

Presentation on Results for the 1st Quarter FY 2018

Idemitsu Kosan Co.,Ltd.

August 14, 2018



1. FY 2018 1st Quarter Results

(1) Overview

(2) Segment Information

2. Forecast for FY 2018 Performance

(1) Overview

(2) Segment Information

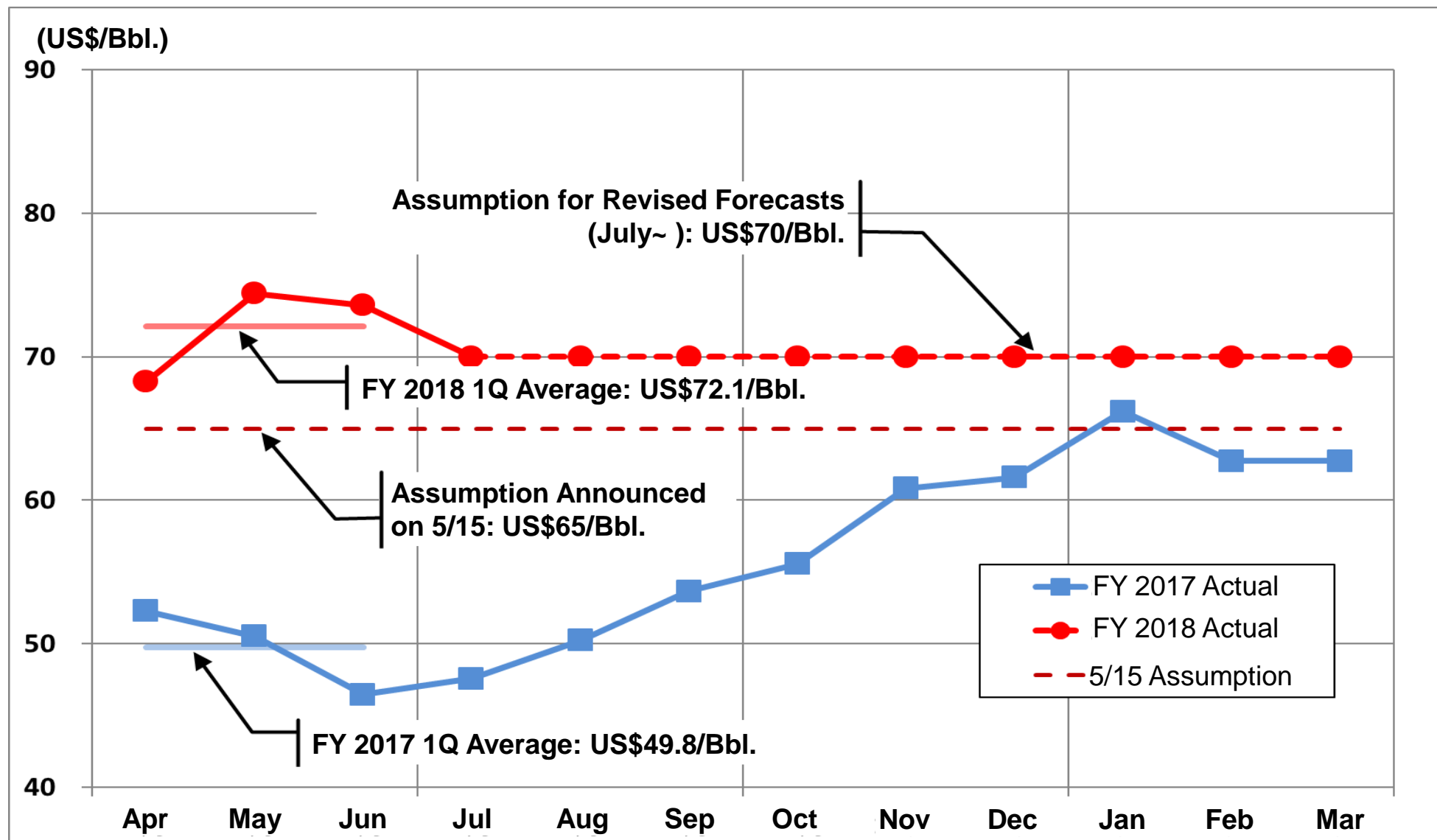
(3) Shareholder Returns

3. Reference Materials

Crude Oil Price Trends

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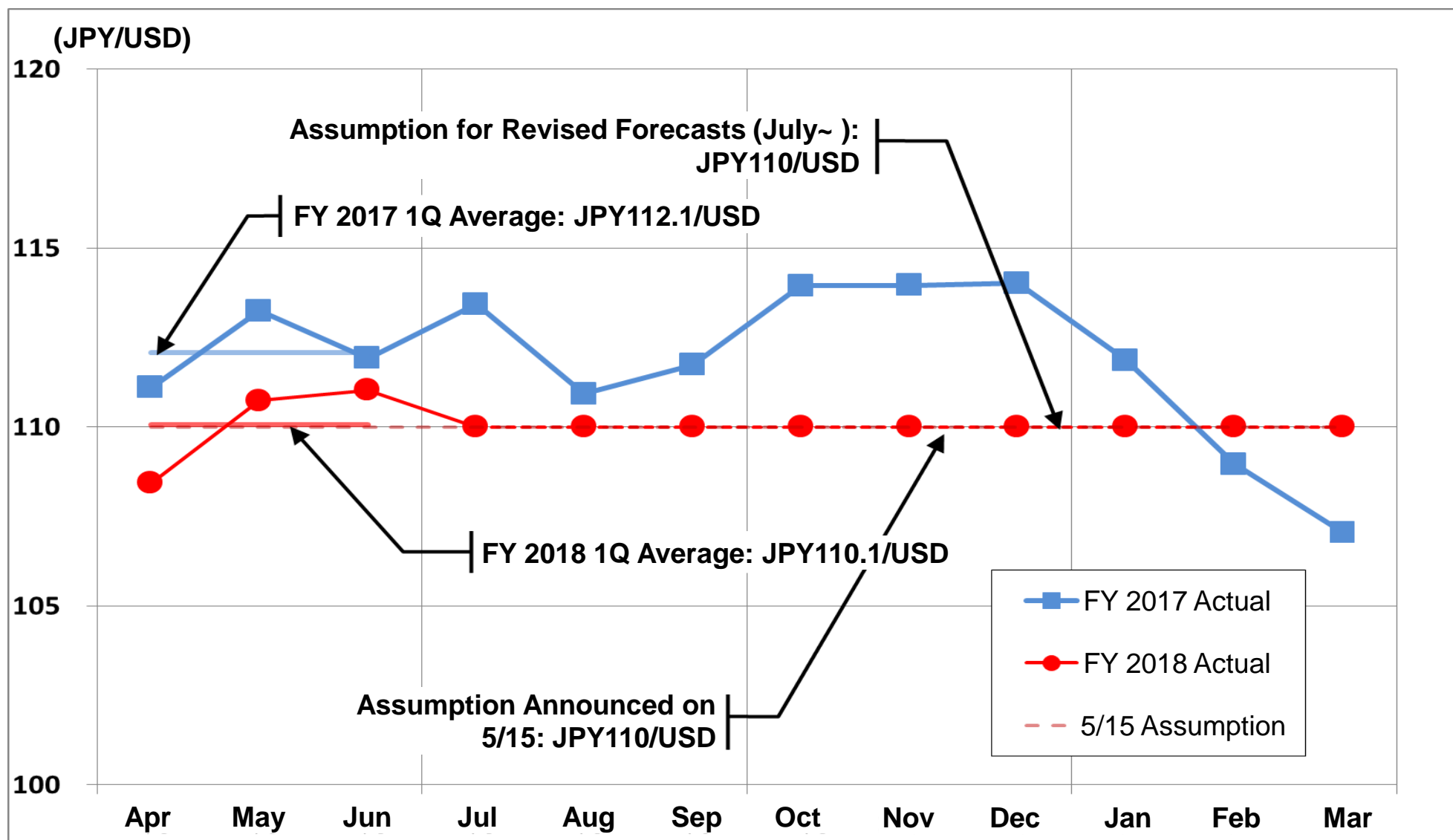
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



JPY/USD Exchange Rate (TTS) Trends

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



<FY 2018 1st Quarter Results>

- Operating profit increased by ¥36.9 billion year-on-year to ¥71.5 billion due to inventory valuation gains of ¥22.5 billion due to increased crude oil prices and increased petroleum product margins, among other factors
- Ordinary income increased by ¥42.5 billion year-on-year to ¥81.6 billion, leading net income attributable to owners of the parent to increase by ¥29.7 billion year-on-year to ¥55.1 billion

