Presentation on Results for the 3rd Quarter FY 2016

Idemitsu Kosan Co.,Ltd.

February 7, 2017

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(1) Overview

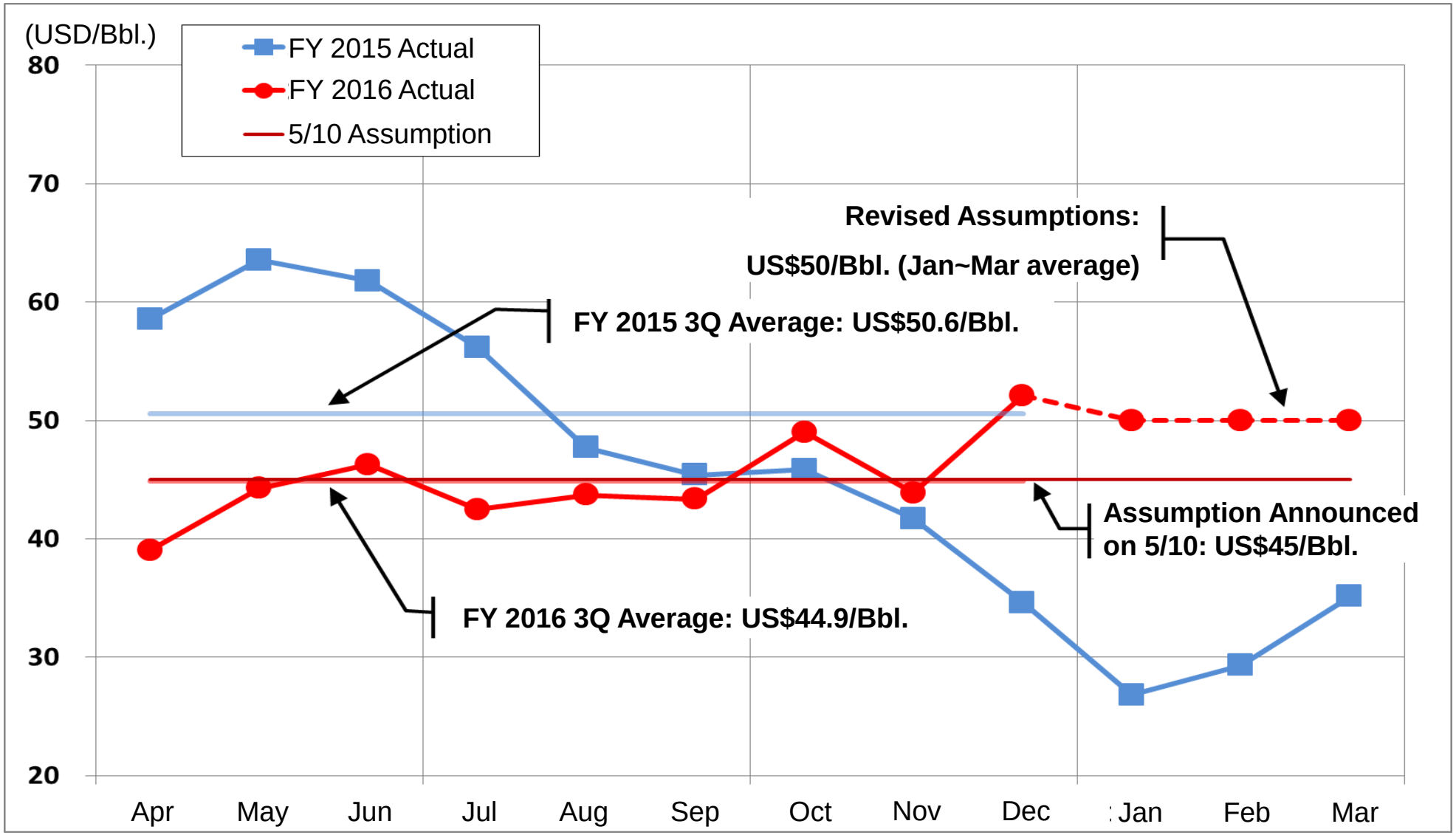
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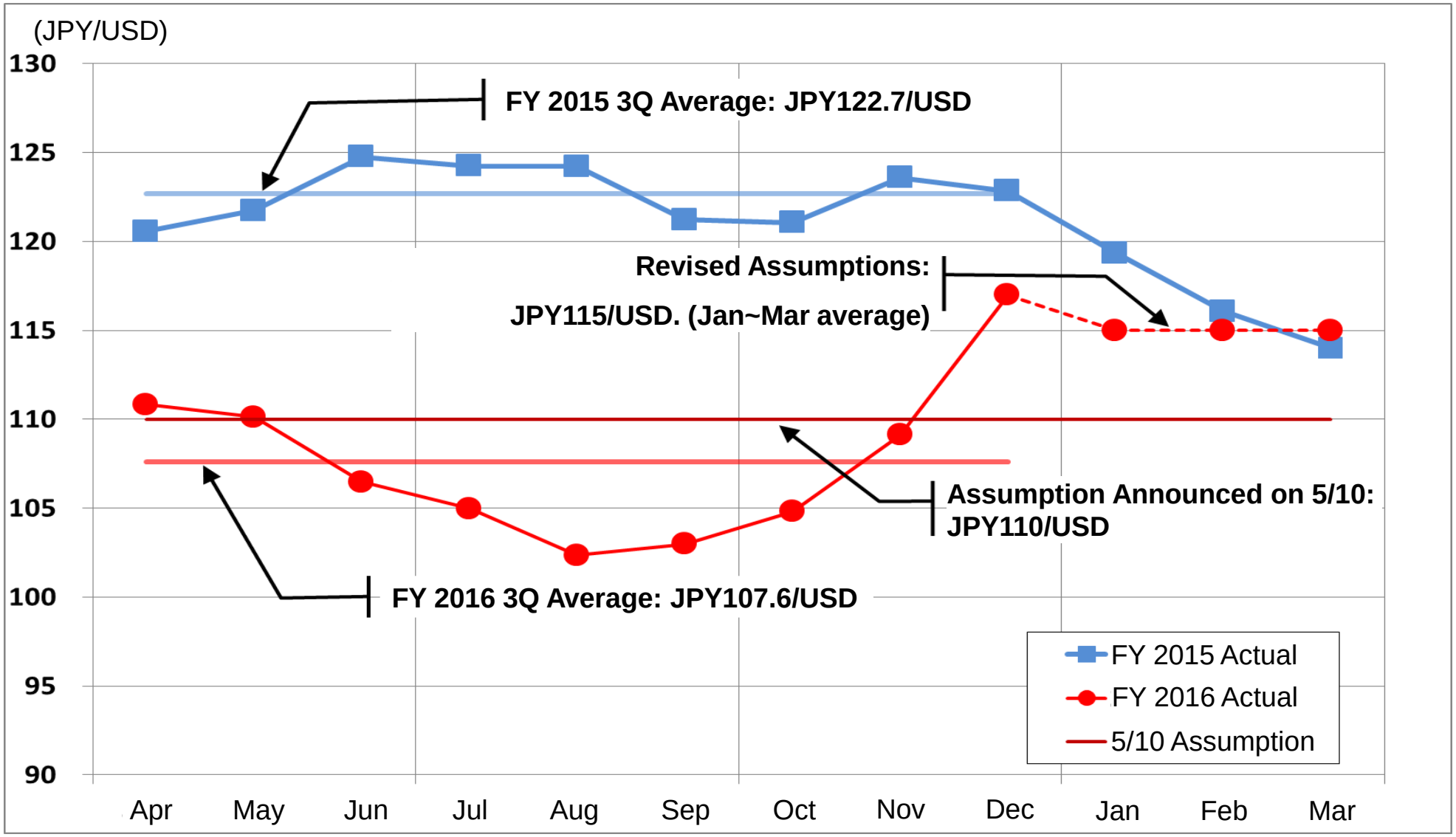
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



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JPY/USD Exchange Rate (TTS) Trends

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



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Overview

<FY 2016 3Q Financials>

- **Operating income increased by ¥101.9 billion year-on-year, to ¥83.7 billion, due to increased profits in petroleum products business resulting from improved petroleum product margins and inventory impact as well as resources business**
- **The company reported ordinary income of ¥84.6 billion (+¥105.4 billion year-on-year) and net income attributable to owners of the parent of ¥60.6 billion (+¥87.6 billion year-on-year)**

<Forecast for FY 2016 Performance>

- **While forecasts announced on May 10 remain unchanged, inventory impact and segment operating income forecasts have been revised**

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1. 3rd Quarter FY 2016 Financials

(1) Overview

1) Crude Oil / Exchange Rates

(Units: $/Bbl., $/Ton, ¥/$)

