petroleum product margins and increases in crude oil and coal prices
- Ordinary income increased by ¥85.3 billion year-on-year to ¥169.9 billion yen. The sale of IPUK shares led to a ¥12.7 billion year-on-year increase in extraordinary income to ¥11.6 billion, and as a result, net income attributable to owners of the parent increased by ¥84.5 billion to ¥145.1 billion

<Forecast for FY2017 Performance>

- A revision of crude oil price and foreign exchange rate assumptions led to ¥28 billion of inventory valuation gains
- Our operating income forecast was revised upward by ¥46 billion yen to ¥206 billion and our forecast for net income attributable to owners of the parent was revised upward by ¥60 billion to ¥160 billion

1. FY 2017 3rd Quarter Results

(1) Overview

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1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2016 3Q	FY2017 3Q	Change	
Crude Oil (DB FOB)	44.9	53.2	8.3	18.5%
Crude Oil (Brent)	41.8	51.9	10.1	24.2%
Naphtha Price (Customs)	415	489	74	17.8%
Thermal Coal (NEWC)	56.6	85.7	29	51.4%
Exchange Rate (TTS)	107.6	112.7	5.1	4.7%

* Brent prices and general coal prices are averages based on the calendar year (January-September).

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2016 3Q	FY2017 3Q	Change	
Net Sales	2,260.9	2,664.4	403.5	17.8%
Operating Income	83.7	156.4	72.8	87.0%
<i>(Inventory impact)</i>	9.2	23.4	14.2	154.8%
<i>(Excluding inventory impact)</i>	74.5	133.0	58.5	78.6%
Non-operating Income/Loss	0.9	13.4	12.5	1428.1%
Ordinary Income	84.6	169.9	85.3	100.9%
Extraordinary Gain/Loss	(1.1)	11.6	12.7	—
Net Income Attributable to Owners of the Parent	60.6	145.1	84.5	139.3%
<i>(Excluding inventory impact)</i>	54.3	128.9	74.7	137.6%

* 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

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1) Operating Income

(Units: ¥ billions)

	FY2016 3Q	FY2017 3Q	Change	
Petroleum Products	50.2	77.4	27.2	54.3%
<i>(Excluding inventory impact)</i>	41.1	53.9	12.8	31.3%
Petrochemical Products	27.0	30.1	3.1	11.6%
Resources	5.5	46.8	41.4	755.2%
<i>Oil Exploration and Production</i>	3.1	18.3	15.2	486.0%
<i>Coal, etc.</i>	2.4	28.5	26.2	1113.2%
Others	3.4	5.4	2.0	59.9%
Reconciliation	(2.3)	(3.3)	(1.0)	—
Total	83.7	156.4	72.8	87.0%
<i>(Excluding inventory impact)</i>	74.5	133.0	58.5	78.6%

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

(2) Segment Information



2) Analysis of Factors Affecting Operating Income (Year-on-year)

(Units: ¥ billions)

Petroleum Products **+27.2**

Increase in Product Margins, etc.	+30.5	Increased Refinery Fuel Costs, etc. (17.7)	
Inventory Impact	+14.4		

Petrochemical Products **+3.1**

Increased Margins/Sales Volume, etc.	+5.6	Manufacturing Fuel Costs, etc.	(2.5)
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Oil Exploration and Production **+15.2**

Price-related and Sales Volume	+14.0	Exploration Costs, FX	+1.2
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Coal, etc. / Other **+27.2**

Price-related, etc.	+26.2	Others/Reconciliation	+1.0
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2. Forecast for FY2017 Performance

(1) Overview

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1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	Nov 14 Forecast	Revised Forecast	Difference	
Crude Oil (DB FOB)	52.6	54.9	2.3	4.4%
Crude Oil (Brent)	54.9	54.3	(0.6)	(1.1%)
Naphtha Price (Customs)	490	513	23	4.7%
Thermal Coal (NEWC)	88.0	88.9	0.9	1.0%
Exchange Rate (TTS)	111.0	112.0	1.0	0.9%

Assumptions (February onward)
60.0
-
585
-
110.0

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	Nov 14 Forecast	Revised Forecast	Difference	
Net Sales	3,600.0	3,650.0	50.0	1.4%
Operating Income	160.0	206.0	46.0	28.8%
<i>(Inventory impact)</i>	0.0	28.0	28.0	—
<i>(Excluding inventory impact)</i>	160.0	178.0	18.0	11.3%
Non-operating Income/Loss	16.0	24.0	8.0	50.0%
Ordinary Income	176.0	230.0	54.0	30.7%
Extraordinary Gain/Loss	(20.0)	(17.0)	3.0	—
Net Income Attributable to Owners of the Parent	100.0	160.0	60.0	60.0%
<i>(Excluding inventory impact)</i>	100.0	141.0	41.0	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

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1) Operating Income

(Units: ¥ billions)

	Nov 14 Forecast	Revised Forecast	Difference	
Petroleum Products	65.0	99.0	34.0	52.3%
<i>(Excluding inventory impact)</i>	<i>65.0</i>	<i>71.0</i>	<i>6.0</i>	<i>9.2%</i>
Petrochemical Products	35.0	37.0	2.0	5.7%
Resources	57.0	66.0	9.0	15.8%
<i>Oil Exploration and Production</i>	<i>20.0</i>	<i>27.0</i>	<i>7.0</i>	<i>35.0%</i>
<i>Coal, etc.</i>	<i>37.0</i>	<i>39.0</i>	<i>2.0</i>	<i>5.4%</i>
Others	7.0	8.0	1.0	14.3%
Reconciliation	(4.0)	(4.0)	0.0	—
Total	160.0	206.0	46.0	28.8%
<i>(Excluding inventory impact)</i>	<i>160.0</i>	<i>178.0</i>	<i>18.0</i>	<i>11.3%</i>

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

(2) Segment Information



2) Analysis of Factors Affecting Operating Income (vs. 11/14 Forecasts)

(Units: ¥ billions)

Petroleum Products **+34.0**

Increase in Product Margins	+18.0	Increased Refinery Fuel Costs, etc.	(12.0)
Inventory Impact	+28.0		

Petrochemical Products **+2.0**

Increase in Product Margins, FX	+3.0	Manufacturing Fuel Costs, etc.	(1.0)
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Oil Exploration and Production **+7.0**

Operating and Exploration Costs, FX	+7.0
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Coal, etc. / Other **+3.0**

Price-related	+2.0	Others/Reconciliation	+1.0
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3. Reference Materials

1. Financial Reporting

(1) Net Sales by Segment

(2) Extraordinary Gains/Losses

(3) Consolidated Balance Sheet

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 2017 3Q Net Sales by Segment

(Units: ¥ billions)

	FY2016 3Q	FY2017 3Q	Change	
Petroleum Products	1,728.0	2,047.1	319.1	18.5%
Petrochemical Products	320.4	357.2	36.8	11.5%
Resources	165.7	209.2	43.6	26.3%
<i>Oil Exploration and Production</i>	52.2	59.5	7.2	13.8%
<i>Coal, etc.</i>	113.4	149.8	36.4	32.1%
Others/Reconciliation	46.8	50.8	4.1	8.7%
Total	2,260.9	2,664.4	403.5	17.8%

1. Financial Reporting

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(1)-2 FY 2017 Net Sales Forecast by Segment

(Units: ¥ billions)

	Nov 14 Forecast	Revised Forecast	Difference	
Petroleum Products	2,820.0	2,850.0	30.0	1.1%
Petrochemical Products	430.0	450.0	20.0	4.7%
Resources	290.0	290.0	0.0	0.0%
<i>Oil Exploration and Production</i>	<i>75.0</i>	<i>73.0</i>	<i>(2.0)</i>	<i>(2.7%)</i>
<i>Coal, etc.</i>	<i>215.0</i>	<i>217.0</i>	<i>2.0</i>	<i>0.9%</i>
Others/Reconciliation	60.0	60.0	0.0	0.0%
Total	3,600.0	3,650.0	50.0	1.4%