<Forecast for FY 2018 Performance>

- We forecast operating profit of ¥220 billion (¥66 billion upward revision) due to inventory valuation gains, in addition, improved petroleum product margins and coal market conditions, etc.
- We forecast ordinary income of ¥250 billion (¥80 billion upward revision) due to the above as well as an increase in non-operating profit. As a result, we forecast net income attributable to owners of the parent of ¥140 billion (¥37 billion upward revision)

1. FY 2018 1st Quarter Results

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2017 1Q	FY2018 1Q	Change	
Crude Oil (DB FOB)	49.8	72.1	22.3	44.9%
Crude Oil (Brent)	53.8	66.8	13.0	24.2%
Naphtha Price (Customs)	482	619	137	28.4%
Thermal Coal (NEWC)	83.2	102.6	19.4	23.3%
Exchange Rate (TTS)	112.1	110.1	(2.0)	(1.8%)

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	FY2017 1Q	FY2018 1Q	Change	
Net Sales	831.7	1,004.7	173.0	20.8%
Operating Income	34.6	71.5	36.9	106.7%
<i>(Inventory impact)</i>	(6.0)	22.5	28.5	—
<i>(Excluding inventory impact)</i>	40.6	49.0	8.4	20.6%
Non-operating Income/Loss	4.5	10.1	5.7	126.6%
Ordinary Income	39.1	81.6	42.5	108.9%
Extraordinary Gain/Loss	(0.3)	2.9	3.2	—
Net Income Attributable to Owners of the Parent	25.4	55.1	29.7	117.2%
<i>(Excluding inventory impact)</i>	29.5	39.4	9.9	33.4%

* 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)

	FY2017 1Q	FY2018 1Q	Change	
Petroleum Products	6.9	40.3	33.4	485.9%
<i>(Excluding inventory impact)</i>	12.9	17.8	4.9	38.1%
Petrochemical Products	10.2	12.6	2.4	23.4%
Resources	18.4	19.2	0.8	4.3%
<i>Oil Exploration and Production</i>	6.8	9.0	2.1	31.6%
<i>Coal, etc.</i>	11.6	10.2	(1.4)	(11.7%)
Others	0.6	0.9	0.3	52.4%
Reconciliation	(1.4)	(1.5)	(0.0)	—
Total	34.6	71.5	36.9	106.7%
<i>(Excluding inventory impact)</i>	40.6	49.0	8.4	20.6%

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

(2) Segment Information

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

(Units: ¥ billions)

Petroleum Products **+33.4**

Increase in Product Margins, etc.	+21.2	Increased Refinery Fuel Costs, etc.	(16.3)
Inventory Impact	+28.5		

Petrochemical Products **+2.4**

Increase in Product Margins/Volume	+3.3	Manufacturing fuel costs, etc.	(0.9)
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Oil Exploration and Production **+2.1**

Price/Volume-related	+3.0	Exploration Costs, FX, etc.	(0.9)
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Coal, etc. / Others **(1.1)**

Price/Volume-related	+1.1	FX	(2.5)
Others/Reconciliation	(0.3)		

2. Forecast for FY 2018 Performance

(1) Overview

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1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	May 15 Forecast	Revised Forecast	Difference		Assumption (July~)
Crude Oil (DB FOB)	65.0	70.5	5.5	8.5%	70.0
Crude Oil (Brent)	67.5	71.8	4.3	6.3%	73.0
Naphtha Price (Customs)	602	633	31	5.1%	638
Thermal Coal (NEWC)	88.0	106.4	18.4	20.9%	109
Exchange Rate (TTS)	110.0	110.0	0.0	0.0%	110.0

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	May 15 Forecast	Revised Forecast	Difference	
Net Sales	3,900.0	4,280.0	380.0	9.7%
Operating Income	154.0	220.0	66.0	42.9%
<i>(Inventory impact)</i>	0.0	22.5	22.5	—
<i>(Excluding inventory impact)</i>	154.0	197.5	43.5	28.2%
Non-operating Income/Loss	16.0	30.0	14.0	87.5%
Ordinary Income	170.0	250.0	80.0	47.1%
Extraordinary Gain/Loss	0.0	(18.0)	(18.0)	—
Net Income Attributable to Owners of the Parent	103.0	140.0	37.0	35.9%
<i>(Excluding inventory impact)</i>	103.0	124.0	21.0	20.4%

* 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)

	May 15 Forecast	Revised Forecast	Difference	
Petroleum Products	56.0	97.0	41.0	73.2%
<i>(Excluding inventory impact)</i>	56.0	74.5	18.5	33.0%
Petrochemical Products	34.0	39.0	5.0	14.7%
Resources	60.0	80.0	20.0	33.3%
<i>Oil Exploration and Production</i>	25.0	33.0	8.0	32.0%
<i>Coal, etc.</i>	35.0	47.0	12.0	34.3%
Other	8.0	8.0	0.0	0.0%
Reconciliation	(4.0)	(4.0)	0.0	—
Total	154.0	220.0	66.0	42.9%
<i>(Excluding inventory impact)</i>	154.0	197.5	43.5	28.2%

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

(2) Segment Information

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2) Factor Analysis for Change in Operating Income (vs. 5/15 Forecast)

(Units: ¥ billions)

Petroleum Products **+41.0**

Increase in Product Margins	+31.0	Increased Refinery Fuel Costs, etc. (12.5)
Inventory Impact	+22.5	

Petrochemical Products **+5.0**

Increase in Product Margins, etc.	+5.0
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Oil Exploration and Production **+8.0**

Price-related, etc.	+6.5	Exploration Costs	+1.5
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Coal, etc. / Other **+12.0**

Price/Volume-related/FX	+12.0
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- Providing shareholder returns is a strong management priority at Idemitsu. We aim to provide stable dividends by achieving an optimal balance between strengthening existing operations, strategic investments towards future business development, improving our financial position, and providing stable dividends
- In addition to the Dividends (forecasted annual dividends of ¥100/share), shareholder returns in FY2018 will include the Acquisition of Treasury Shares capped at 12 million shares (or ¥55 billion) which is currently being executed. As a result, the total shareholder return ratio will be approximately 50%

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

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(1) – 1. FY2018 1st Quarter Net Sales by Segment

(Units: ¥ billions)

	FY2017 1Q	FY2018 1Q	Change	
Petroleum Products	631.1	775.6	144.5	22.9%
Petrochemical Products	114.3	145.9	31.6	27.7%
Resources	72.2	68.1	(4.1)	(5.7%)
<i>Oil Exploration and Production</i>	19.2	20.3	1.1	5.6%
<i>Coal, etc.</i>	53.0	47.8	(5.2)	(9.8%)
Others/Reconciliation	14.2	15.1	0.9	6.7%
Total	831.7	1,004.7	173.0	20.8%

1. Financial Reporting



(1) – 2. FY2018 Net Sales Forecast by Segment

(Units: ¥ billions)

	May 15 Forecast	Revised Forecast	Difference	
Petroleum Products	3,020.0	3,340.0	320.0	10.6%
Petrochemical Products	540.0	570.0	30.0	5.6%
Resources	270.0	300.0	30.0	11.1%
<i>Oil Exploration and Production</i>	80.0	90.0	10.0	12.5%
<i>Coal, etc.</i>	190.0	210.0	20.0	10.5%
Others/Reconciliation	70.0	70.0	0.0	-
Total	3,900.0	4,280.0	380.0	9.7%

1. Financial Reporting

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(2) Extraordinary Gains/Losses

(Units: ¥ billions)

		FY2017 1Q	FY2018 1Q	Change
	Gain on Sale of Fixed Assets	0.0	0.2	0.2
	Gain on Sale of Affiliate Stock	0.0	0.2	0.2
	Other	0.0	6.3	6.3
	Total Extraordinary Gains	0.0	6.7	6.6
	Loss on Sale or Depletion of Fixed Assets	0.3	0.3	(0.1)
	Impairment Losses	0.0	3.0	3.0
	Other	0.0	0.5	0.5
	Total Extraordinary Losses	0.3	3.7	3.4
Total Extraordinary Gains/Losses		(0.3)	2.9	3.2

1. Financial Reporting

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(3) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2018	6/30/2018	Change		3/31/2018	6/30/2018	Change
Cash and Deposits	88.4	81.2	(7.2)	Payables	429.6	367.7	(61.9)
Receivables	486.2	444.6	(41.6)	Short-term Borrowings	305.9	348.9	43.1
Inventory	535.6	555.4	19.7	Other Current Liabilities	426.2	398.6	(27.5)
Other Current Assets	98.0	97.5	(0.5)	Total Current Liabilities	1,161.6	1,115.2	(46.4)
				Long-term Borrowings	586.2	583.1	(3.1)
				Other Fixed Liabilities	266.6	227.3	(39.2)
Total Current Assets	1,208.2	1,178.6	(29.6)	Total Fixed Liabilities	852.7	810.4	(42.3)
Tangible Fixed Assets	1,006.8	1,002.3	(4.5)	Total Liabilities	2,014.3	1,925.6	(88.7)
(Land)	579.7	578.1	(1.7)	Shareholders' Equity	702.8	748.9	46.1
(Other)	427.0	424.2	(2.8)	Other Comprehensive Income	165.9	143.1	(22.8)
Other Fixed Assets	705.2	673.1	(32.1)	Noncontrolling Interests	37.2	36.4	(0.8)
Total Fixed Assets	1,712.0	1,675.4	(36.6)	Total Net Assets	905.9	928.5	22.5
Total Assets	2,920.3	2,854.1	(66.2)	Total Liabilities and Net Assets	2,920.3	2,854.1	(66.2)