	FY2015 3Q	FY2016 3Q	Change	
Crude Oil (DB FOB)	50.6	44.9	(5.7)	(11.3%)
Crude Oil (Brent)	55.4	41.8	(13.6)	(24.5%)
Naphtha Price (Customs)	520	415	(105)	(20.2%)
Exchange Rate (TTS)	122.7	107.6	(15.1)	(12.3%)

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	FY2015 3Q	FY2016 3Q	Change	
Net Sales	2,796.8	2,260.9	(536.0)	(19.2%)
Operating Income	(18.2)	83.7	101.9	—
(Inventory impact)	*(85.8)*	*9.2*	*95.0*	—
(Excluding inventory impact)	*67.7*	*74.5*	*6.8*	*10.1%*
Non-operating Income/Loss	(2.7)	0.9	3.5	—
Ordinary Income	(20.8)	84.6	105.4	—
Extraordinary Gain/Loss	(19.1)	(1.1)	18.0	—
Net Income attributable to owners of the parent	(27.0)	60.6	87.6	—

* 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

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(2) Segment Information

1) Operating Income

(Units: ¥ billions)

	FY2015 3Q	FY2016 3Q	Change	
Petroleum Products	(46.5)	50.2	96.6	—
(Excluding inventory impact)	*37.2*	*41.1*	*3.9*	*10.4%*
Petrochemical Products	30.0	27.0	(3.0)	(10.0%)
(Excluding inventory impact)	*32.1*	*26.9*	*(5.2)*	*(16.3%)*
Resources	(3.9)	5.5	9.4	—
Oil Exploration and Production	*(2.9)*	*3.1*	*6.0*	—
Coal, etc.	*(1.1)*	*2.4*	*3.4*	—
Others	4.9	3.4	(1.5)	(30.3%)
Reconciliation	(2.6)	(2.3)	0.3	—
Total	(18.2)	83.7	101.9	—
(Excluding inventory impact)	*67.7*	*74.5*	*6.8*	*10.1%*

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

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(2) Segment Information

2) Factors Causing Changes in Operating Income(YoY)

(Units: ¥ billions)

Petroleum Products +96.6

Increase in Product Margins	+18.6	Supply costs	(14.7)
Inventory Impact	+92.7		

Petrochemical Products (3.0)

Increase in Margins/Sales Volume	+2.0	Foreign Exchange/Time Lag etc.	(7.2)
Inventory Impact	+2.2		

Oil Exploration and Production +6.0

Sales Volume/Price-related	(5.8)	Exploration Costs/Foreign Exchange etc.	+11.8

Coal, etc. / Others +2.2

Sales Volume/Price-related	(3.9)	Foreign Exchange etc.	+7.3
Others/Reconciliation	(1.2)		

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2. Forecast for FY 2016 Performance

(1) Overview

1) Crude Oil / Exchange Rates

(Units: $/Bbl., $/Ton, ¥/$)

	5/10 Forecast	RevisedForecast	Difference		Assumption (Jan-Mar Avg.)
Crude Oil (DB FOB)	45.0	46.2	1.2	2.7%	50.0
Crude Oil (Brent)	43.0	43.7	0.7	1.6%	—
Naphtha Price (Customs)	433	430	(3)	(0.7%)	433
Exchange Rate (TTS)	110.0	109.5	(0.5)	(0.5%)	115.0

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billion)

	5/10 Forecast	Revised Forecast	Difference	
Net Sales	3,260.0	3,260.0	0.0	0.0%
Operating Income	113.0	113.0	0.0	0.0%
(Inventory impact)	*20.0*	*15.0*	*(5.0)*	*(25.0%)*
(Excluding inventory impact)	*93.0*	*98.0*	*5.0*	*5.4%*
Non-operating Income/Loss	(1.0)	(1.0)	0.0	—
Ordinary Income	112.0	112.0	0.0	0.0%
Extraordinary Gain/Loss	(7.0)	(7.0)	0.0	—
Net Income attributable to owners of the parent	70.0	70.0	0.0	0.0%

* 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

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(2) Segment Information (Operating Profit)

1) Operating Income

(Units: ¥ billions)

	5/10 Forecast	Revised Forecast	Difference	
Petroleum Products	87.0	64.0	(23.0)	(26.4%)
(Excluding inventory impact)	*67.0*	*49.0*	*(18.0)*	*(26.9%)*
Petrochemical Products	28.0	31.0	3.0	10.7%
(Excluding inventory impact)	*28.0*	*31.0*	*3.0*	*10.7%*
Resources	(5.0)	15.0	20.0	—
Oil Exploration and Production	*(5.0)*	*7.0*	*12.0*	—
Coal, etc.	*0.0*	*8.0*	*8.0*	—
Others	6.0	6.0	0.0	0.0%
Reconciliation	(3.0)	(3.0)	0.0	—
Total	113.0	113.0	0.0	0.0%
(Excluding inventory impact)	*93.0*	*98.0*	*5.0*	*5.4%*

* Fiscal years for Oil Exploration and Production and Coal, etc. (Overseas) included in the Resources Business end in December

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(2) Segment Information

2) Factors Causing Changes in Operating Income (vs. 5/10 Forecast)

(Units: ¥ billions)

Petroleum Products (23.0)

Decrease in Product Margins etc. (18.0) Inventory Impact (5.0)

Petrochemical Products +3.0

Increase in Sales Volume etc. +3.0

Oil Exploration and Production +12.0

Sales Volume/Price-related +5.0 Reduced Exploration/Operating Costs +7.0

Coal, etc. / Others +8.0

Price-related etc. +8.0

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1. Financial Reporting

(1) FY 2016 3Q Net Sales by Segment

(Units: ¥ billions)

	FY2015 3Q	FY2016 3Q	Change	
Petroleum Products	2,181.8	1,729.1	(452.7)	(20.7%)
Petrochemical Products	399.7	320.4	(79.3)	(19.8%)
Resources	165.0	164.5	(0.4)	(0.3%)
Oil Exploration and Production	*57.2*	*52.2*	*(5.0)*	*(8.8%)*
Coal, etc.	*107.7*	*112.3*	*4.6*	*4.3%*
Others/Reconciliation	50.4	46.8	(3.6)	(7.2%)
Total	2,796.8	2,260.9	(536.0)	(19.2%)

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1. Financial Reporting

(2) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY2015 3Q	FY2016 3Q	Change
Gain on Sale of Fixed Assets	4.9	1.4	(3.5)
Gain on Sale of Affiliate Stock	3.6	0.0	(3.6)
Other	0.5	0.6	0.1
Total Extraordinary Gains	9.1	2.1	(7.0)
Loss on Sale and Depletion of Fixed Assets	1.7	2.4	0.7
Impairment Losses	25.0	0.4	(24.6)
Loss on business of subsidiaries and affiliates	1.4	-	(1.4)
Other	0.1	0.4	0.3
Total Extraordinary Losses	28.2	3.2	(25.0)
Total Extraordinary Gains/Losses	(19.1)	(1.1)	18.0

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1. Financial Reporting

(3) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2016	12/31/2016	Change
Cash and Deposits	121.1	117.8	(3.3)
Receivables	259.8	333.4	73.5
Inventory	362.7	403.2	40.5
Other Current Assets	115.0	120.9	5.9
Total Current Assets	858.7	975.3	116.6
Tangible Fixed Assets	1,066.6	1,014.9	(51.7)
(Land)	586.7	584.9	(1.8)
(Other)	479.9	430.0	(49.9)
Other Fixed Assets	476.9	633.7	156.8
Total Fixed Assets	1,543.5	1,648.6	105.2
Total Assets	2,402.1	2,623.9	221.8

	3/31/2016	12/31/2016	Change
Payables	291.7	350.3	58.6
Short-term Borrowings	293.9	486.1	192.1
Other Current Liabilities	351.5	373.5	21.9
Total Current Liabilities	937.2	1,209.8	272.7
Long-term Borrowings	615.6	577.3	(38.3)
Other Fixed Liabilities	311.6	288.2	(23.5)
Total Fixed Liabilities	927.3	865.5	(61.8)
Total Liabilities	1,864.5	2,075.3	210.9
Shareholders' Equity	348.6	401.8	53.2
Other Comprehensive Income	152.0	113.6	(38.4)
Noncontroling Interests	37.0	33.1	(3.9)
Total Net Assets	537.7	548.6	10.9
Total Liabilities and Net Assets	2,402.1	2,623.9	221.8

Total Interest-bearing Debt	909.6	1,063.4	153.8
Equity Ratio	20.8%	19.6%	(1.2%)

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2. Sensitivity

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

Petroleum Products	Increase in refinery fuel costs, etc.	(￥0.2 billion)
	Inventory impact	￥1.5 billion
		￥1.3 billion
Oil Exploration & Production		-

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

Petroleum Products	Decrease in refinery fuel costs, etc.	￥0.1 billion
	Inventory impact	(￥1.0 billion)
		(￥0.9 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.