1. Financial Reporting

(2) Extraordinary Gains/Losses

(Units: ¥ billions)

		FY2016 3Q	FY2017 3Q	Change
	Gain on Sale of Fixed Assets	1.4	1.7	0.2
	Gain on Sale of Affiliate Stock	0.0	12.1	12.1
	Other	0.6	0.2	(0.4)
	Total Extraordinary Gains	2.1	14.0	11.9
	Loss on Sale and Depletion of Fixed Assets	2.4	1.5	(0.9)
	Impairment Losses	0.4	0.8	0.4
	Other	0.4	0.2	(0.2)
	Total Extraordinary Losses	3.2	2.4	(0.8)
Total Extraordinary Gains/Losses		(1.1)	11.6	12.7

1. Financial Reporting

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(3) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2017	12/31/2017	Change		3/31/2017	12/31/2017	Change
Cash and Deposits	91.4	169.7	78.3	Payables	331.6	405.2	73.6
Receivables	327.4	412.0	84.6	Short-term Borrowings	471.6	404.9	(66.7)
Inventory	430.9	497.1	66.2	Other Current Liabilities	341.8	397.8	56.0
Other Current Assets	110.1	125.2	15.1	Total Current Liabilities	1,145.0	1,207.9	62.9
				Long-term Borrowings	579.1	557.6	(21.5)
				Other Fixed Liabilities	297.6	257.1	(40.5)
Total Current Assets	959.8	1,204.0	244.2	Total Fixed Liabilities	876.7	814.7	(62.0)
Tangible Fixed Assets	1,022.1	1,014.8	(7.3)	Total Liabilities	2,021.7	2,022.6	0.9
(Land)	584.4	583.5	(0.9)	Shareholders' Equity	429.2	683.9	254.7
(Other)	437.7	431.3	(6.5)	Other Comprehensive Income	154.6	160.8	6.1
Other Fixed Assets	659.8	686.5	26.7	Non-controlling Interests	36.1	38.0	1.9
Total Fixed Assets	1,681.9	1,701.3	19.4	Total Net Assets	619.9	882.7	262.7
Total Assets	2,641.6	2,905.3	263.6	Total Liabilities and Net Assets	2,641.6	2,905.3	263.6

Total Interest-bearing Debt	1,052.3	964.1	(88.3)
Equity Ratio	22.1%	29.1%	7.0%
Net D/E Ratio	1.65	0.99	(0.65)

2. Sensitivity

(1) Impact of a US\$1/bbl. Increase in Crude Oil Prices(Feb~)

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.1billion)
	Inventory impact	¥ 1.0 billion
		¥ 0.9billion
Oil Exploration & Production		—

(2) Impact of a 1 JPY/USD Appreciation(Feb~)

Petroleum Products	Decrease in refinery fuel costs, etc.	¥ 0.0billion
	Inventory impact	(¥ 0.5billion)
		(¥ 0.5billion)
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

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

(Units: Thousand KL, %)

	FY 2016 3Q	FY 2017 3Q	Change	
Gasoline	6,206	6,043	(163)	(2.6%)
(Premium-Unleaded)	668	641	(27)	(4.0%)
(Regular-Unleaded)	5,538	5,402	(136)	(2.5%)
Naphtha	170	220	50	29.4%
Jet Fuel	1,257	1,406	149	11.8%
Kerosene	1,414	1,426	12	0.9%
Diesel Oil	4,633	4,681	48	1.0%
Heavy Fuel Oil A	1,666	1,606	(60)	(3.6%)
Heavy Fuel Oil C	1,776	1,767	(9)	(0.5%)
Toal Domestic Sales Volume	17,121	17,148	27	0.2%
Exported Volume	2,734	2,419	(315)	(11.5%)
(General Exports)	1,191	934	(257)	(21.6%)
Total Sales Volume	19,855	19,567	(288)	(1.5%)

3. Sales and Production

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

(Units: Thousand tons, %)

	FY 2016 3Q	FY 2017 3Q	Change	
Petrochemical Products-Total	2,468	2,528	59	+2.4%
(Basic Chemicals)	2,435	2,493	58	+2.4%
(Performance Chemicals)	33	35	2	+4.7%

(1) — 3. Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2016 3Q	FY 2017 3Q	Change	
Lubricants	874	920	46	5.3%

*Includes sales of overseas licenses

3. Sales and Production

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

(Units: Thousand BOED)

	FY 2016 3Q	FY 2017 3Q	Change	
Norway	36.1	34.1	(2.0)	(5.6%)
United Kingdom	5.0	4.4	(0.6)	(12.3%)
Vietnam	0.3	0.0	0.3	(100.0%)
Total('000BOED)	41.4	38.5	(2.9)	(7.1%)
Total('000BOE)	11,339	10,500	(839)	(7.4%)

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

(1) — 5. Coal – Production Volume

(Units: Thousand tons)

	FY 2016 3Q	FY 2017 3Q	Change	
Ensham	3,324	3,037	(287)	(8.6%)
Muswellbrook	1,079	1,058	(21)	(1.9%)
Boggabri	4,093	4,291	198	4.8%
Tarawonga	448	526	78	17.4%
Sub Total	8,944	8,912	(32)	(0.4%)
Malinau	822	848	26	3.2%
Total Production Volume	9,766	9,760	(6)	(0.1%)

*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

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

(Units: Thousand KL, %)

	Nov 14 Forecast	Revised Forecast	Difference	
Gasoline	7,910	7,910	0	0.0%
(Premium-Unleaded)	850	840	(10)	(1.2%)
(Regular-Unleaded)	7,060	7,070	10	0.1%
Naphtha	260	280	20	7.7%
Jet Fuel	1,830	1,860	30	1.6%
Kerosene	2,390	2,510	120	5.0%
Diesel Oil	6,080	6,170	90	1.5%
Heavy Fuel Oil A	2,260	2,310	50	2.2%
Heavy Fuel Oil C	2,220	2,310	90	4.1%
Toal Domestic Sales Volume	22,950	23,350	400	1.7%
Exported Volume	3,360	3,280	(80)	(2.4%)
(General Exports)	1,450	1,300	(150)	(10.3%)
Total Sales Volume	26,310	26,630	320	1.2%

3. Sales and Production

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

(Units:Thousand tons, %)

	Nov 14 Forecast	Revised Forecast	Difference	
Petrochemical Products-Total	3,470	3,470	0	0.0%
(Basic Chemicals)	3,420	3,420	0	0.0%
(Performance Chemicals)	50	50	0	0.0%

(2) — 3.Sales Forecasts (Lubricants)

(Units:Thousand KL,%)

	Nov 14 Forecast	Revised Forecast	Difference	
Lubricants	1,260	1,230	(30)	(2.4%)

*Includes sales of overseas licenses

3. Sales and Production

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(2) – 4. Oil Exploration & Production – Production Volume Forecasts (including Gas) (Units: Thousand BOED)

	Nov 14 Forecast	Revised Forecast	Difference	
Norway	32.8	33.4	0.6	1.8%
United Kingdom	4.6	3.3	(1.3)	(28.4%)
Vietnam	0.0	0.0	0.0	0.0%
Total('000BOED)	37.4	36.7	(0.7)	(1.9%)
Total('000BOE)	13,660	13,400	(260)	(1.9%)