Total Interest-bearing Debt	893.6	933.5	39.9
Equity Ratio	29.7%	31.3%	1.5%
Net D/E Ratio	0.93	0.96	0.03

2. Sensitivity

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

Petroleum Products	Increase in refinery fuel costs, etc.	(¥ 0.6 billion)
	Inventory impact	¥ 3.5 billion
		¥ 2.9 billion
Oil Exploration & Production		¥ 1.0 billion

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

Petroleum Products	Decrease in refinery fuel costs, etc.	¥ 0.3 billion
	Inventory impact	(¥ 1.5 billion)
		(¥ 1.2 billion)
Petrochemical Products		(¥ 0.4 billion)
Oil Exploration & Production		—

*** In addition to the above, the resources and other businesses are impacted by fluctuations in exchange rates with other currencies (NOK, AUD, etc.)**

3. Sales and Production

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

(Units: Thousand KL, %)

	FY 2017 1Q	FY 2018 1Q	Change	
Gasoline	1,929	1,879	(50)	(2.6%)
(Premium-Unleaded)	208	195	(13)	(6.4%)
(Regular-Unleaded)	1,721	1,684	(37)	(2.1%)
Naphtha	65	110	45	68.2%
Jet Fuel	448	478	30	6.7%
Kerosene	314	283	(32)	(10.0%)
Diesel Oil	1,474	1,497	22	1.5%
Heavy Fuel Oil A	486	474	(12)	(2.4%)
Heavy Fuel Oil C	528	534	6	1.2%
Toal Domestic Sales Volume	5,245	5,254	9	0.2%
Exported Volume	591	1,033	442	74.8%
(General Exports)	156	497	341	217.8%
Total Sales Volume	5,836	6,287	451	7.7%

3. Sales and Production

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

(Units: Thousand tons, %)

	FY 2017 1Q	FY 2018 1Q	Change	
Petrochemical Products-Total	801	937	136	17.0%
(Basic Chemicals)	790	924	134	17.0%
(Performance Chemicals)	11	13	2	20.6%

(1) — 3. Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY 2017 1Q	FY 2018 1Q	Change	
Lubricants	305	312	7	2.5%

*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 2017 1Q	FY 2018 1Q	Change	
Norway	38.7	28.8	(9.9)	(25.7%)
United Kingdom	5.3	0.0	(5.3)	(100.0%)
Total('000BOED)	44.0	28.8	(15.2)	(34.6%)
Total('000BOE)	3,958	2,589	(1,369)	(34.6%)

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

(1) — 5. Coal – Production Volume

(Units: Thousand tons)

	FY 2017 1Q	FY 2018 1Q	Change	
Ensham	965	959	(6)	(0.6%)
Muswellbrook	329	388	59	18.1%
Boggabri	1,345	1,151	(194)	(14.4%)
Tarrawonga	179	163	(17)	(9.4%)
Sub Total	2,818	2,661	(157)	(5.6%)
Malinau	302	321	19	6.4%
Total Production Volume	3,120	2,982	(138)	(4.4%)

*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, %)

	May 15 Forecast	Revised Forecast	Difference	
Gasoline	7,700	7,710	10	0.1%
(Premium-Unleaded)	820	810	(10)	(1.2%)
(Regular-Unleaded)	6,880	6,900	20	0.3%
Naphtha	430	390	(40)	(9.3%)
Jet Fuel	1,890	1,900	10	0.5%
Kerosene	2,420	2,390	(30)	(1.2%)
Diesel Oil	6,180	6,210	30	0.5%
Heavy Fuel Oil A	2,230	2,230	0	0.0%
Heavy Fuel Oil C	2,220	2,240	20	0.9%
Toal Domestic Sales Volume	23,070	23,070	0	0.0%
Exported Volume	3,710	3,670	(40)	(1.1%)
(General Exports)	1,730	1,610	(120)	(6.9%)
Total Sales Volume	26,780	26,740	(40)	(0.1%)

3. Sales and Production

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

(Units:Thousand tons, %)

	May 15 Forecast	Revised Forecast	Difference	
Petrochemical Products-Total	3,600	3,600	0	0.0%
(Basic Chemicals)	3,550	3,550	0	0.0%
(Performance Chemicals)	50	50	0	0.0%

(2) —3.Sales Forecasts (Lubricants)

(Units:Thousand KL,%)

	May 15 Forecast	Revised Forecast	Difference	
Lubricants	1,280	1,280	0	0.0%

*Includes sales of overseas licenses

3. Sales and Production

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

(Units:Thousand BOED)

	May 15 Forecast	Revised Forecast	Difference	
Norway	26.9	27.0	0.2	0.6%
Total('000BOE)	9,810	9,870	60	0.6%

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

(2) —5. Coal – Production Volume Forecasts

(Units:Thousand tons)

	May 15 Forecast	Revised Forecast	Difference	
Ensham	4,450	4,450	0	0.0%
Muswellbrook	1,500	1,500	0	0.0%
Boggabri	5,670	5,650	(20)	(0.4%)
Tarawonga	0	160	160	-
Sub Total	11,620	11,760	140	1.2%
Malinau	900	1,070	170	18.9%
Total Production Volume	12,520	12,830	310	2.5%

*Figures based on interest owned by Idemitsu Group

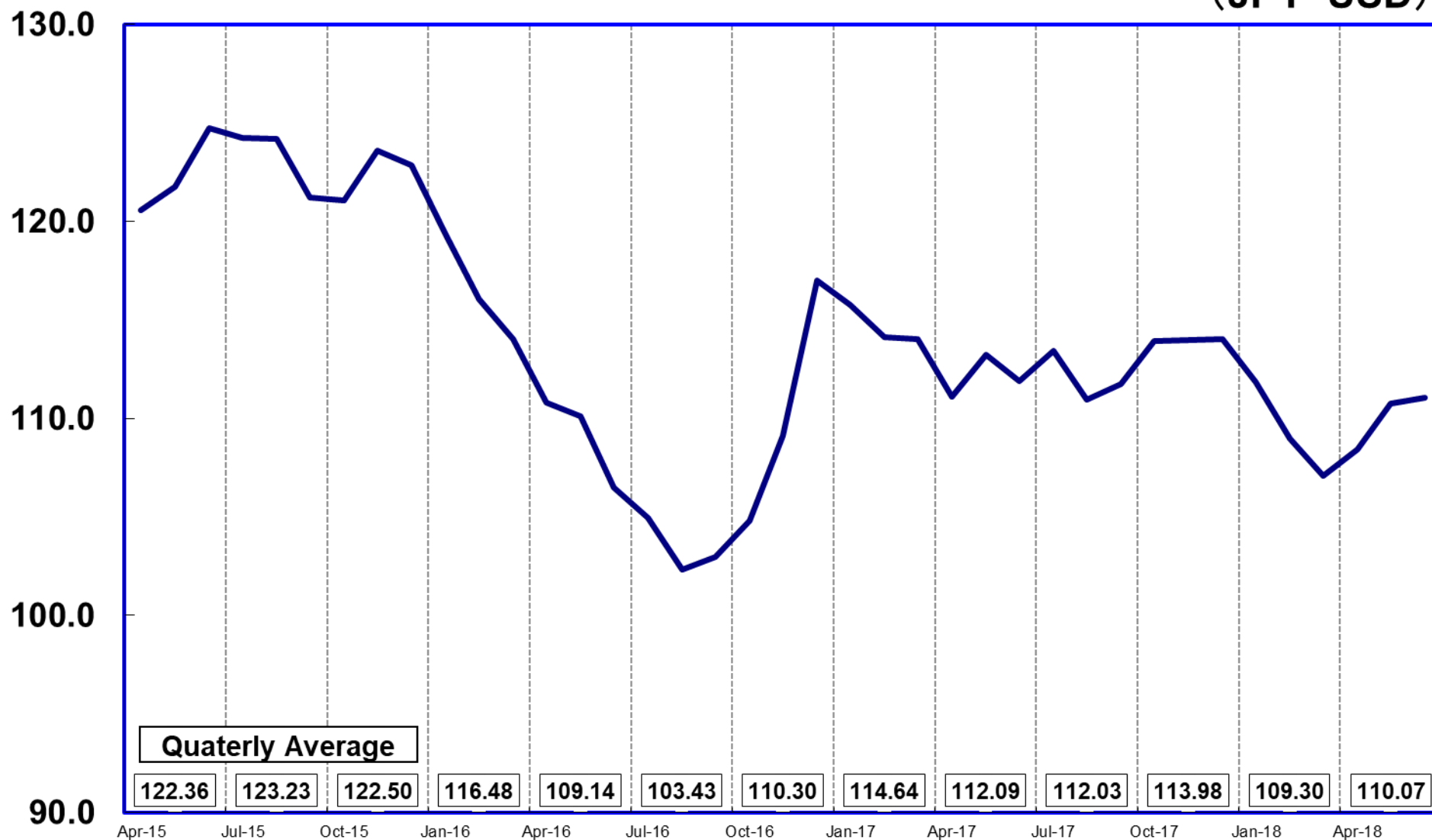
*Fiscal years for Oil Exploration and Production and Coal operations end in December