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3. Sales and Production

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

（Units:Thousand KL,%）

	FY 2015 3Q	FY 2016 3Q	Change	
Gasoline	6,247	6,206	(41)	(0.7%)
(Premium-Unleaded)	691	668	(23)	(3.3%)
(Regular-Unleaded)	5,556	5,538	(18)	(0.3%)
Naphtha	201	170	(31)	(15.3%)
Jet Fuel	1,202	1,257	55	4.6%
Kerosene	1,385	1,414	28	2.1%
Diesel Oil	4,597	4,633	36	0.8%
Heavy Fuel Oil A	1,774	1,666	(108)	(6.1%)
Heavy Fuel Oil C	1,828	1,776	(52)	(2.8%)
Toal Domestic Sales Volume	17,234	17,121	(113)	(0.7%)
Exported Volume	2,597	2,734	137	5.3%
(General Exports)	936	1,191	255	27.2%
Total Sales Volume	19,831	19,855	25	0.1%

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3. Sales and Production

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

(Units:Thousand tons, %)

	FY 2015 3Q	FY 2016 3Q	Change	
Petrochemical Products-Total	2,407	2,468	61	+2.5%
(Basic Chemicals)	2,373	2,435	62	+2.6%
(Performance Chemicals)	34	33	(1)	(3.3%)

(1)－3.Sales Volume (Lubricants)

(Units:Thousand KL,%)

	FY 2015 3Q	FY 2016 3Q	Change	
Lubricants	826	874	48	5.8%

*Includes sales of overseas licenses

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3. Sales and Production

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

(Units:Thousand BOED)

	FY 2015 3Q	FY 2016 3Q	Change	
Norway	29.0	36.1	7.1	24.5%
United Kingdom	4.5	5.0	0.4	11.9%
Vietnam	0.4	0.3	0.1	(22.8%)
Total('000BOED)	33.9	41.4	7.5	22.2%
Total('000BOE)	9,242	11,339	2,097	22.7%

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

(1)－5. Coal – Production Volume

(Units:Thousand tons)

	FY 2015 3Q	FY 2016 3Q	Change	
Ensham	2,433	3,324	891	36.6%
Muswellbrook	1,115	1,079	(36)	(3.2%)
Boggabri	4,253	4,093	(160)	(3.8%)
Tarawonga	440	448	8	1.8%
Sub Total	8,240	8,944	704	8.5%
Malinau	892	822	(70)	(7.8%)
Total Production Volume	9,132	9,766	634	6.9%

*Figures based on interst owned by Idemitsu Group

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

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3. Sales and Production

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

（Units:Thousand KL,%）

	May-10 Forecast	Revised Forecast	Difference	
Gasoline	8,020	8,100	80	1.0%
(Premium-Unleaded)	880	880	0	0.0%
(Regular-Unleaded)	7,140	7,220	80	1.1%
Naphtha	240	240	0	0.0%
Jet Fuel	1,600	1,650	50	3.1%
Kerosene	2,670	2,660	(10)	(0.4%)
Diesel Oil	6,070	6,120	50	0.8%
Heavy Fuel Oil A	2,480	2,430	(50)	(2.0%)
Heavy Fuel Oil C	2,150	2,300	150	7.0%
Toal Domestic Sales Volume	23,230	23,500	270	1.2%
Exported Volume	3,350	3,510	160	4.8%
(General Exports)	1,210	1,460	250	20.7%
Total Sales Volume	26,580	27,010	430	1.6%

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3. Sales and Production

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

(Units:Thousand tons, %)

	May-10 Forecast	Revised Forecast	Difference	
Petrochemical Products-Total	3,290	3,390	100	3.0%
(Basic Chemicals)	3,250	3,340	90	2.8%
(Performance Chemicals)	40	50	10	25.0%

(2)－3.Sales Forecasts (Lubricants)

(Units:Thousand KL,%)

	May-10 Forecast	Revised Forecast	Difference	
Lubricants	1,190	1,190	0	0.0%

*Includes sales of overseas licenses

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3. Sales and Production

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

(Units:Thousand BOED)

	May-10 Forecast	Revised Forecast	Difference	
Norway	35.9	37.1	1.2	3.5%
United Kingdom	3.6	5.1	1.4	38.7%
Vietnam	0.1	0.3	0.1	87.6%
Total('000BOED)	39.6	42.4	2.8	7.0%
Total('000BOE)	14,510	15,530	1,020	7.0%

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

(2)－5. Coal – Production Volume Forecasts

(Units:Thousand tons)

	May-10 Forecast	Revised Forecast	Difference	
Ensham	4,000	4,420	420	10.5%
Muswellbrook	1,500	1,430	(70)	(4.7%)
Boggabri	5,700	5,580	(120)	(2.1%)
Tarawonga	540	600	60	11.1%
Sub Total	11,740	12,030	290	2.5%
Malinau	1,080	1,130	50	4.6%
Total Production Volume	12,820	13,160	340	2.6%

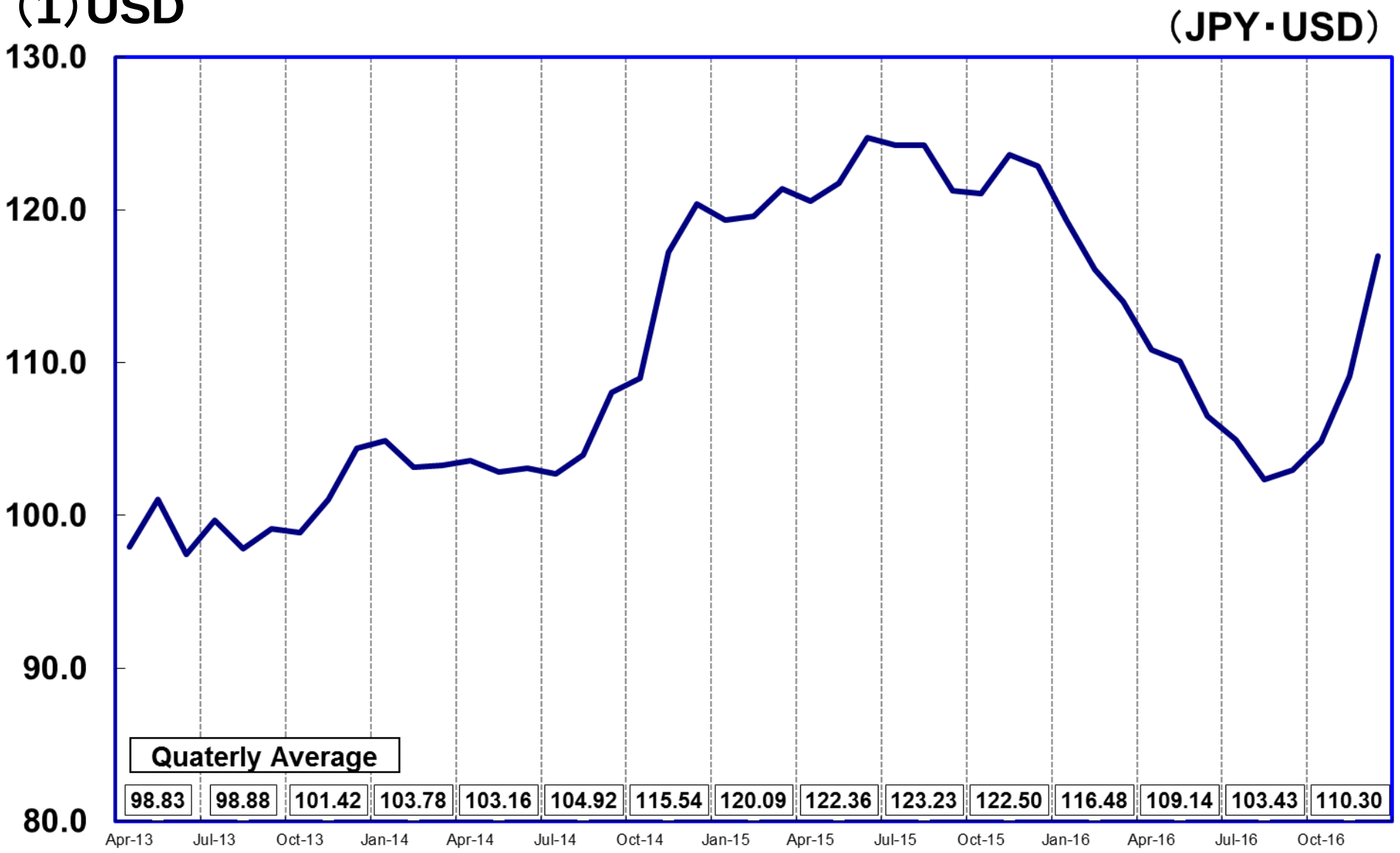
*Figures based on interst owned by Idemitsu Group