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

(2) – 5. Coal – Production Volume Forecasts

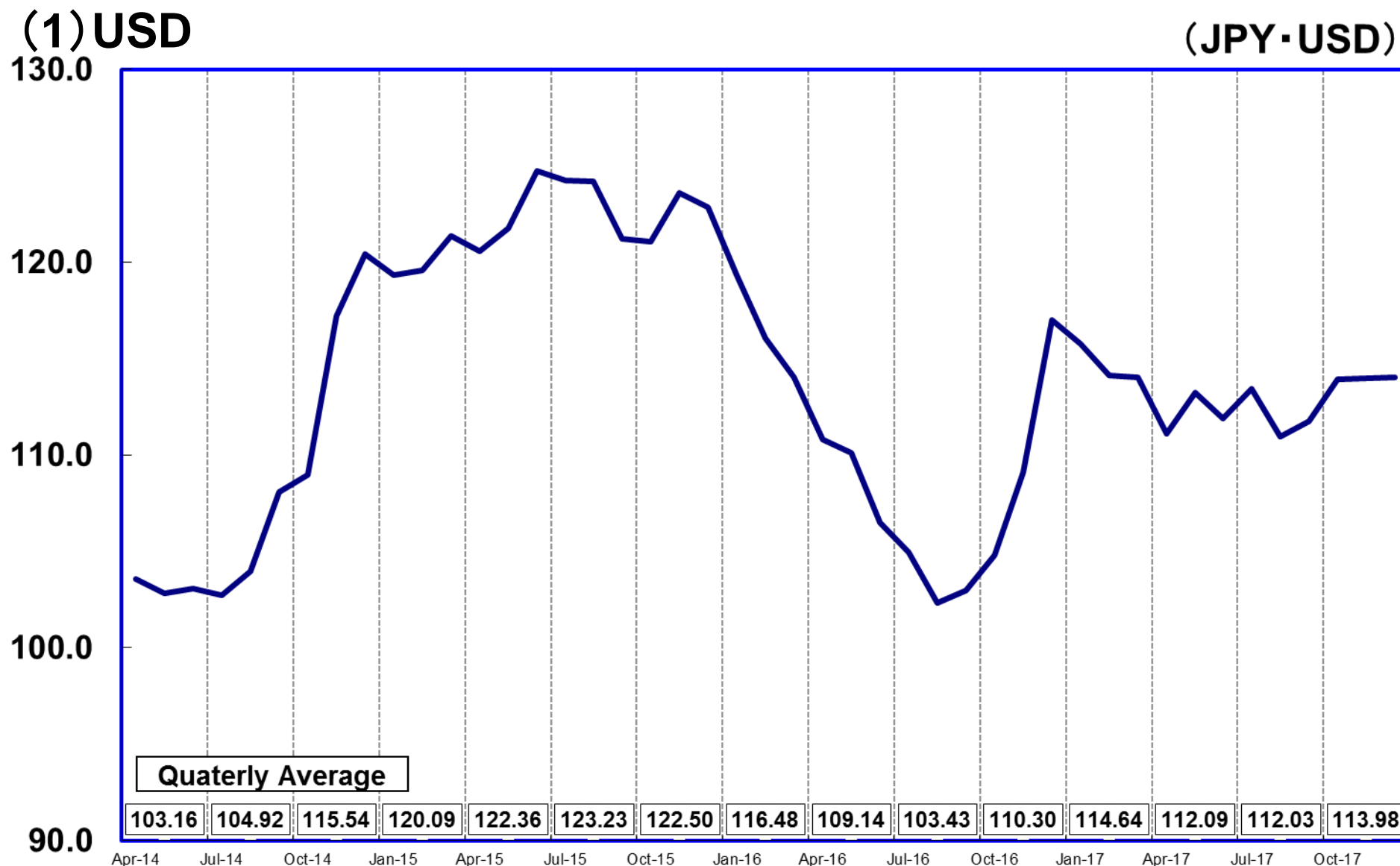
(Units: Thousand tons)

	Nov 14 Forecast	Revised Forecast	Difference	
Ensham	4,400	4,370	(30)	(0.7%)
Muswellbrook	1,500	1,500	0	0.0%
Boggabri	5,700	5,650	(50)	(0.9%)
Tarawonga	710	690	(20)	(2.8%)
Sub Total	12,310	12,210	(100)	(0.8%)
Malinau	1,260	1,090	(170)	(13.5%)
Total Production Volume	13,570	13,300	(270)	(2.0%)

*Figures based on interest owned by Idemitsu Group

4. Foreign Exchange

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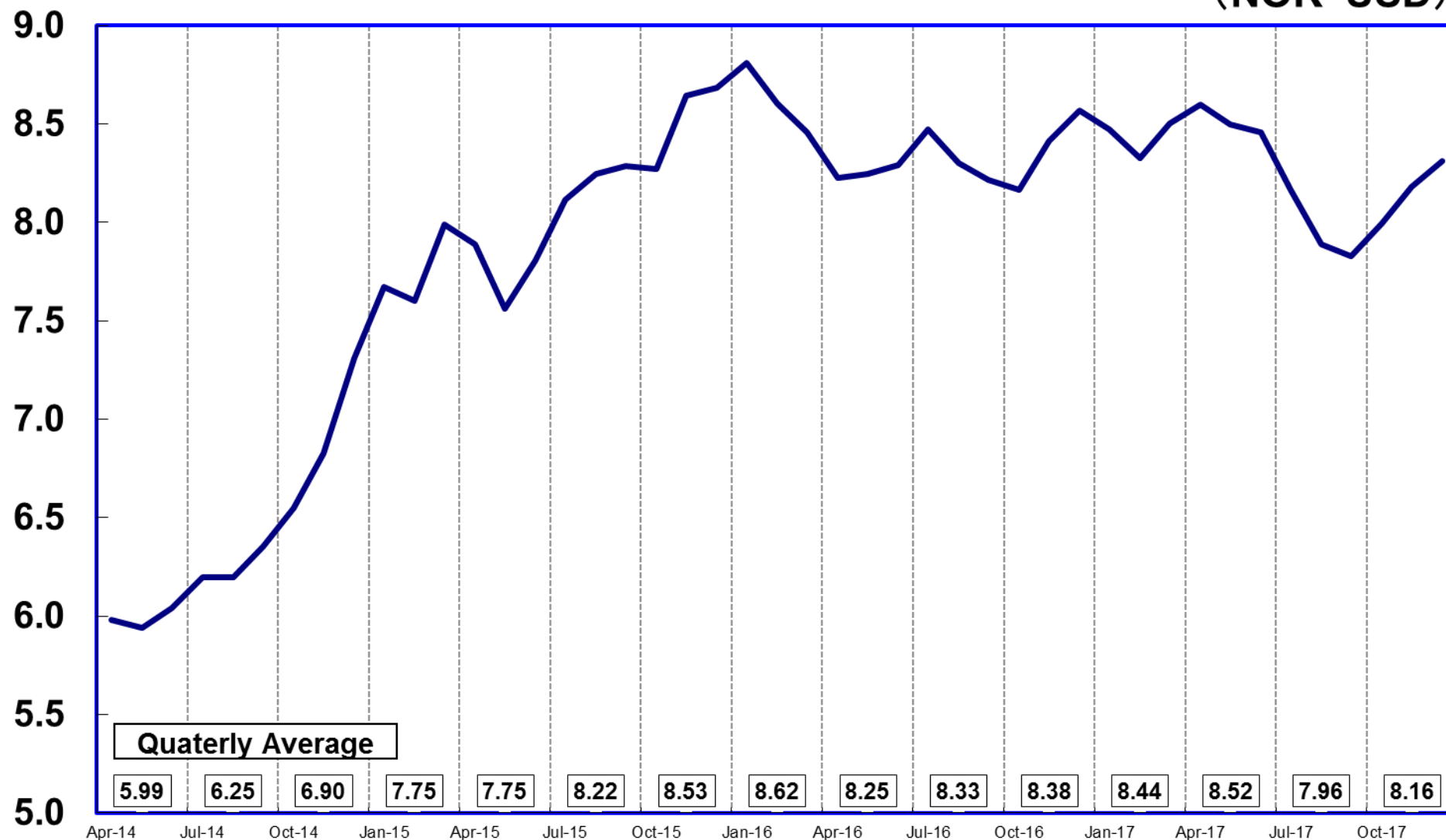