4. Foreign Exchange

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(1)USD

(JPY・USD)

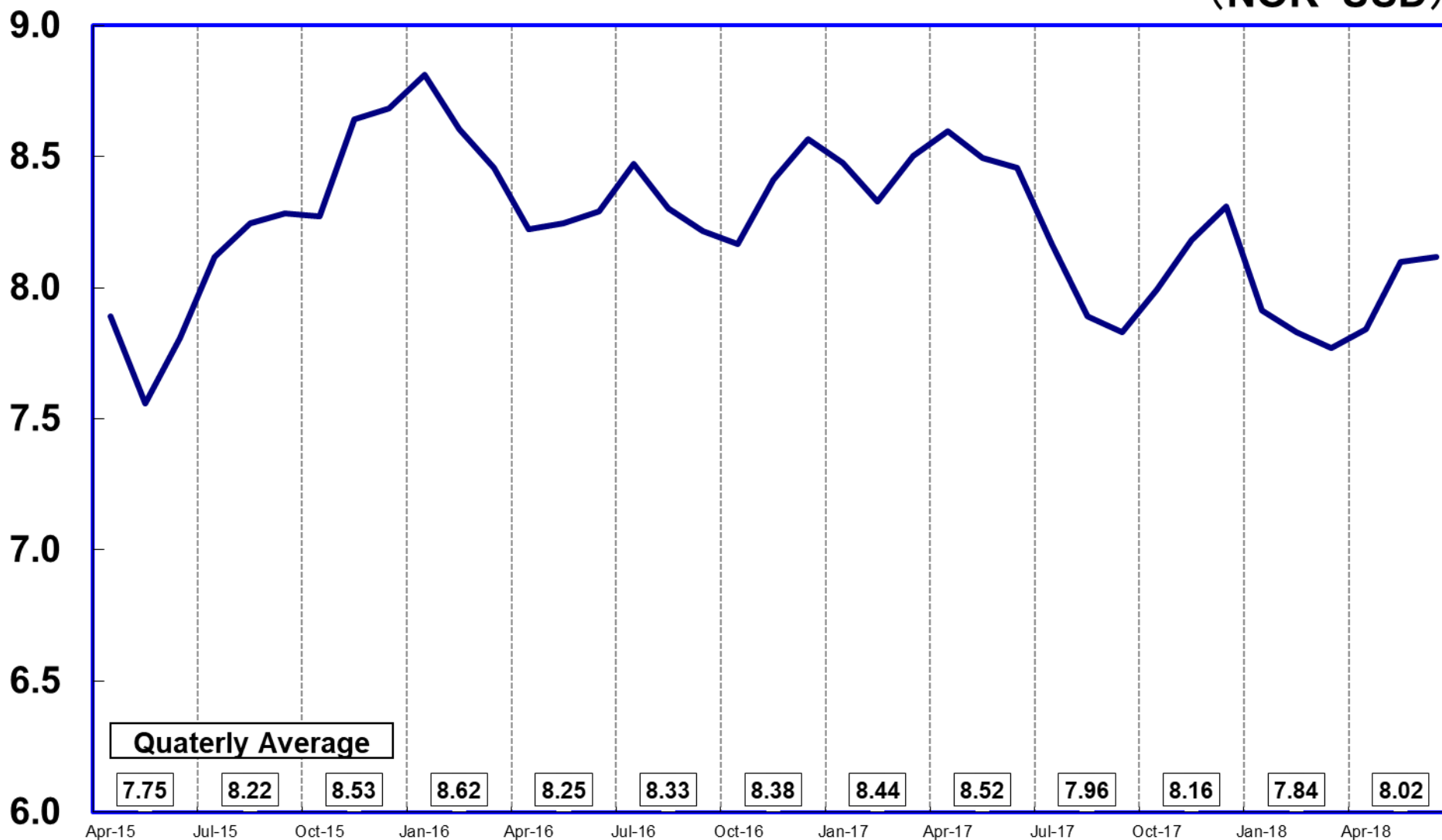


4. Foreign Exchange

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(2) Norwegian Krone

(NOK-USD)

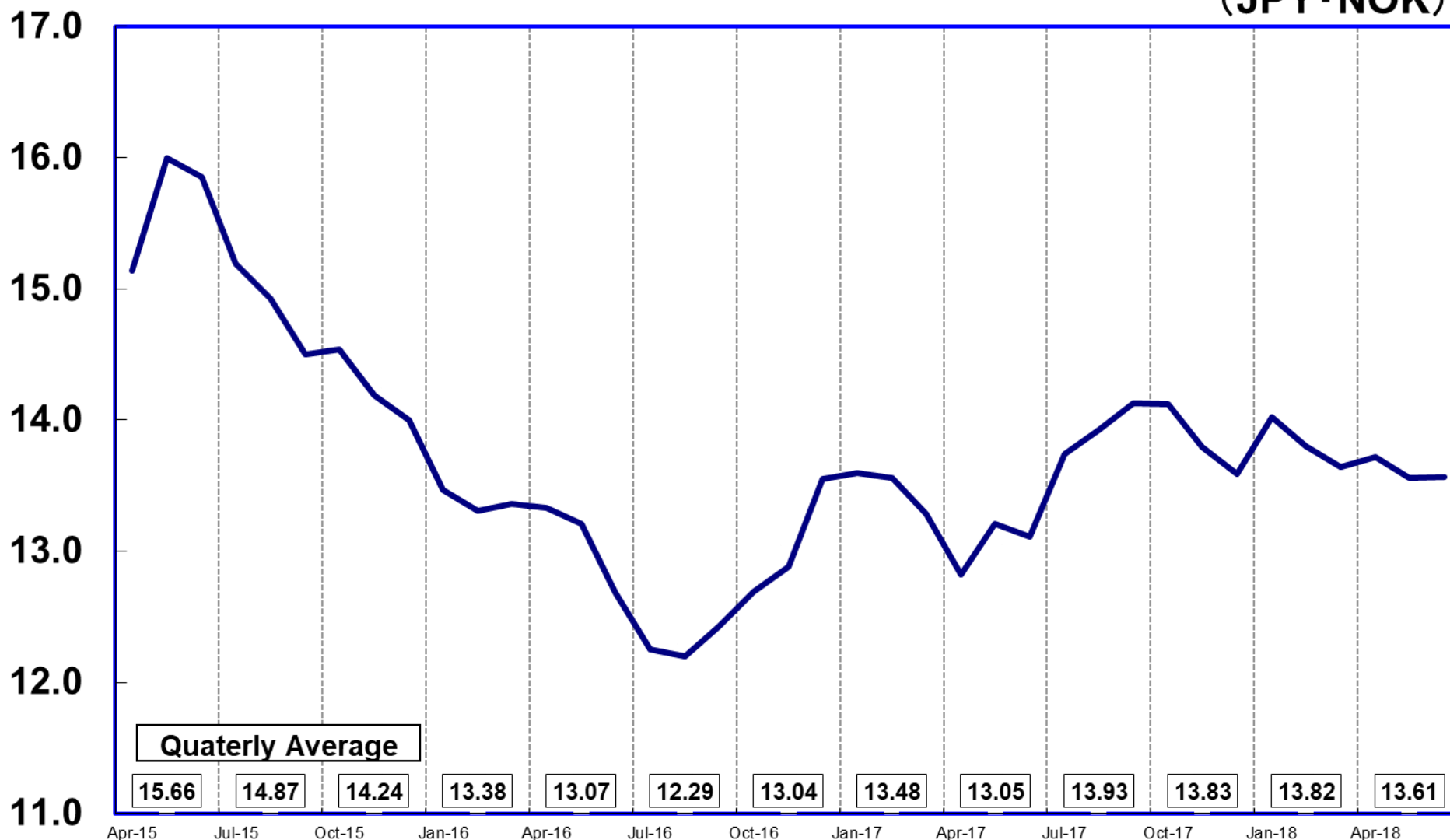


4. Foreign Exchange

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(3) Norwegian Krone

(JPY・NOK)