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

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4. Foreign Exchange

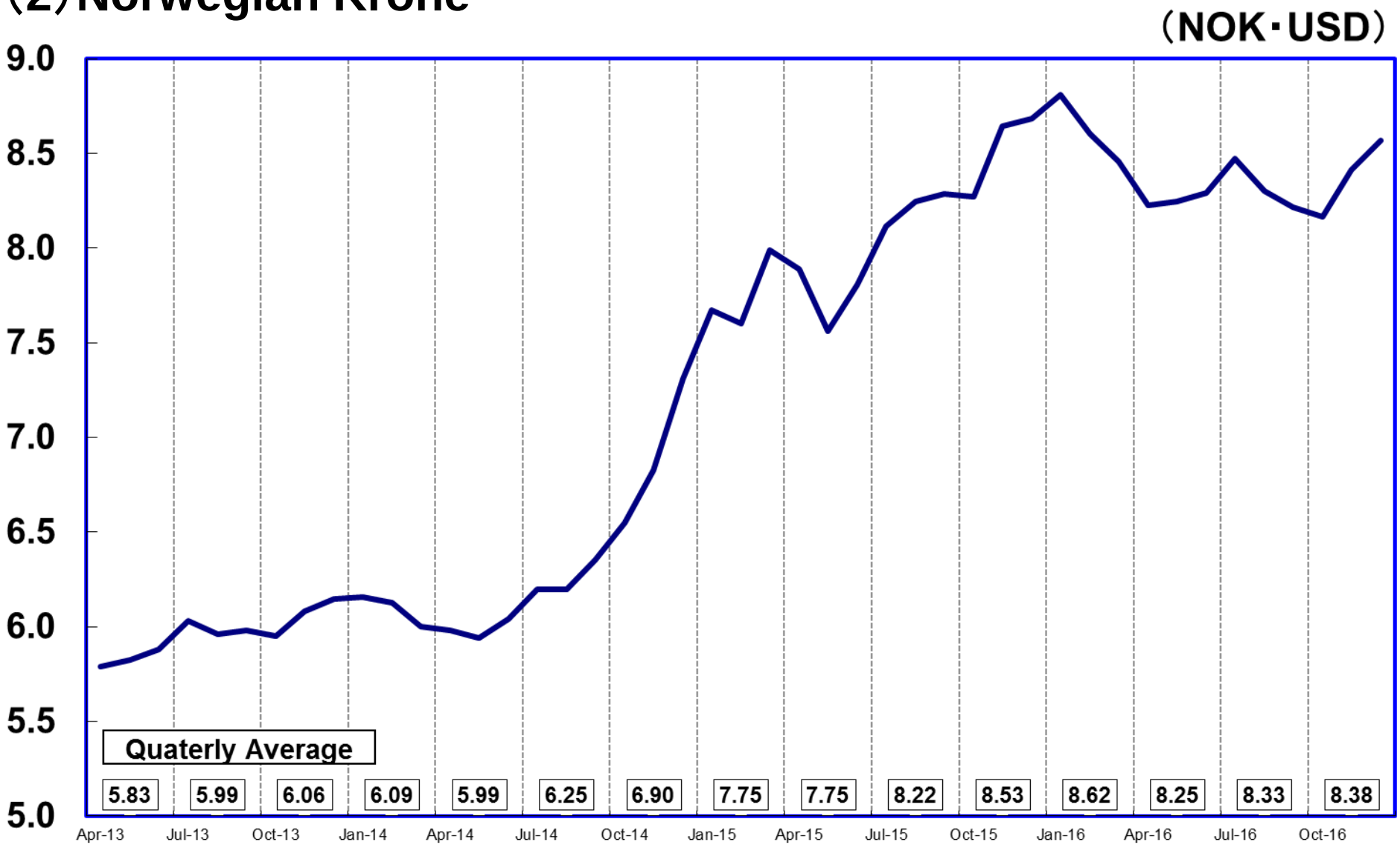
(1)USD



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4. Foreign Exchange

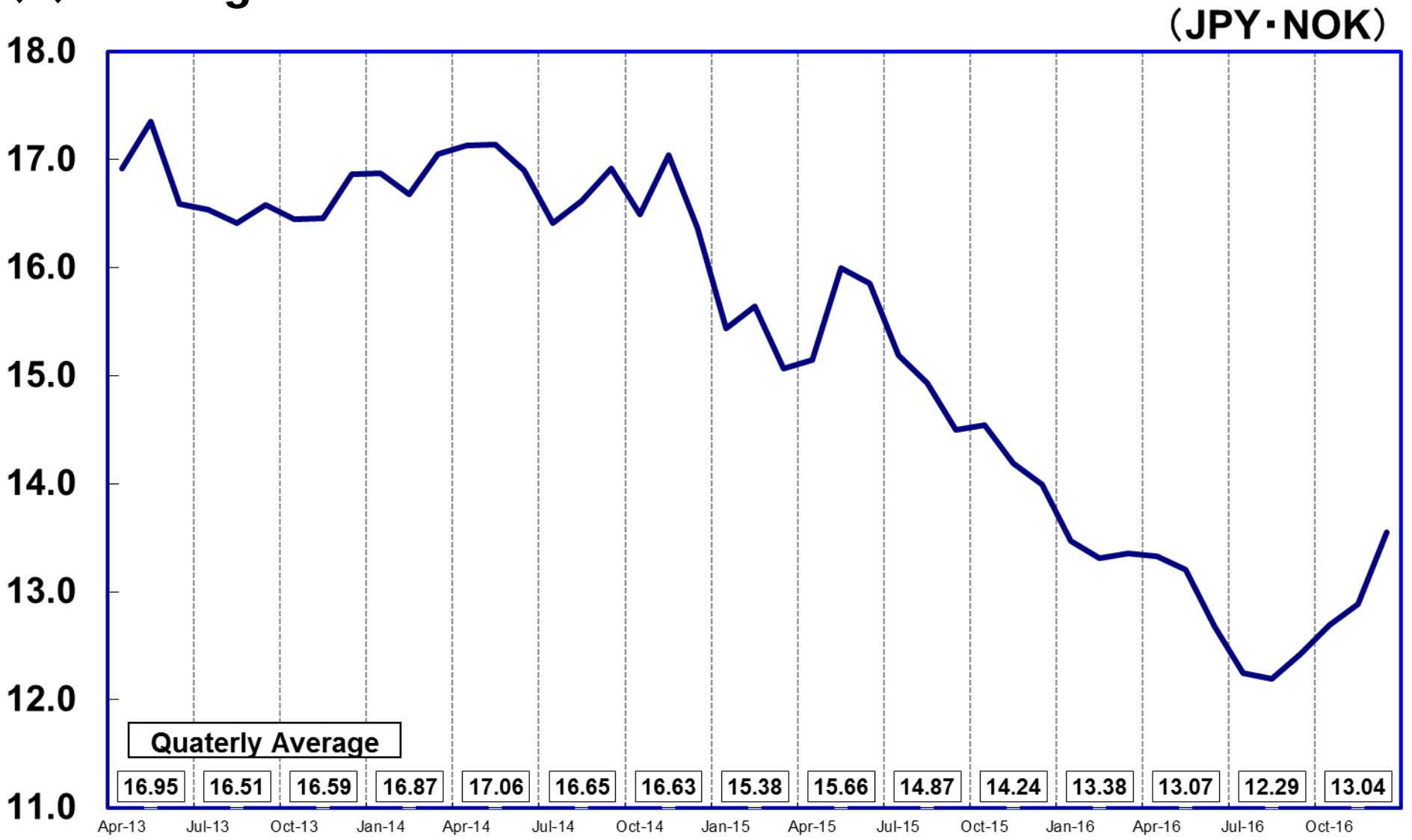
(2) Norwegian Krone