4. Foreign Exchange

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(2) Norwegian Krone

(NOK-USD)

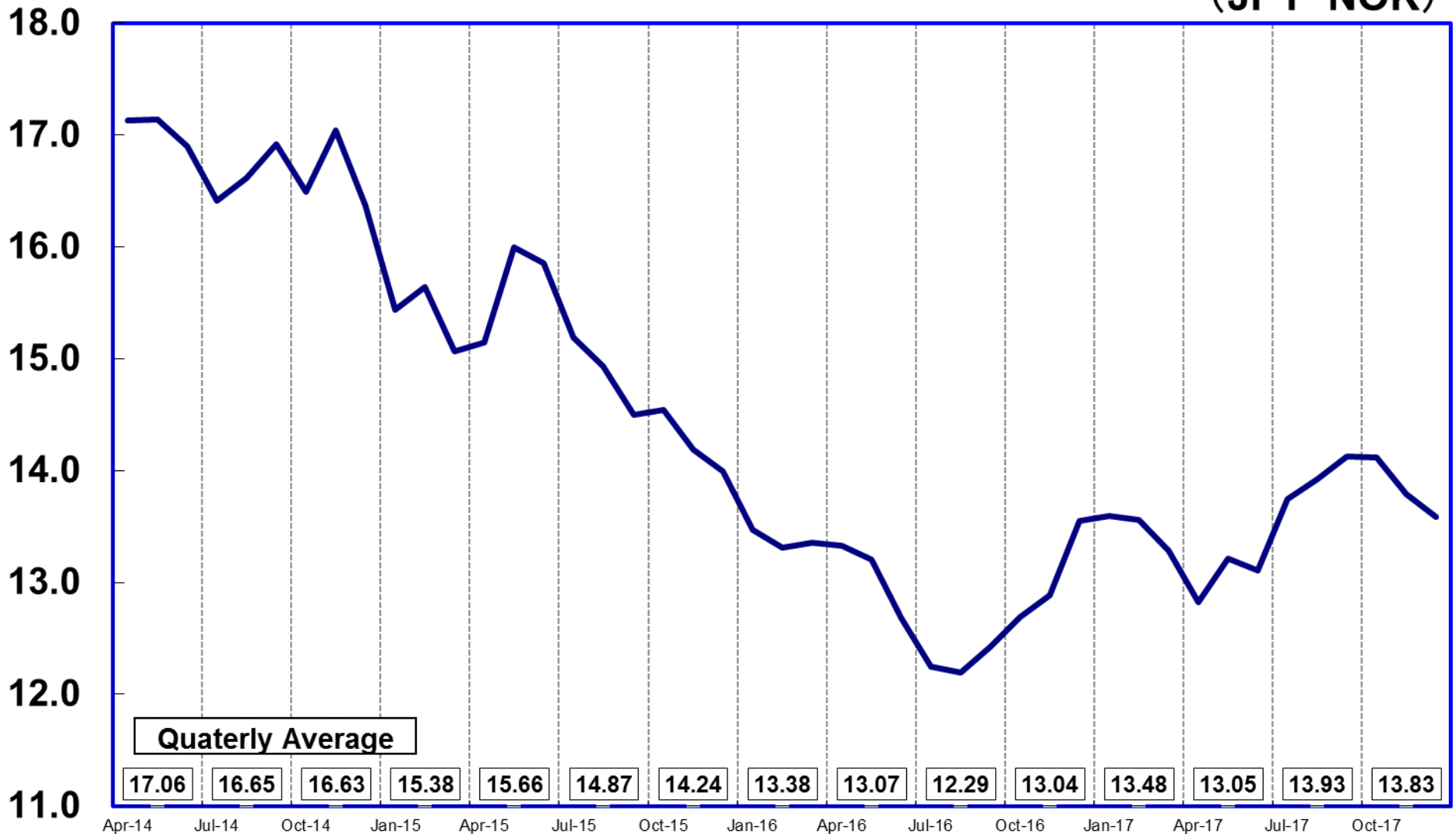


4. Foreign Exchange

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(3) Norwegian Krone

(JPY・NOK)

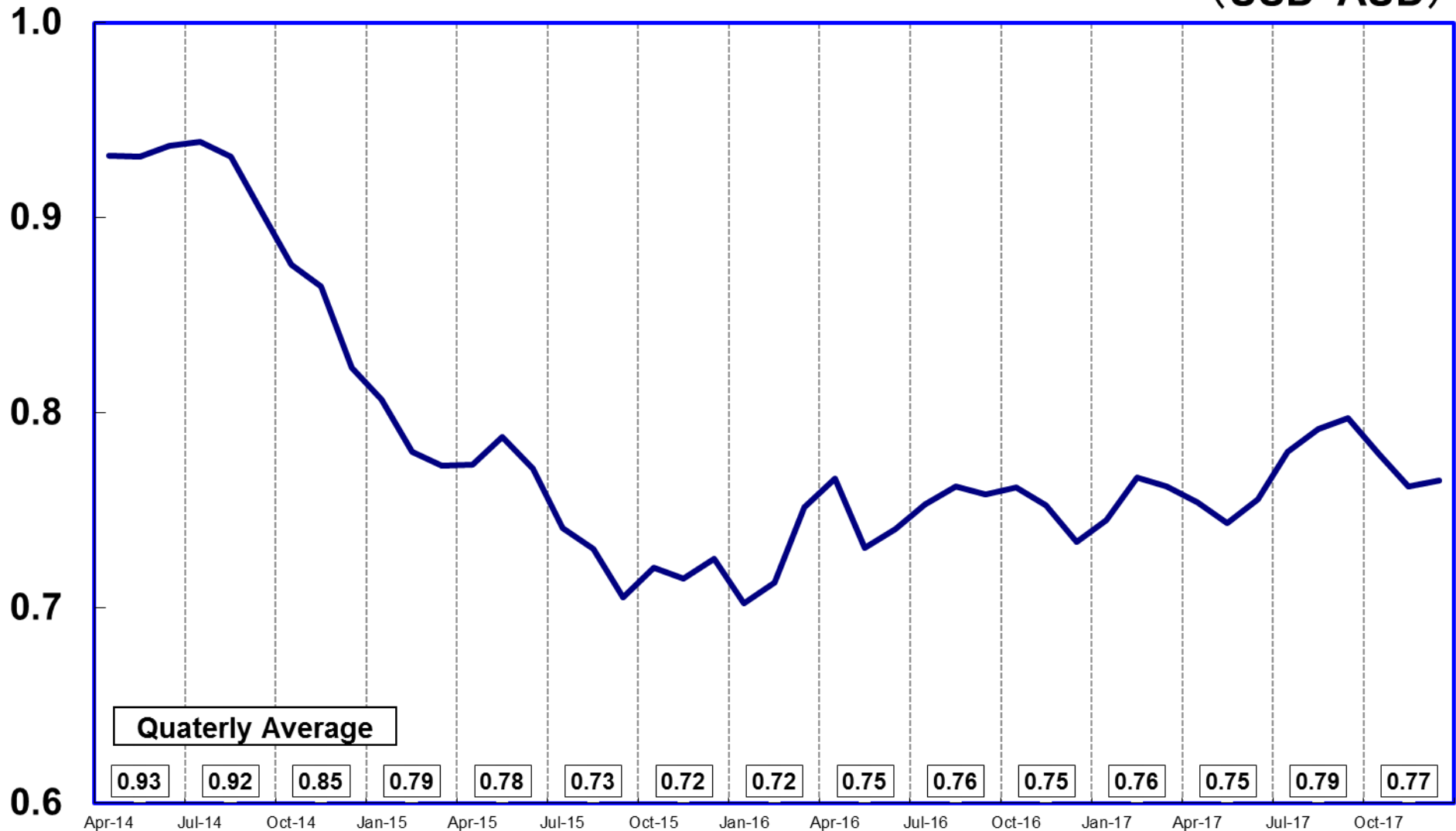


4. Foreign Exchange

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(4) Australian Dollar

(USD·AUD)

