Presentation on
Results for FY 2016

Idemitsu Kosan Co.,Ltd.

May 15, 2017

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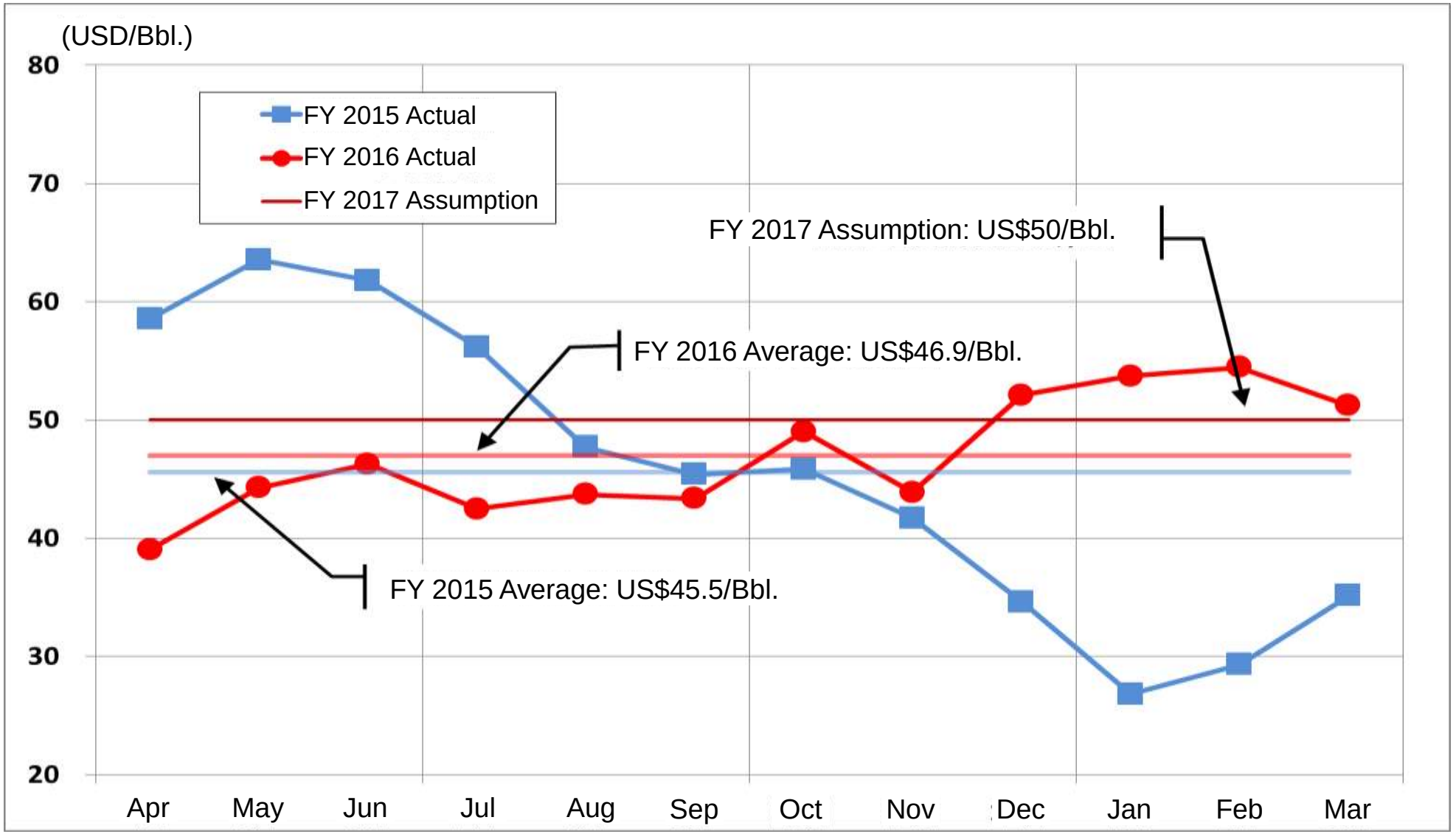
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Crude Oil Price Trends