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4. Foreign Exchange

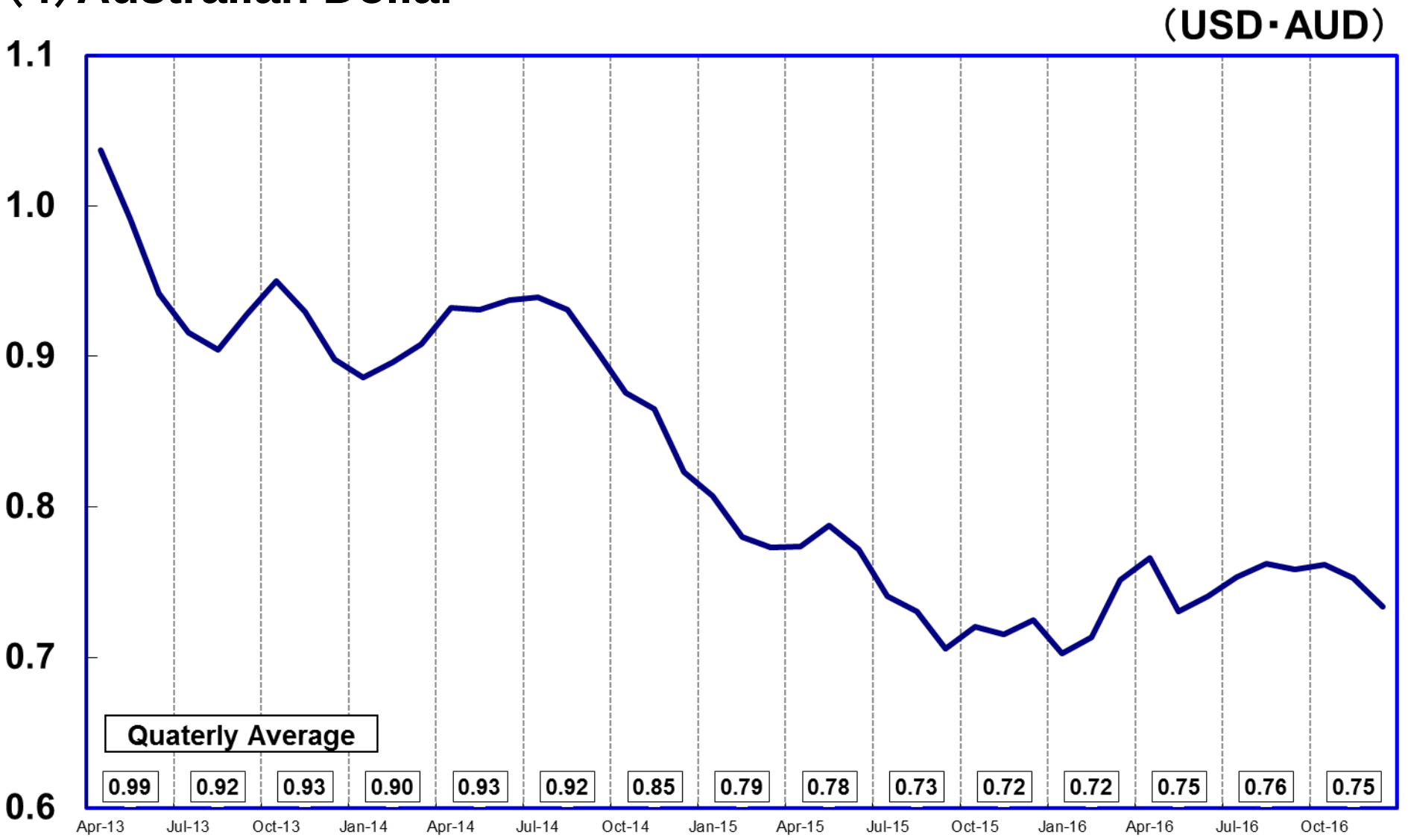
(3) Norwegian Krone



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4. Foreign Exchange

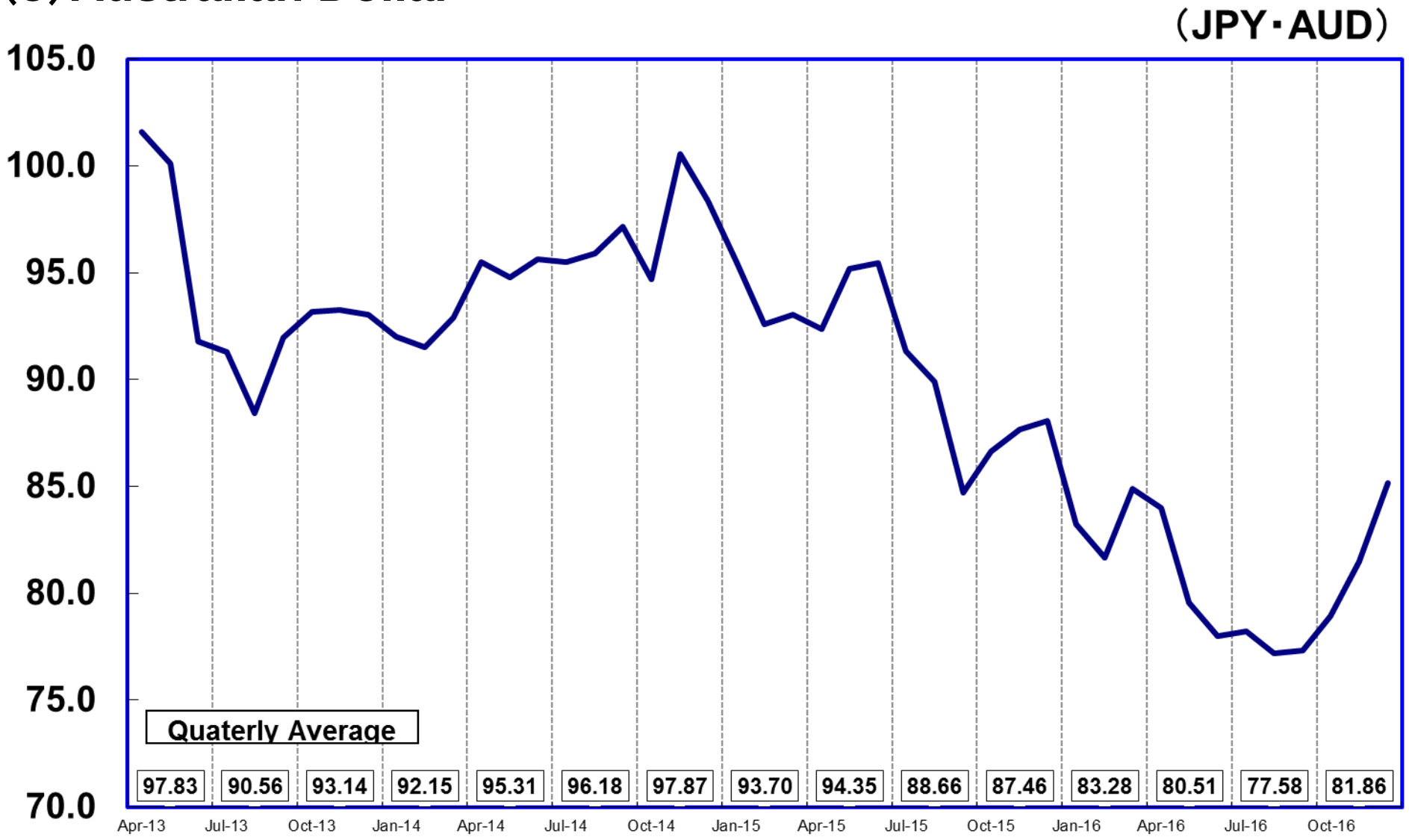
(4) Australian Dollar



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4. Foreign Exchange

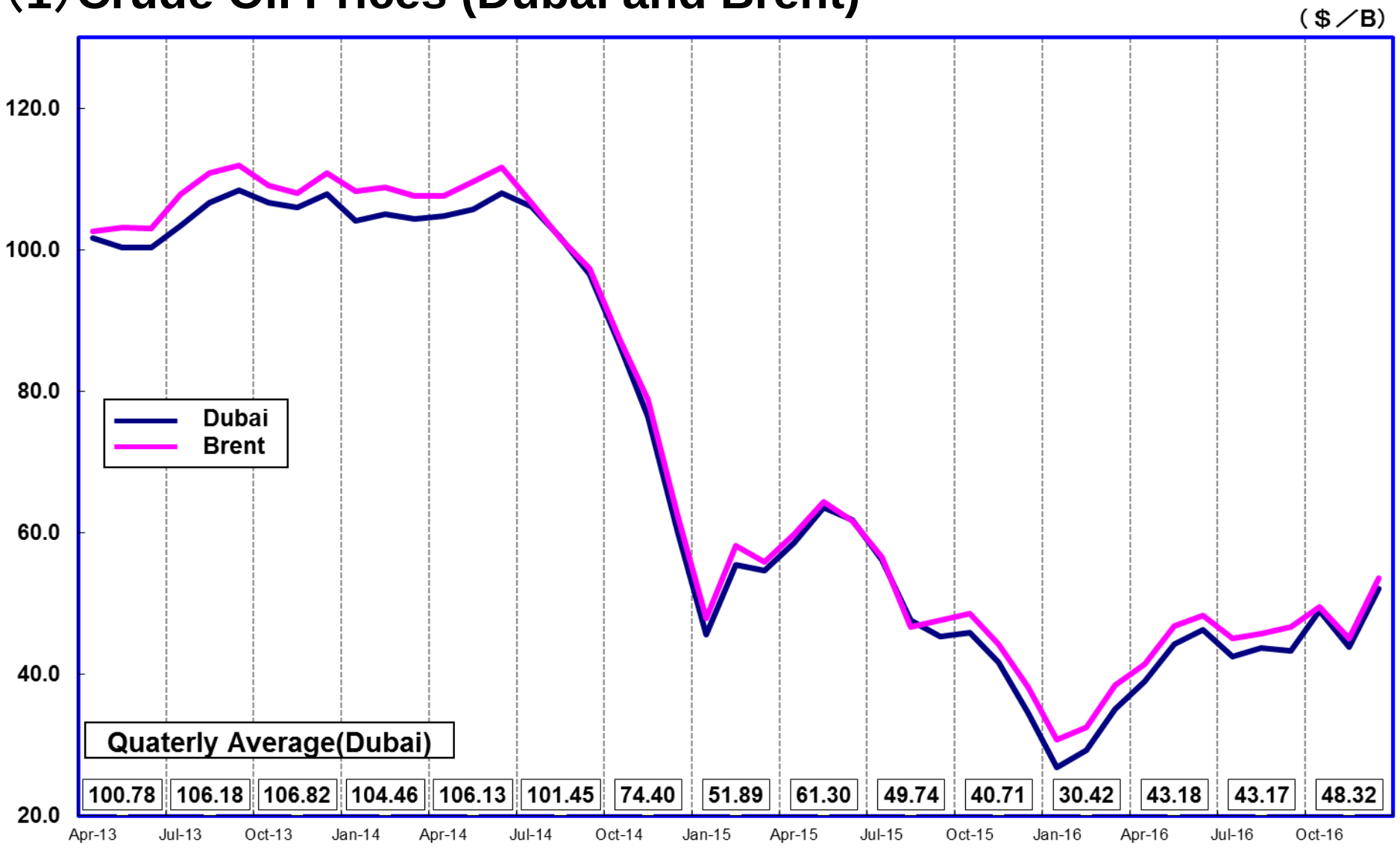