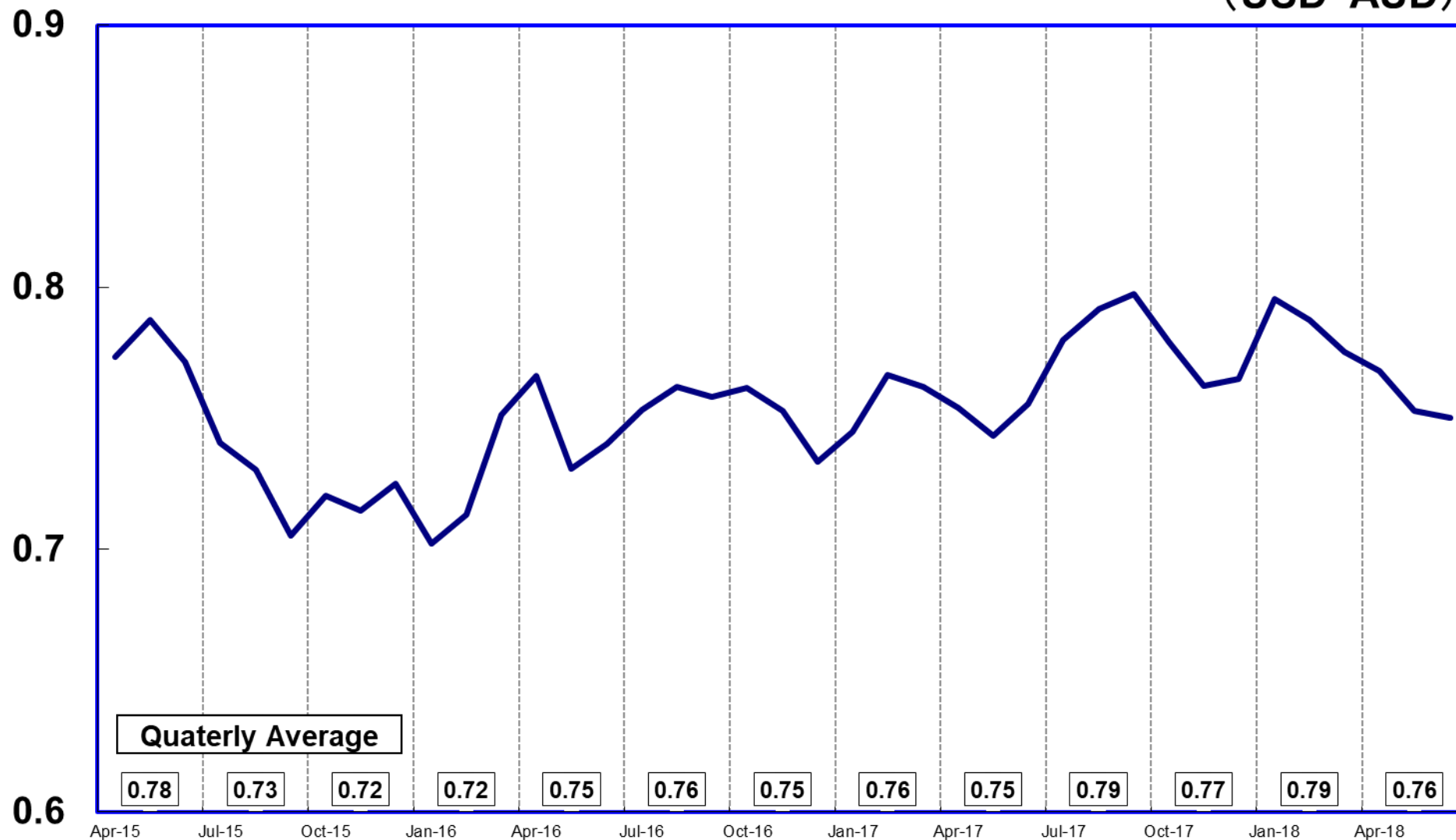


4. Foreign Exchange

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(4) Australian Dollar

(USD·AUD)