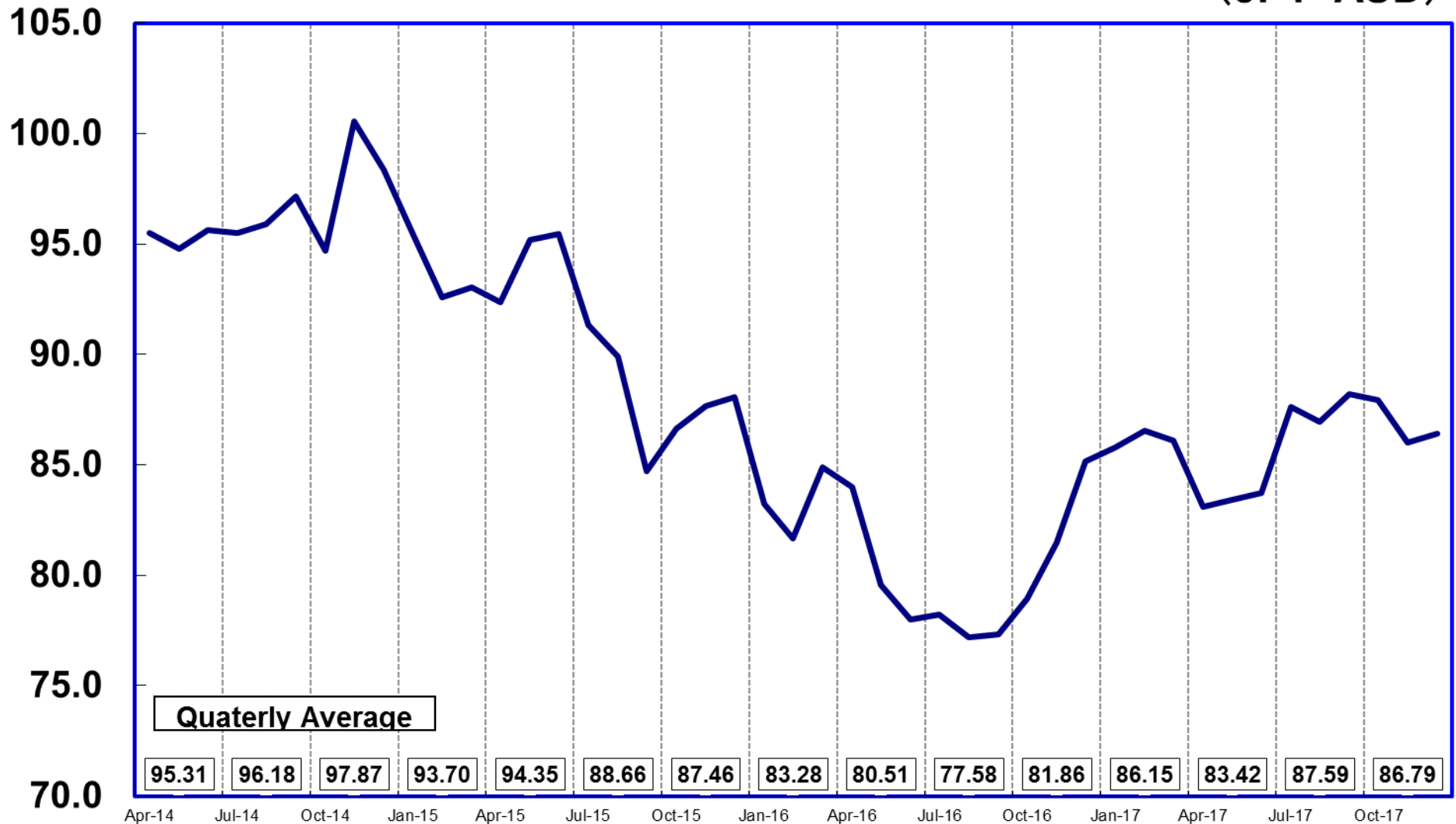


4. Foreign Exchange

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(5) Australian Dollar

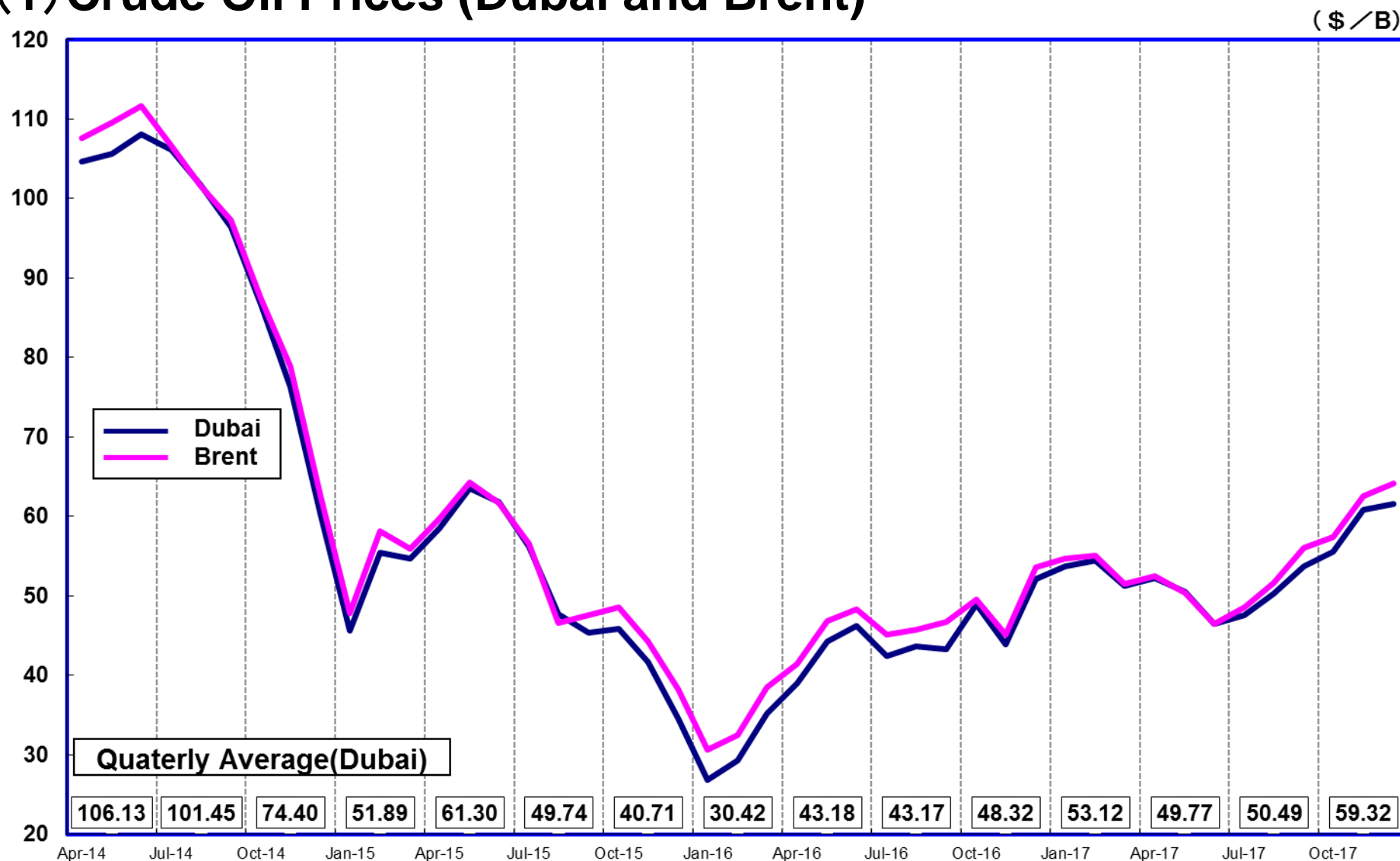
(JPY・AUD)