(5) Australian Dollar



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5. Market Conditions

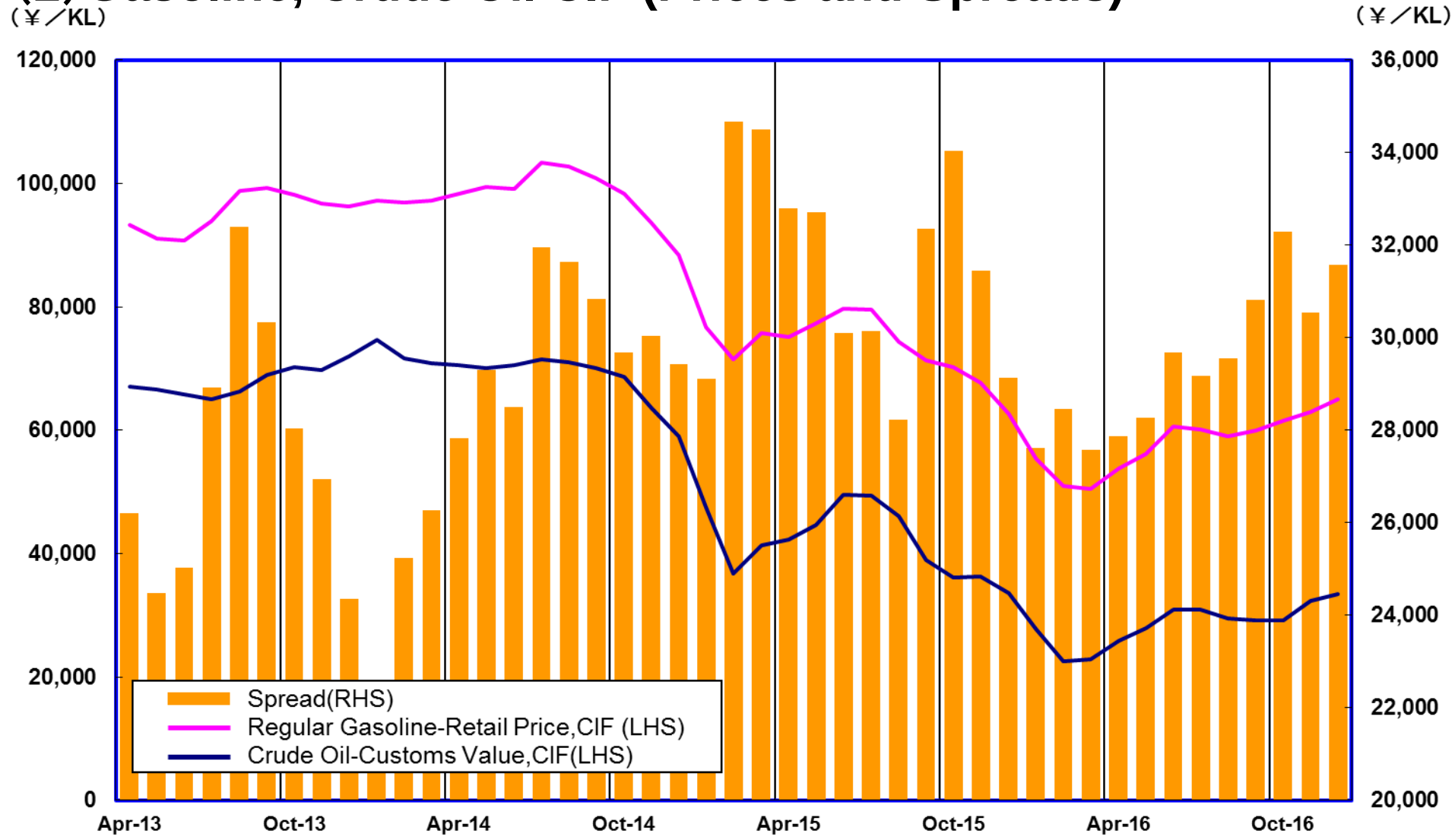
(1) Crude Oil Prices (Dubai and Brent)



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5. Market Conditions

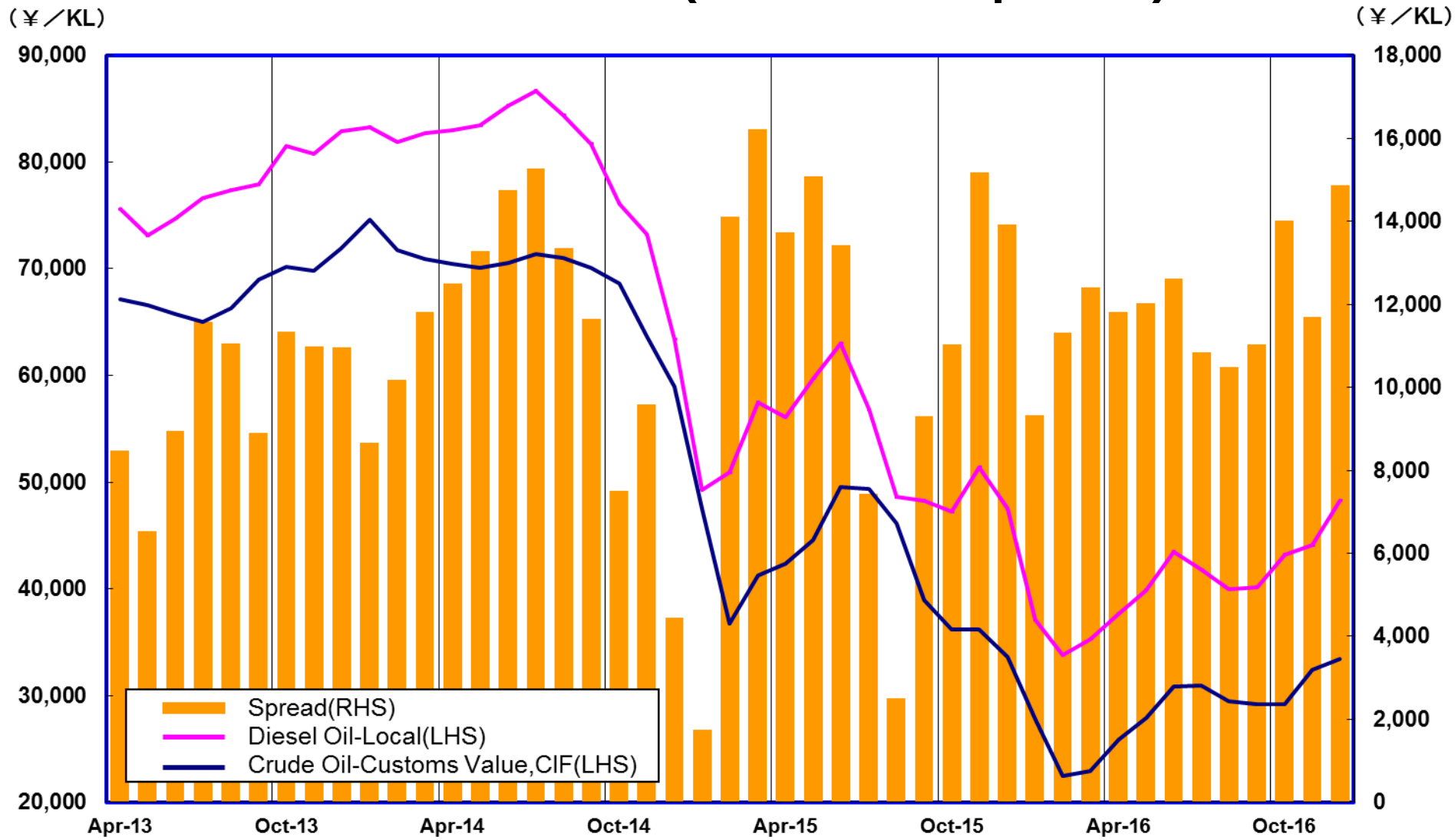
(2) Gasoline, Crude Oil CIF (Prices and Spreads)