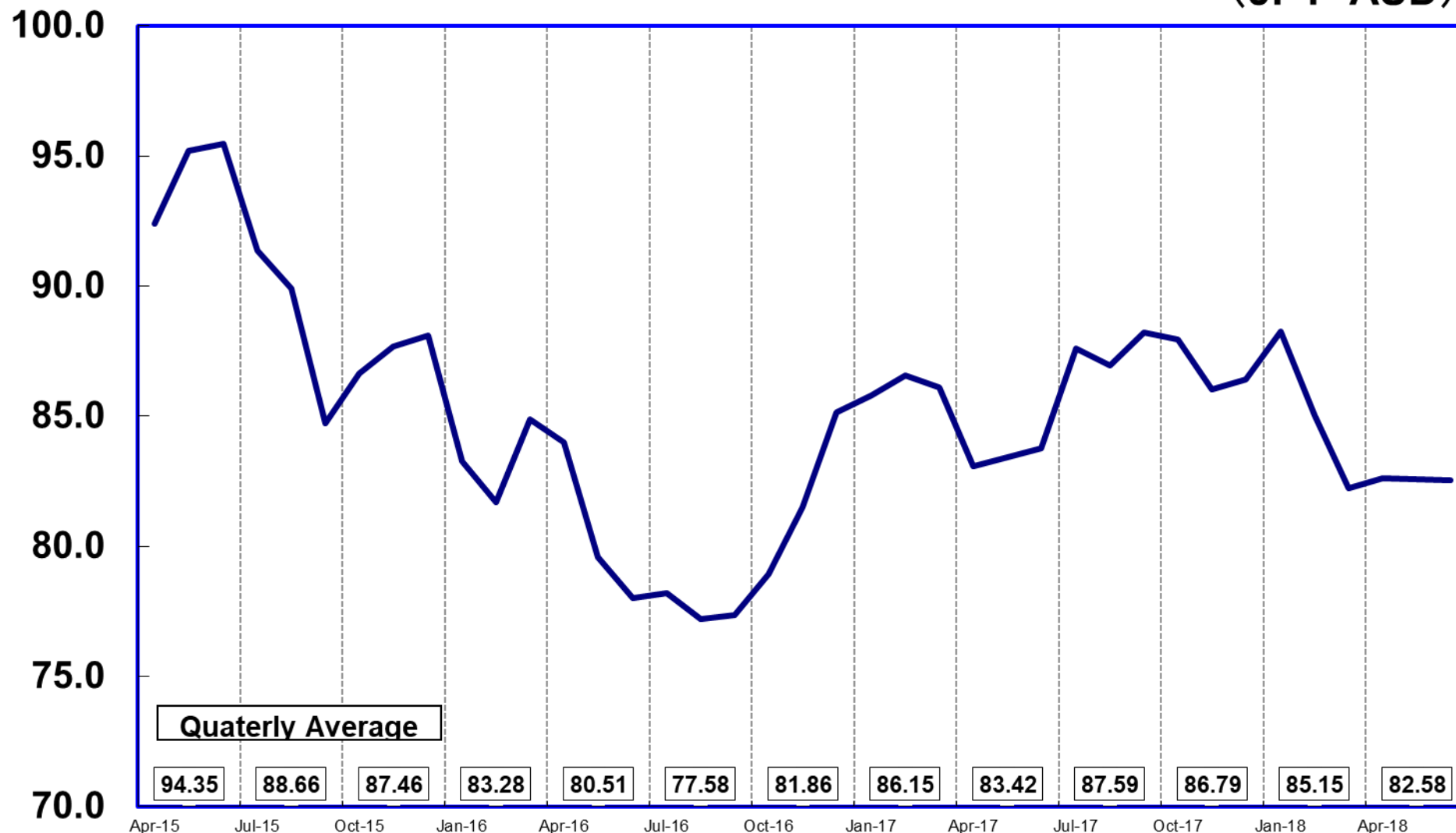


4. Foreign Exchange

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(5) Australian Dollar

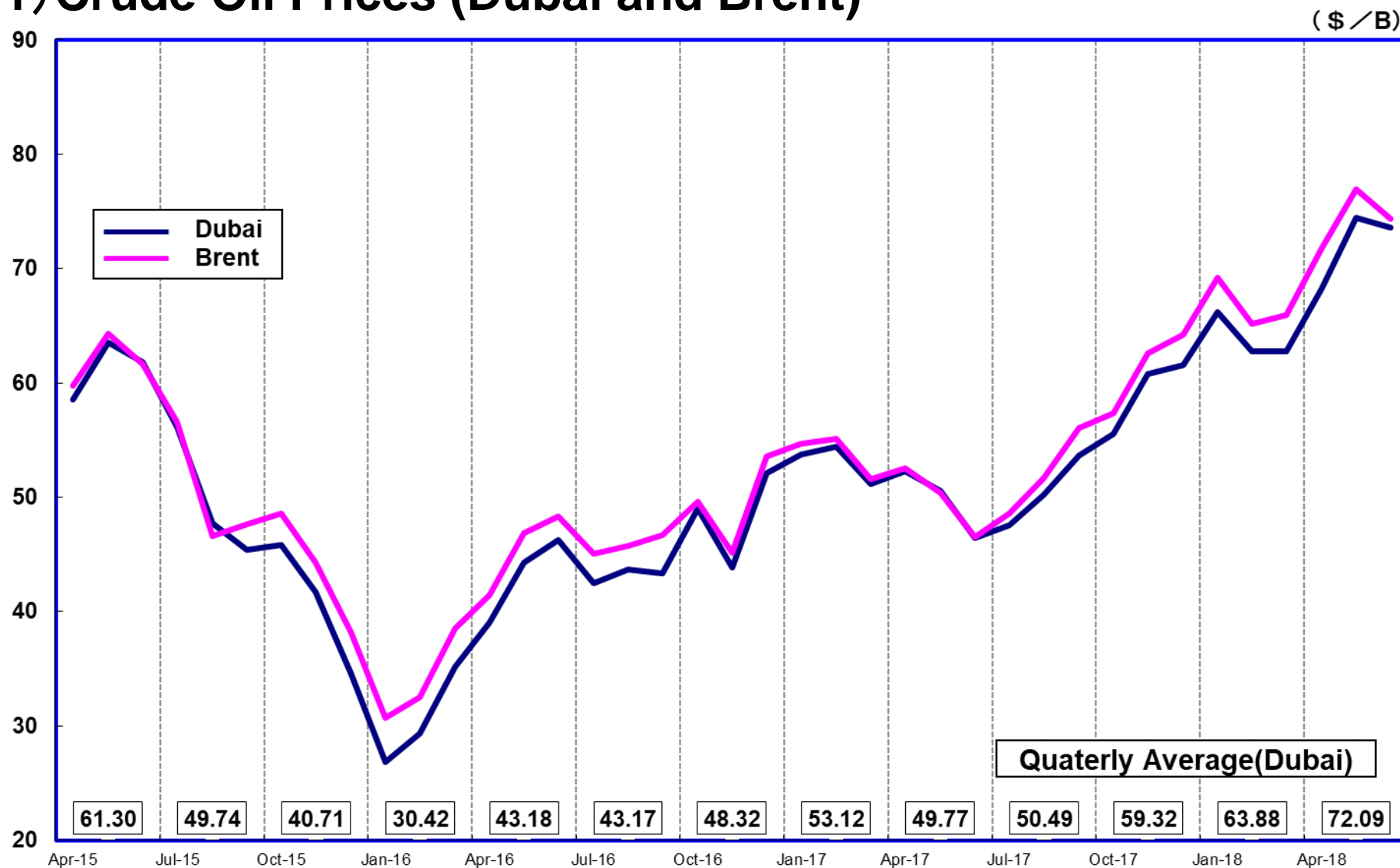
(JPY・AUD)



5. Market Conditions

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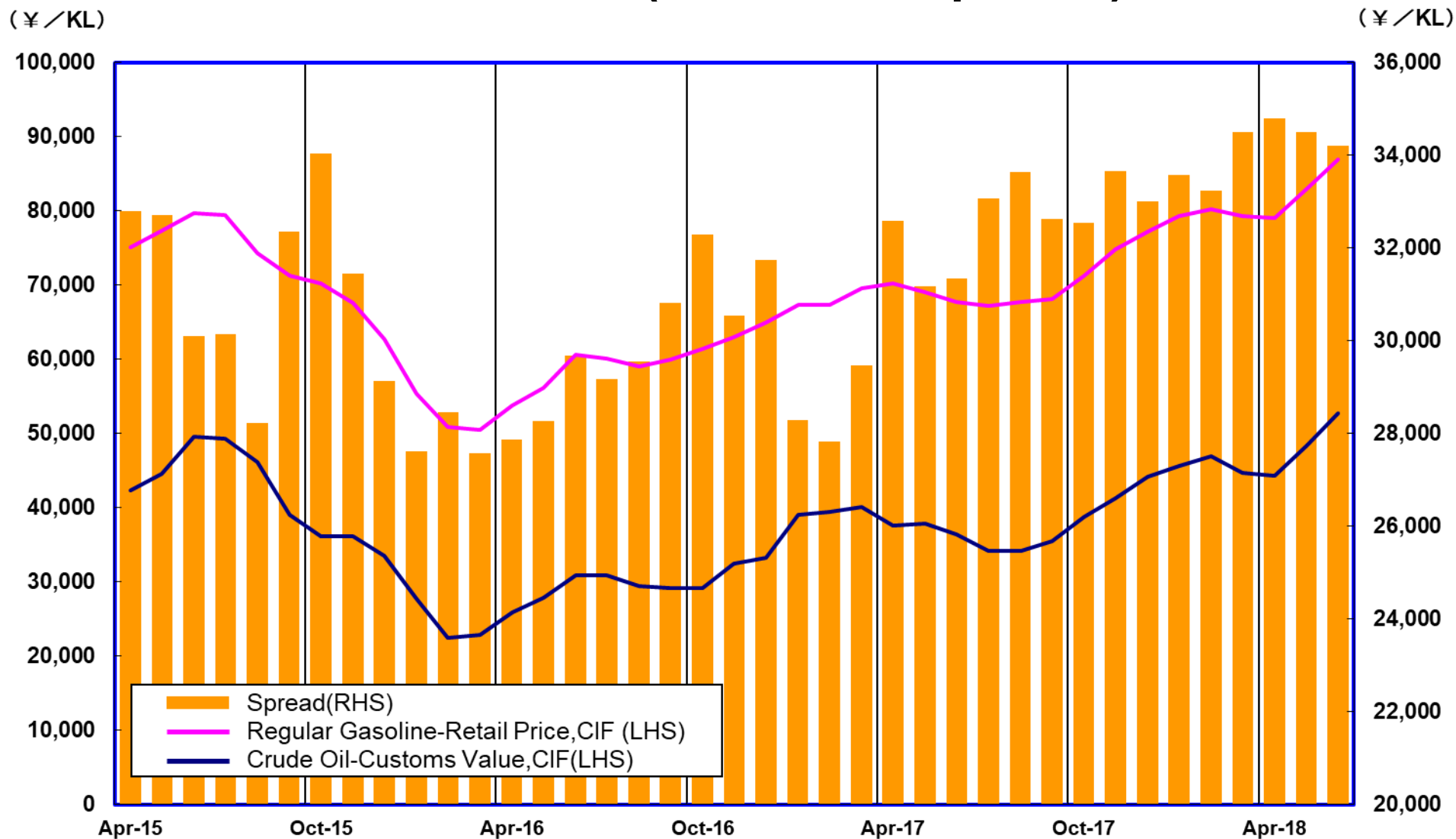
(1) Crude Oil Prices (Dubai and Brent)