5. Market Conditions

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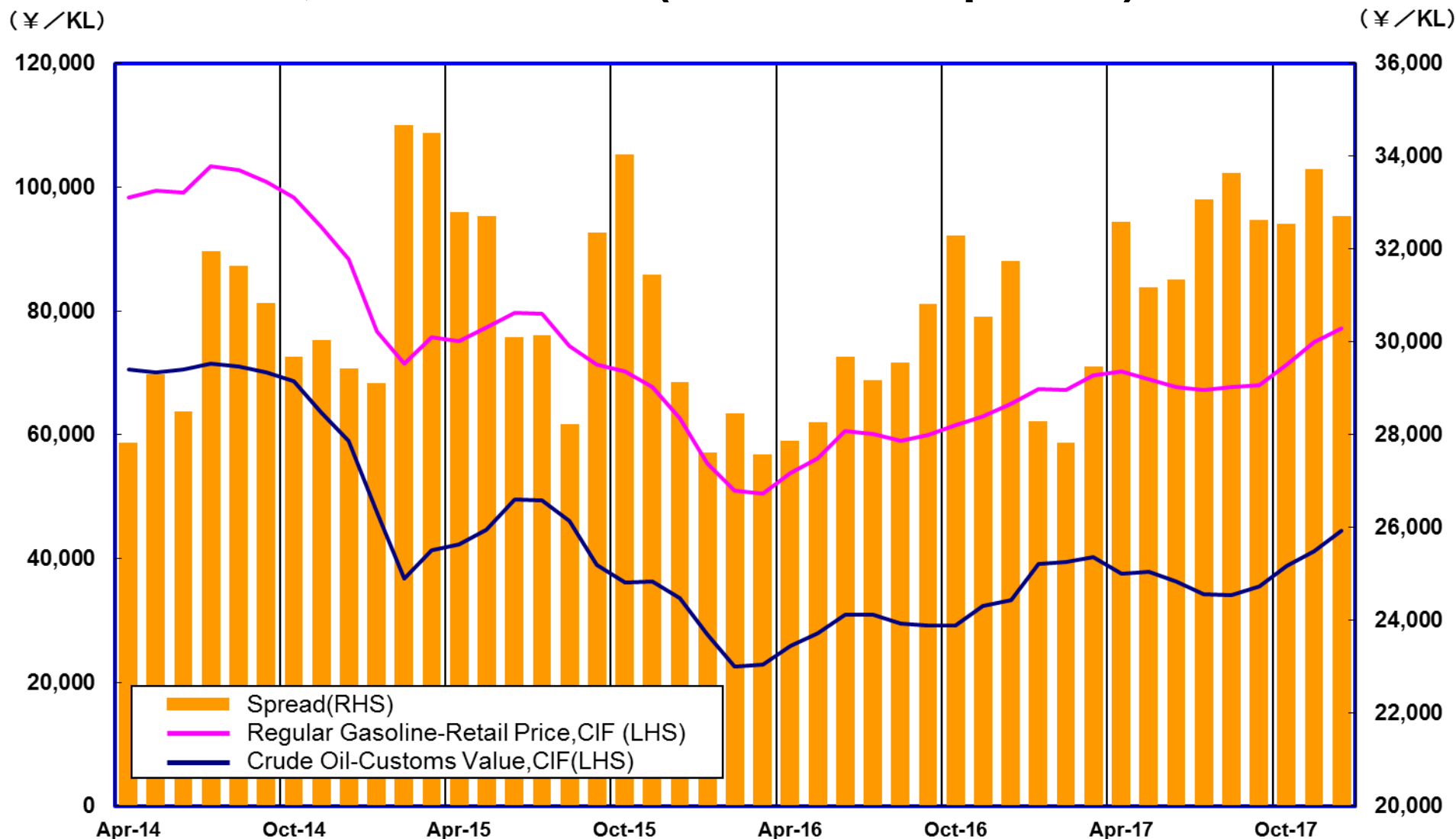
(1) Crude Oil Prices (Dubai and Brent)



5. Market Conditions

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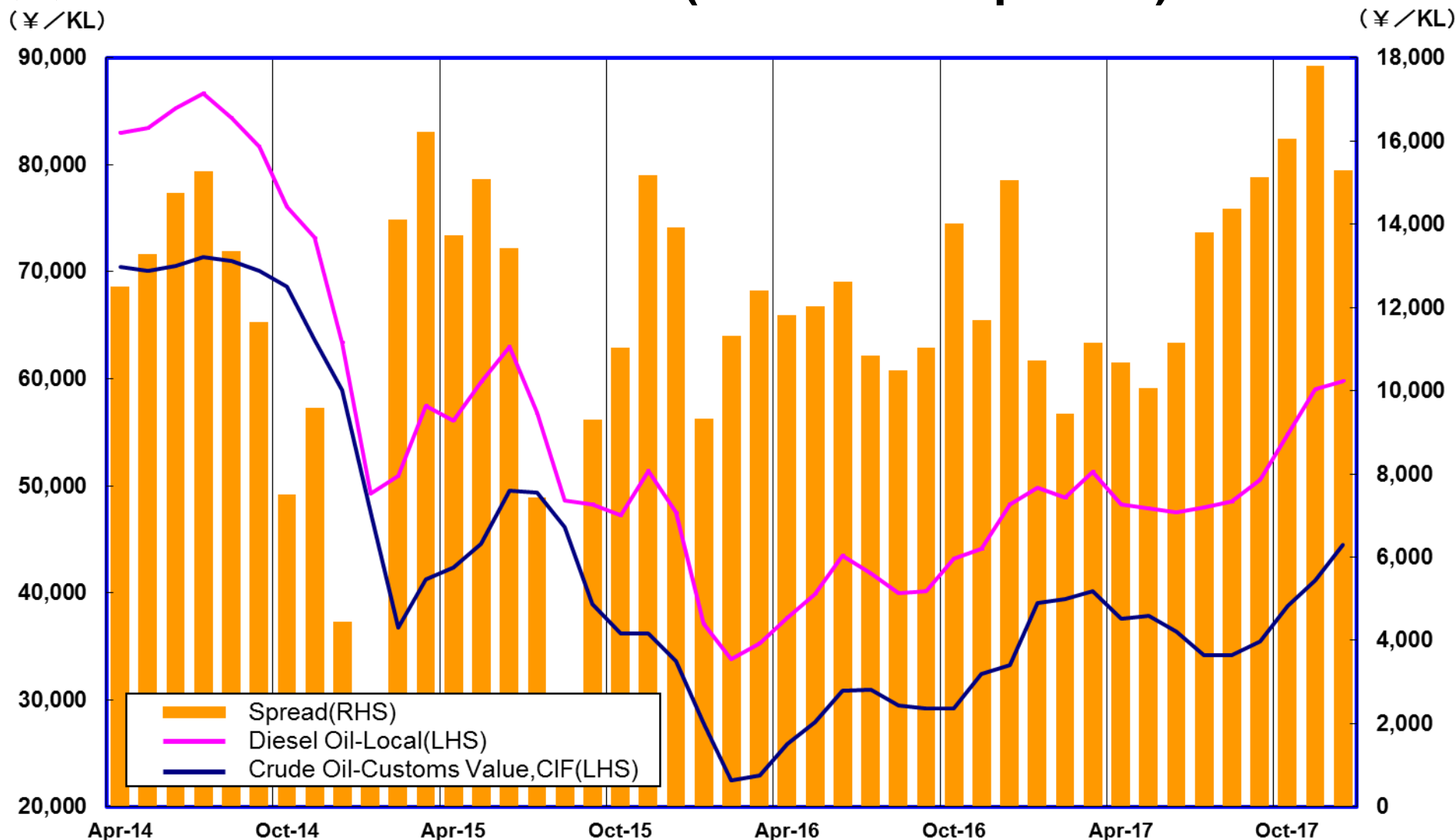
(2) Gasoline, Crude Oil CIF (Prices and Spreads)