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5. Market Conditions

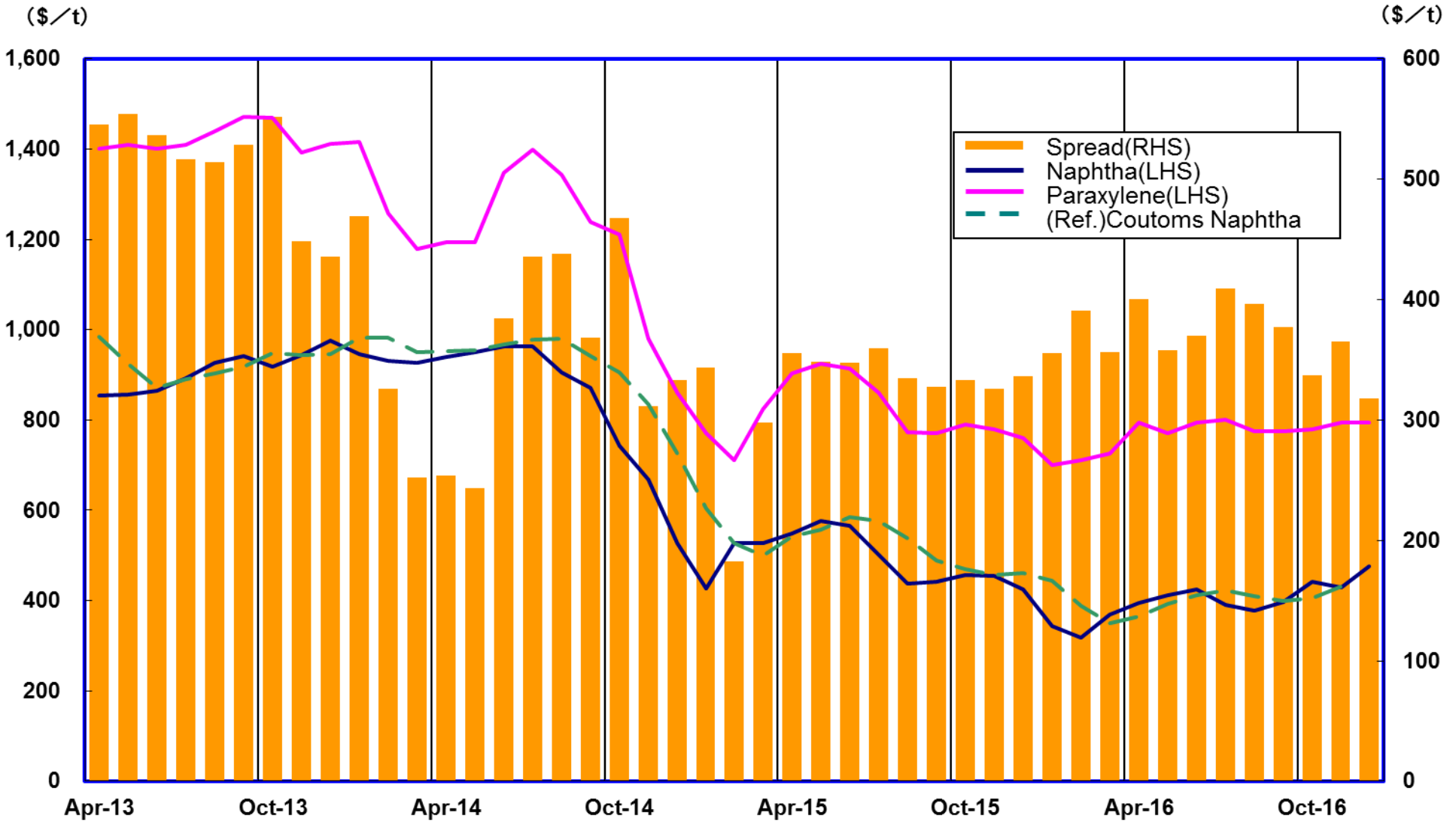
(3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



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5. Market Conditions

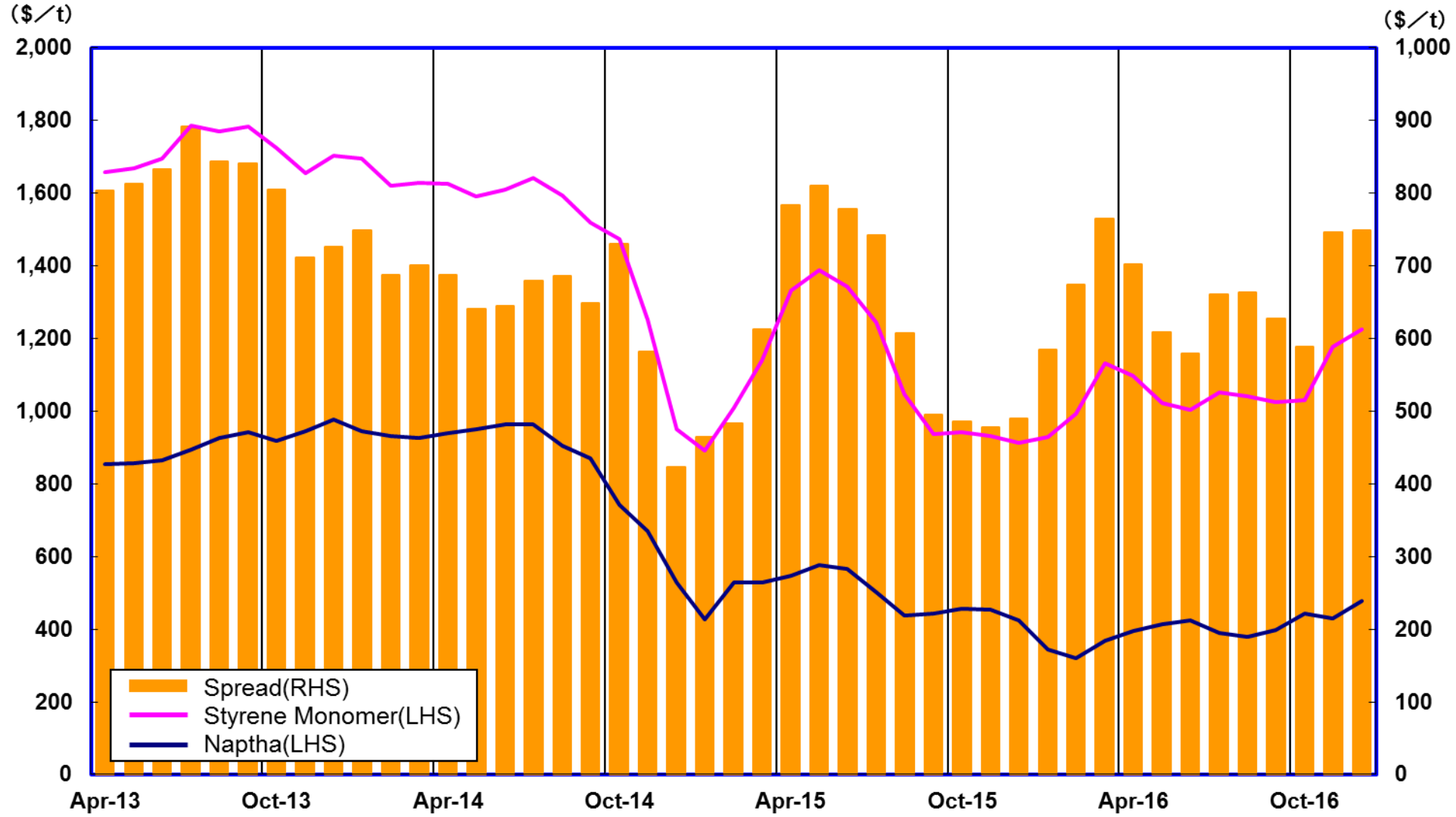
(4) Paraxylene, Naptha (Prices and Spreads)