5. Market Conditions

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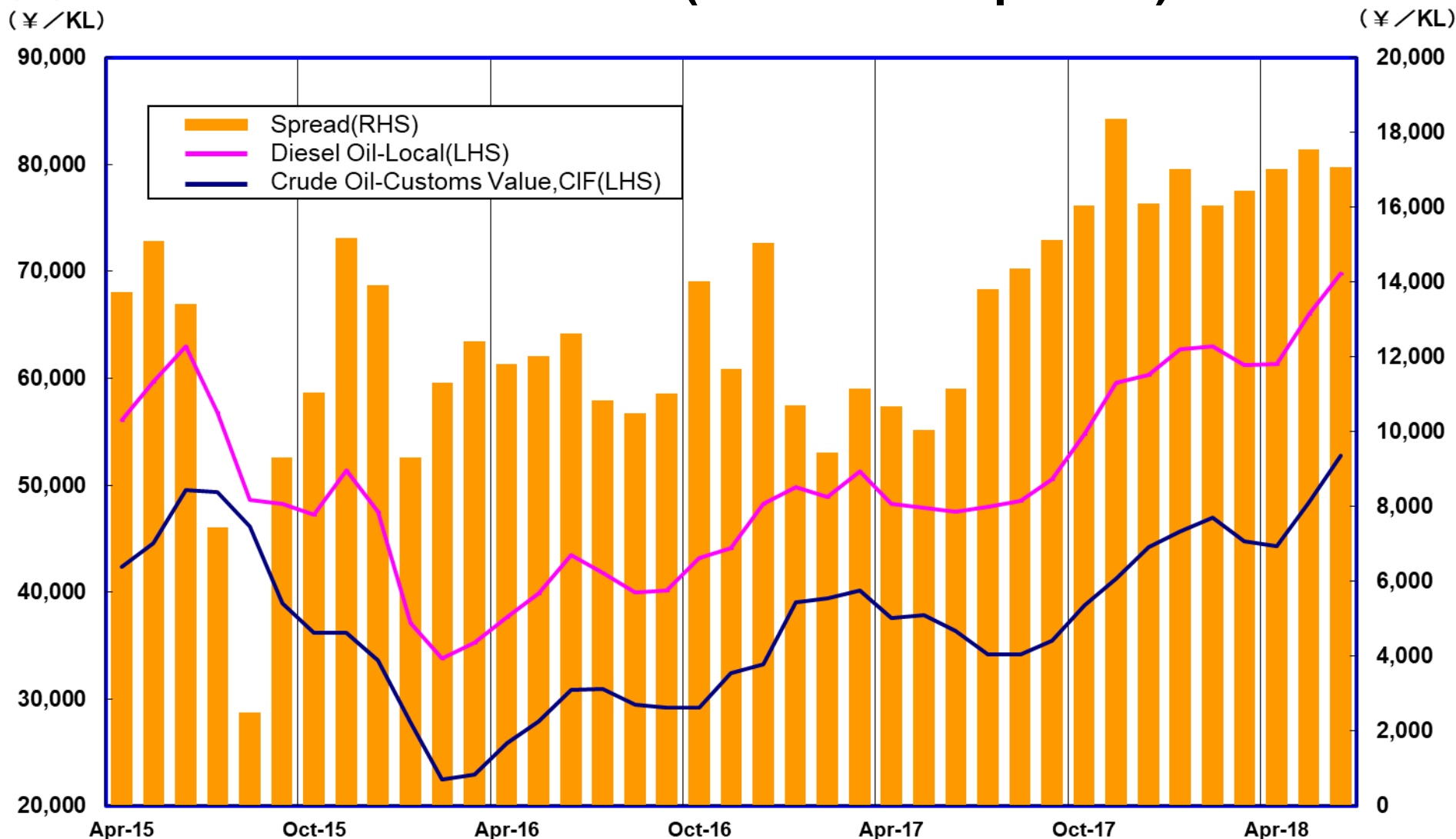
(2) Gasoline, Crude Oil CIF (Prices and Spreads)



5. Market Conditions

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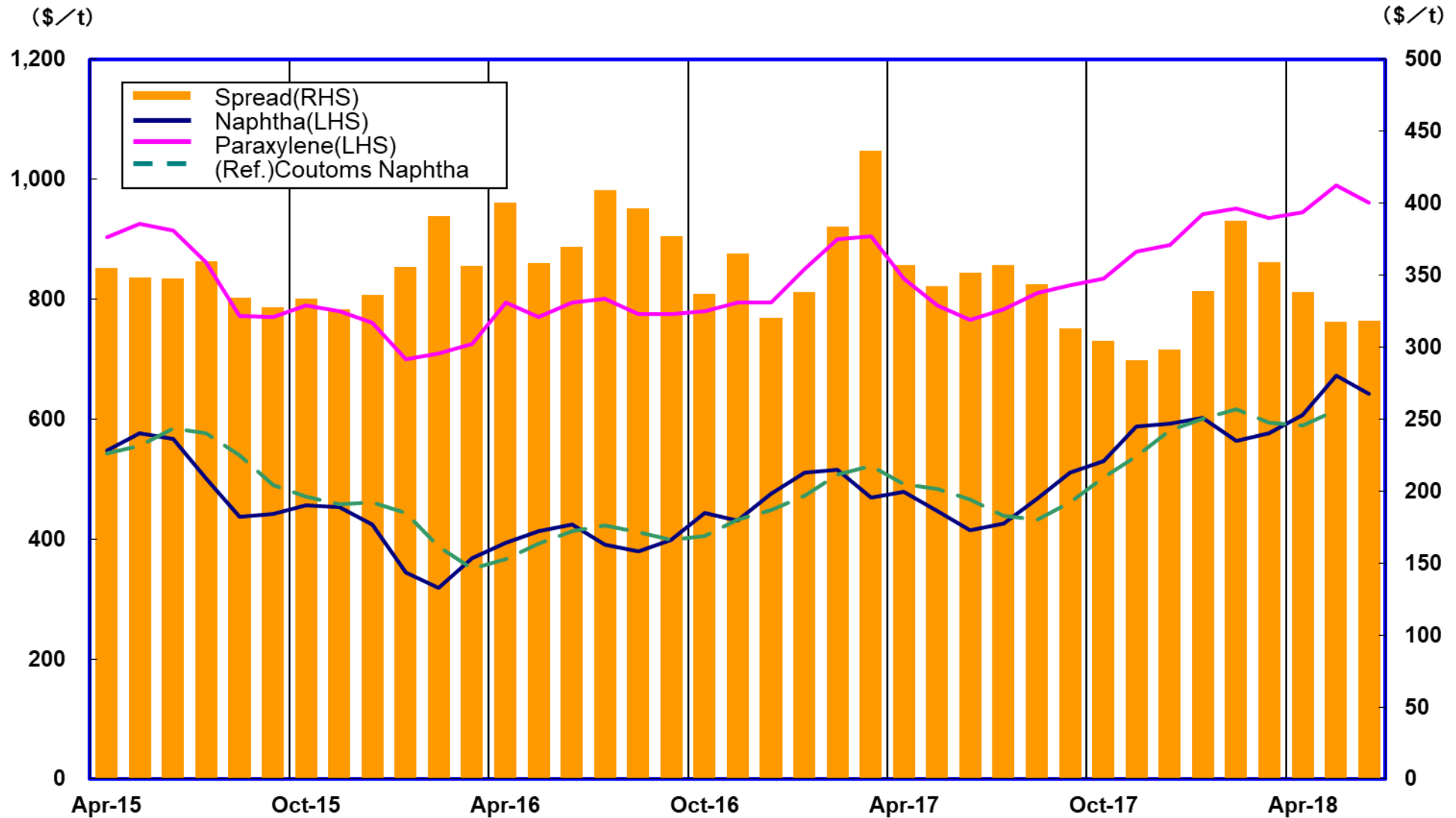
(3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



5. Market Conditions

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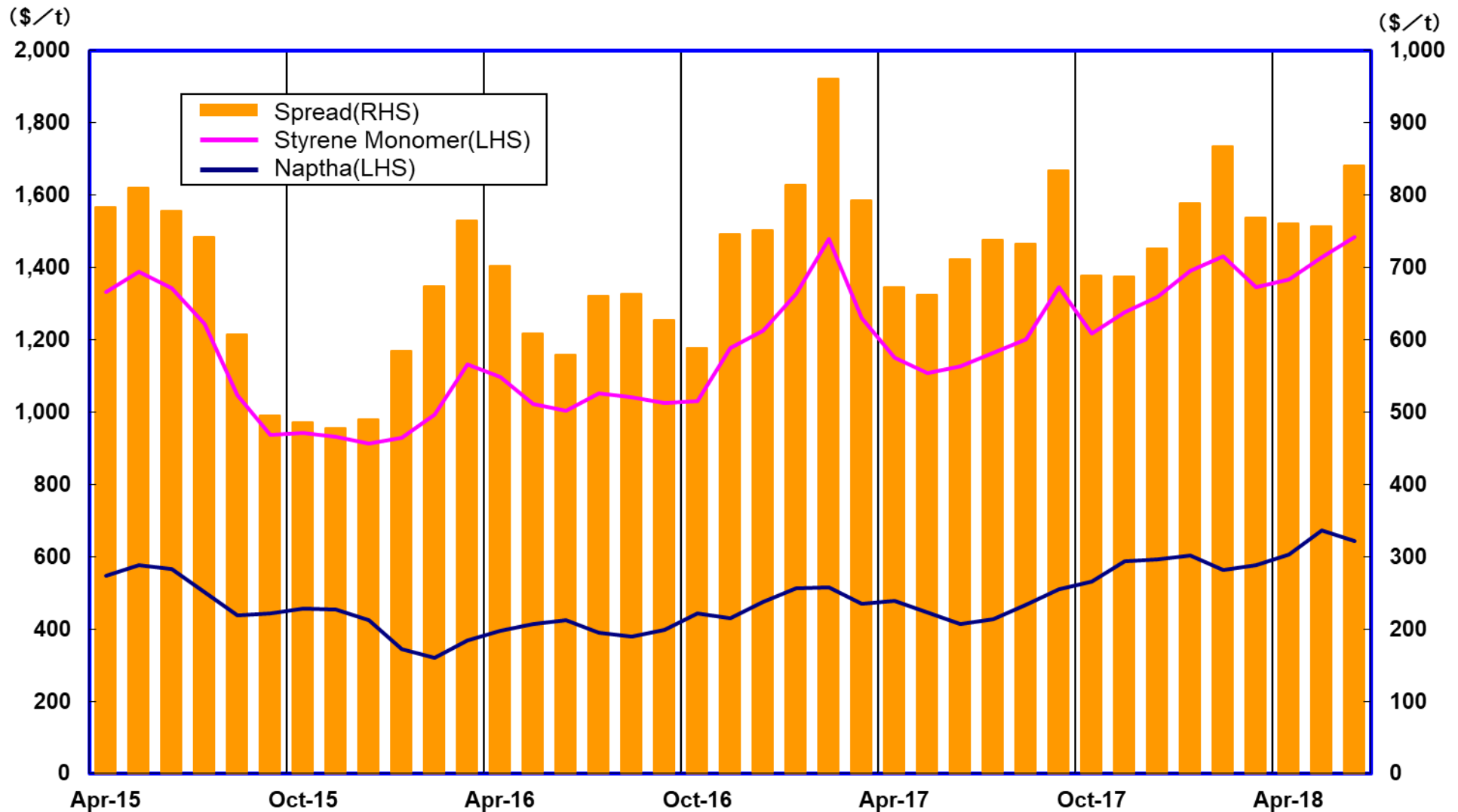
(4) Paraxylene, Naptha (Prices and Spreads)