5. Market Conditions

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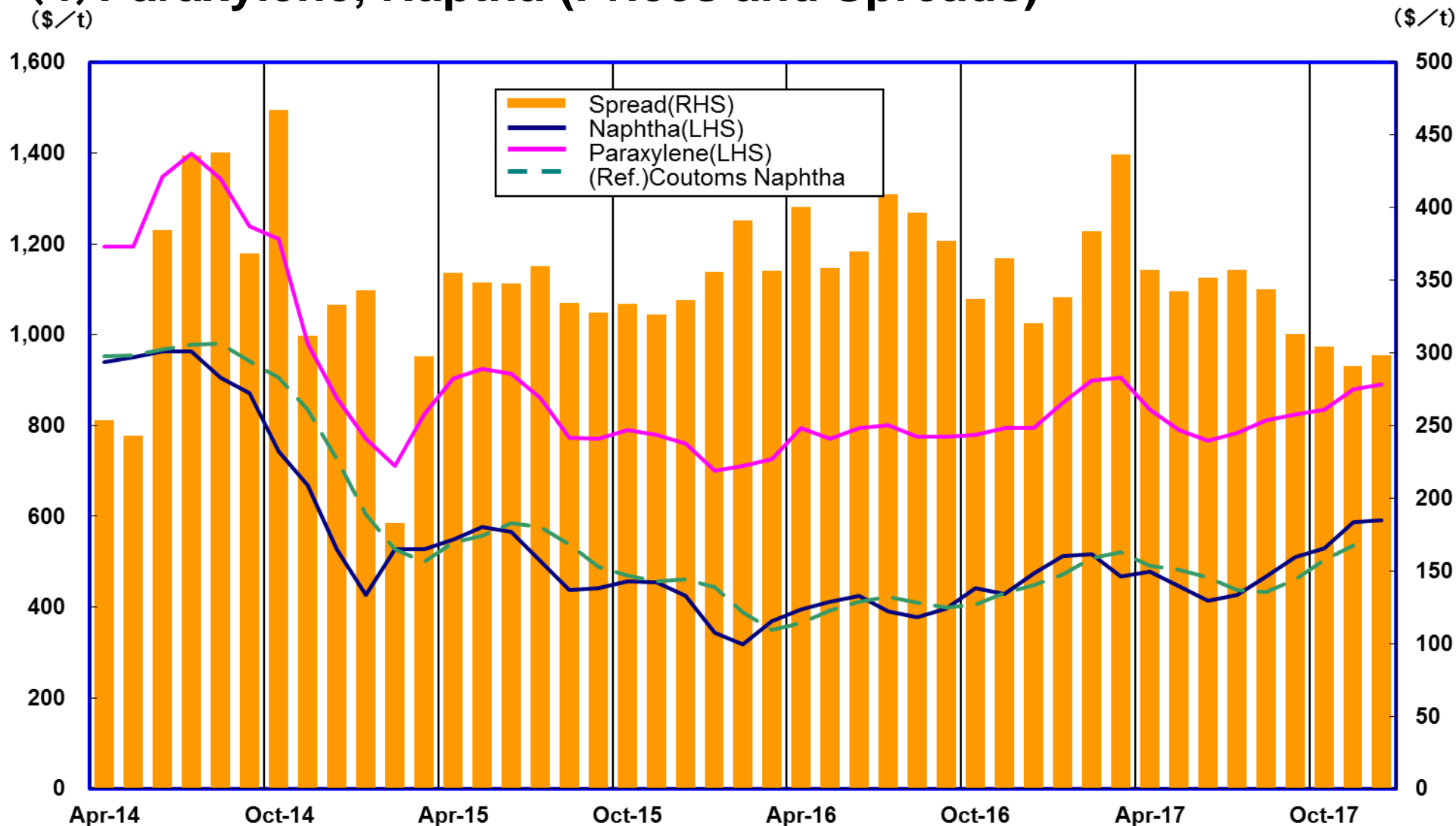
(3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



5. Market Conditions

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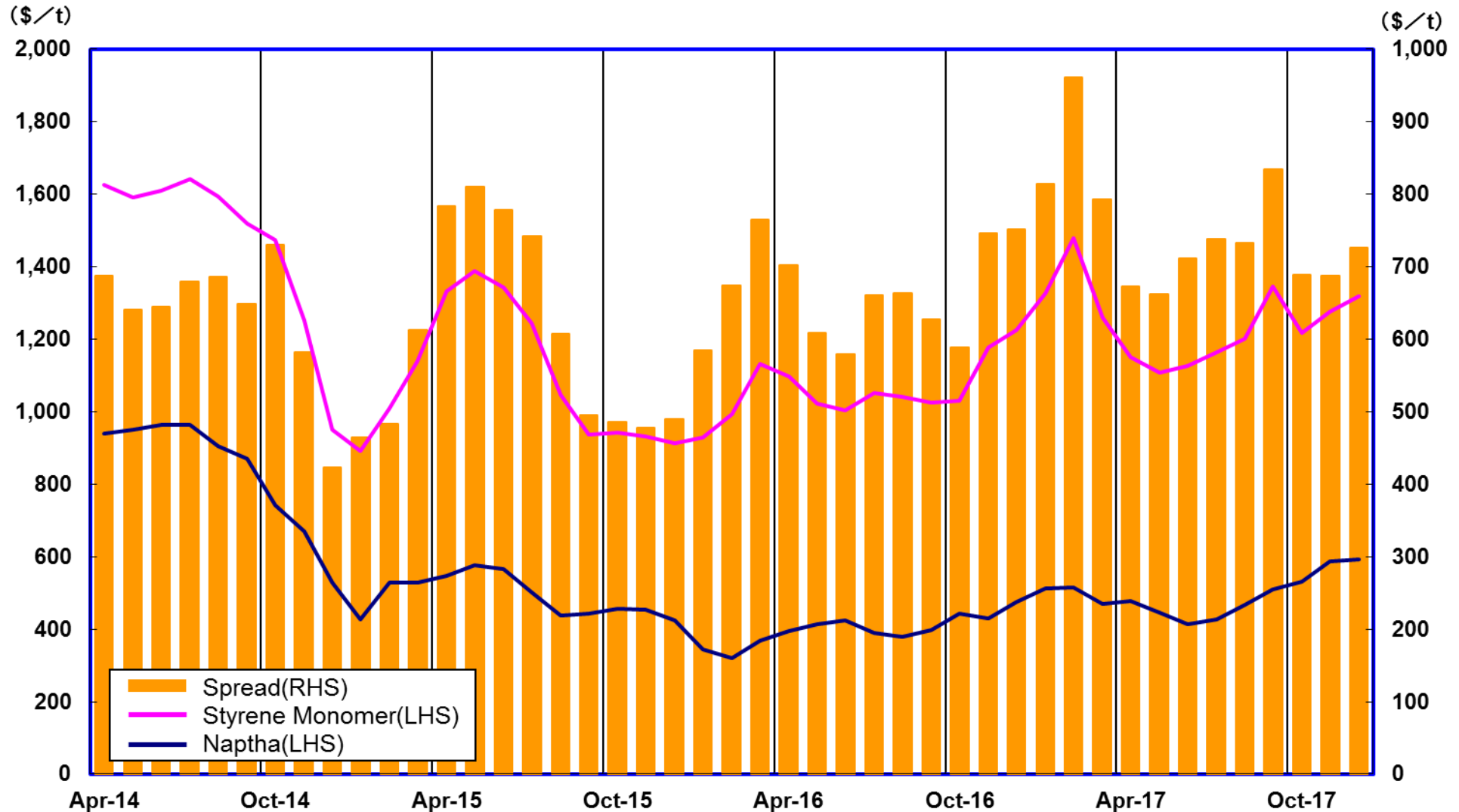
(4) Paraxylene, Naptha (Prices and Spreads)