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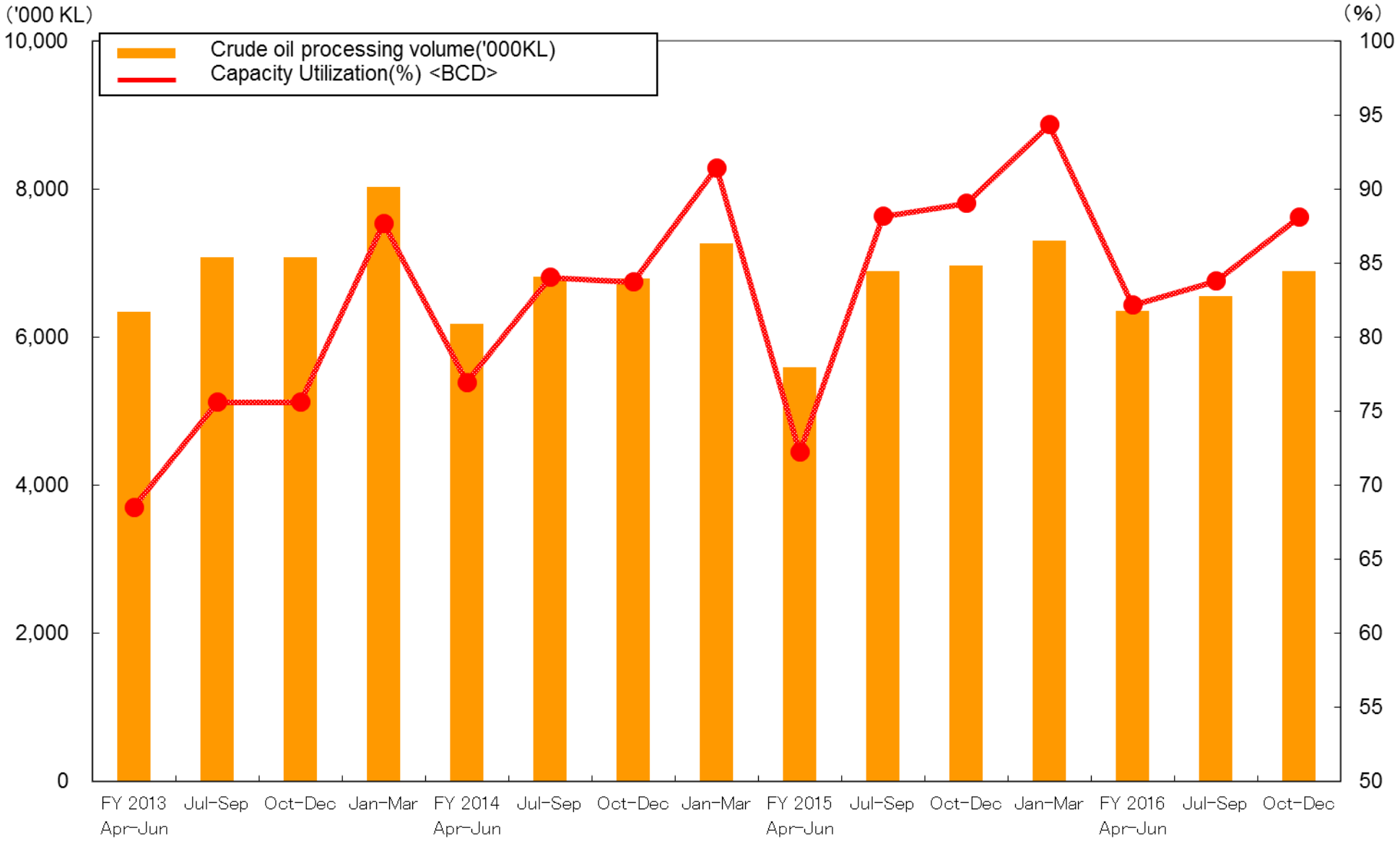
5. Market Conditions

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



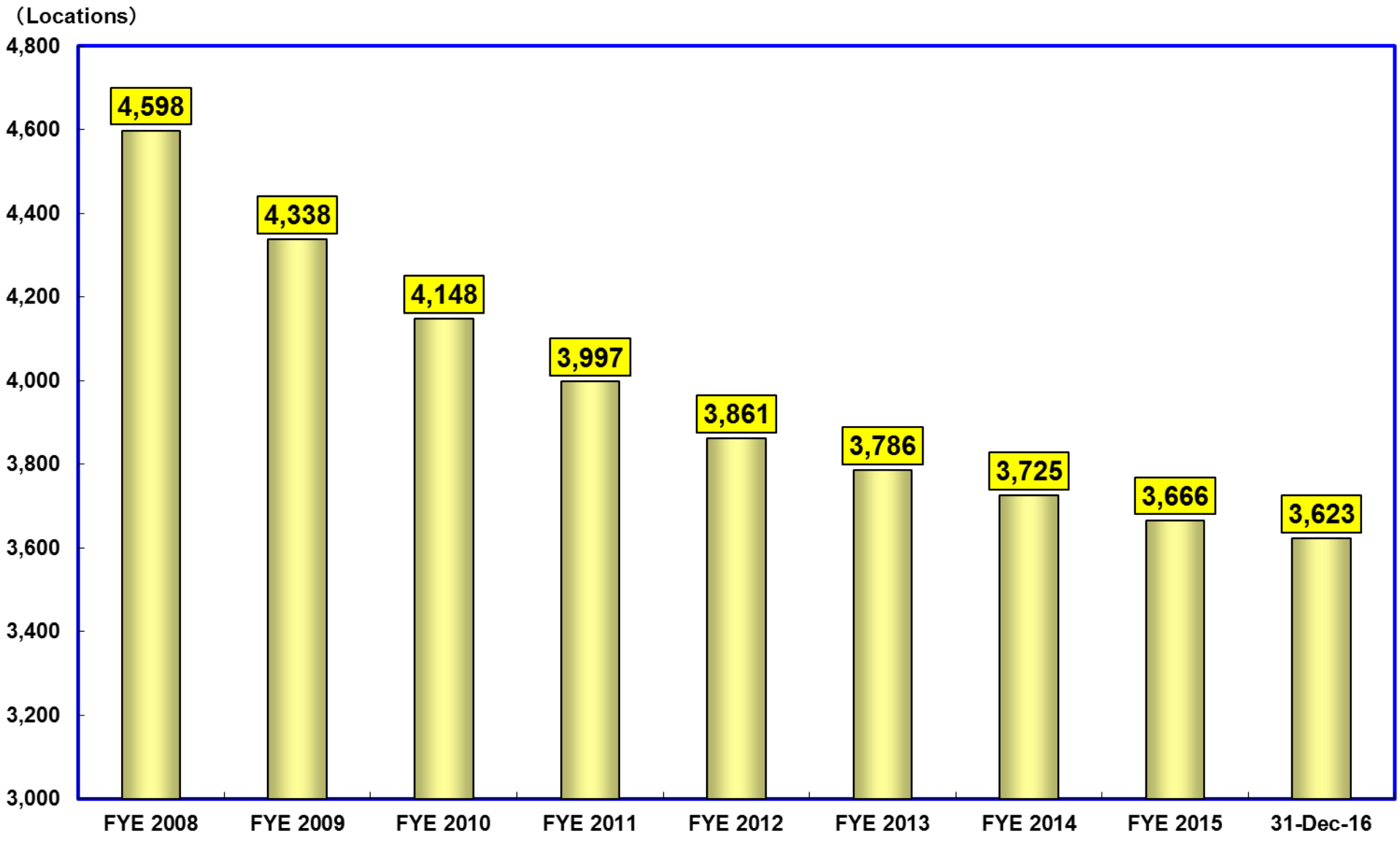
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6. Capacity Utilization at Refineries



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7. Number of Service Stations



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Precaution statement about forecasts

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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