5. Market Conditions

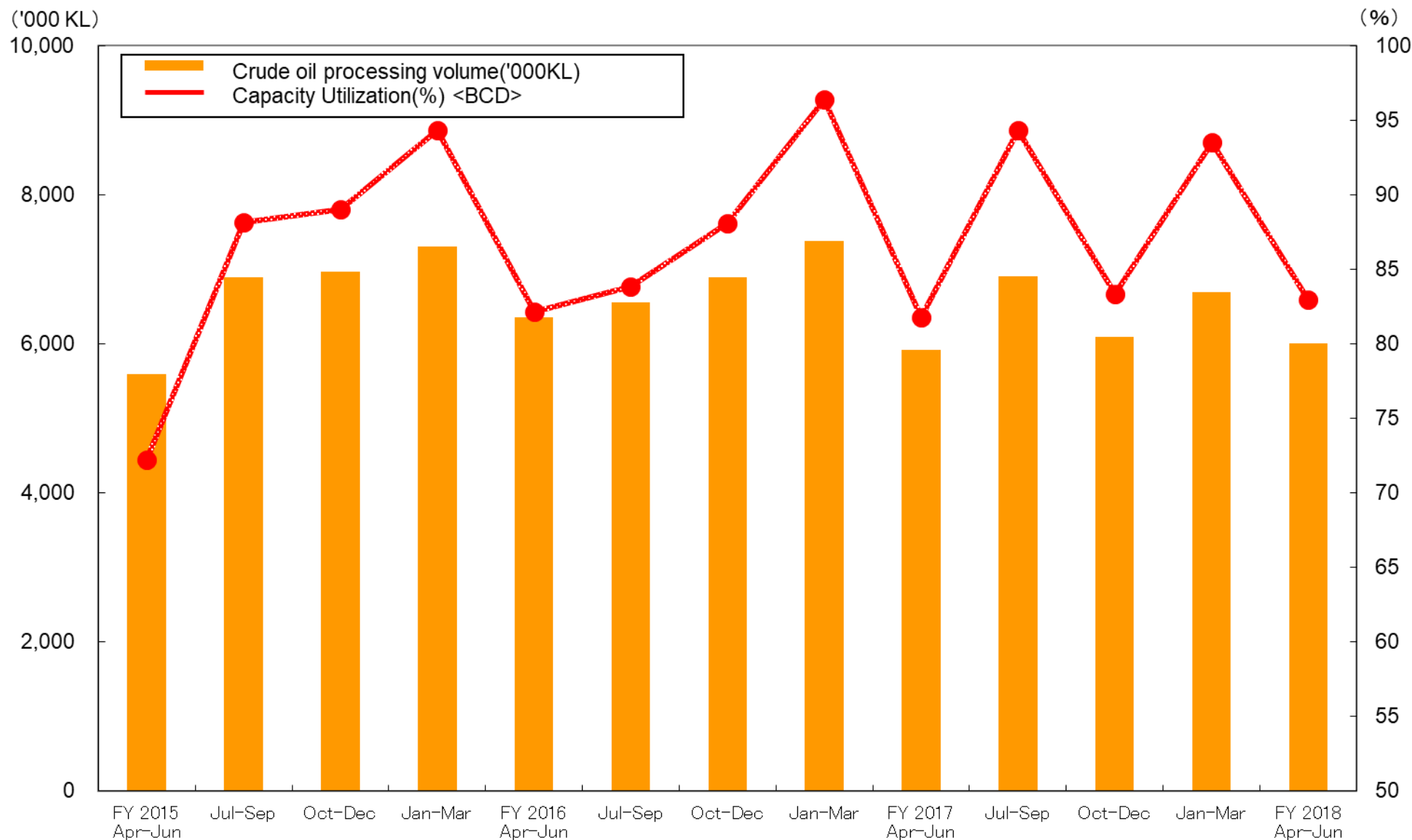
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(5) Styrene Monomer, Naptha (Prices and Spreads)



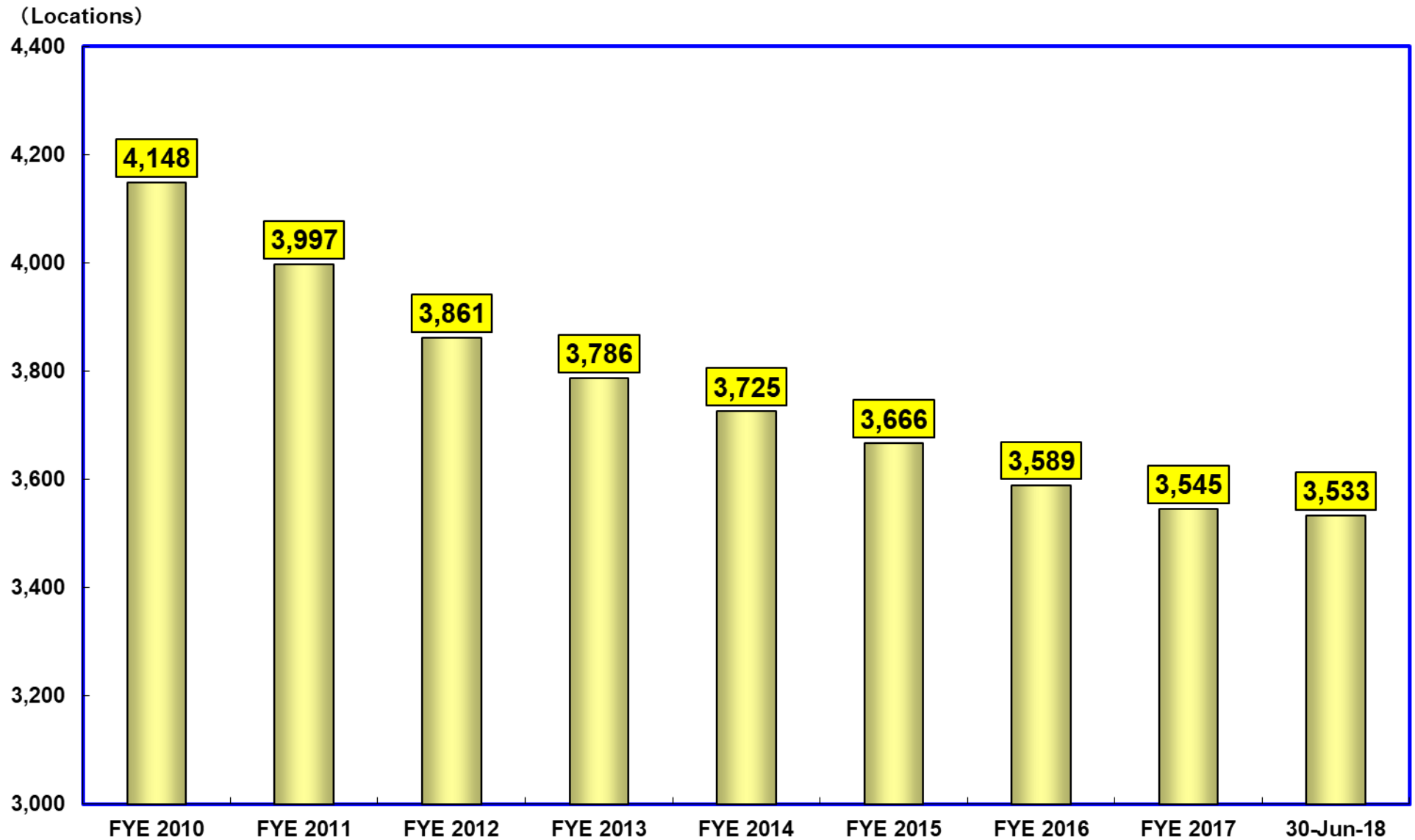
6. Capacity Utilization at Refineries

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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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