5. Market Conditions

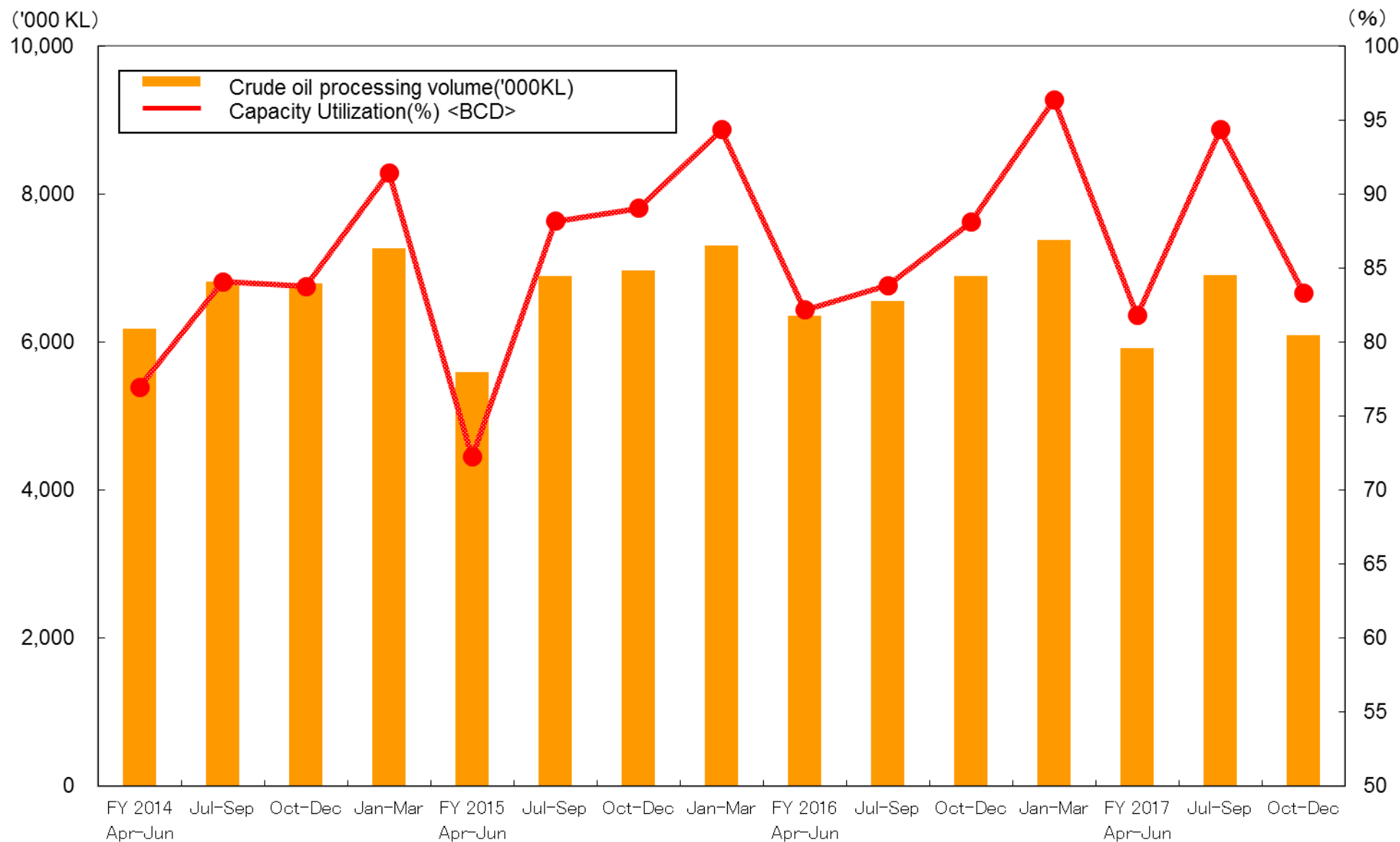
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(5) Styrene Monomer, Naptha (Prices and Spreads)



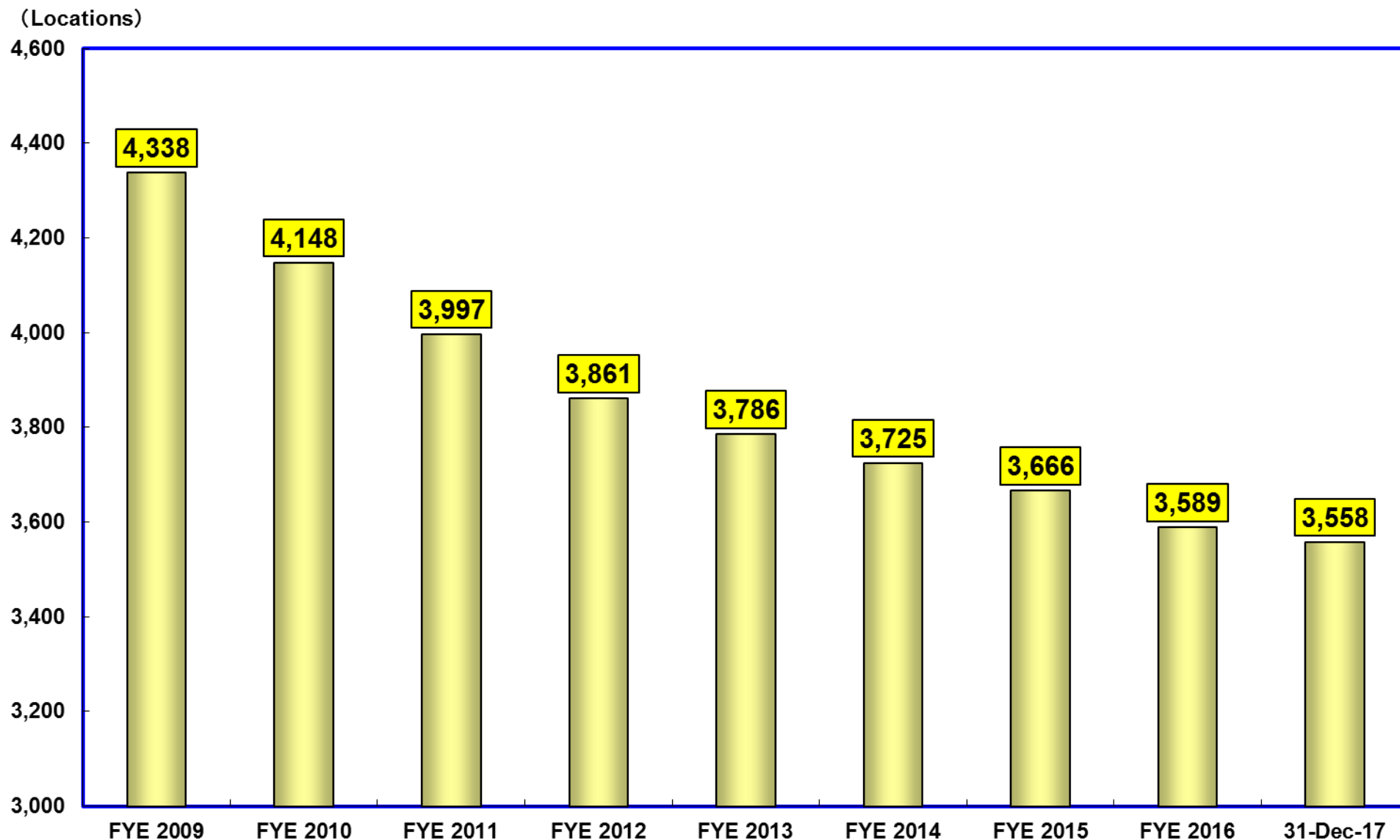
6. Capacity Utilization at Refineries

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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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