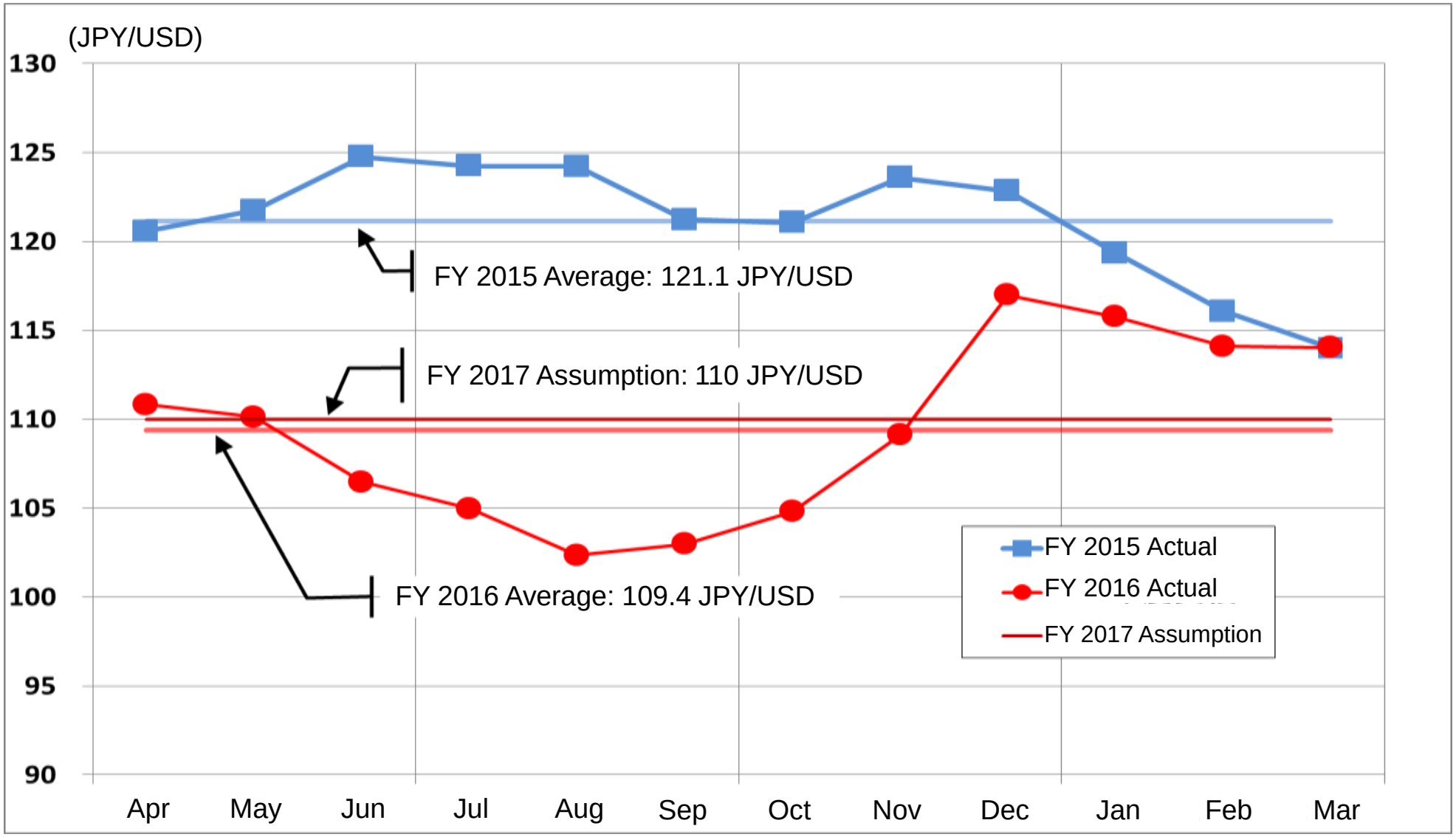
<Monthly Dubai Crude Oil Price Trends and Assumptions for Performance Forecasts>



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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

<FY2016 Financials>

- **Operating income excluding inventory impact basically remained unchanged from last fiscal year, decreasing by ¥0.4 billion to ¥102.1 billion, as decreased income from the petroleum and petrochemical products businesses was offset by increased income in the resources segment as a result of foreign exchange and cost-related factors**
- **Inventory impact had a positive contribution of ¥33.1 billion (+¥155.3 billion year-on-year), and as a result, net income attributable to owners of the parent reached a historical high of ¥88.2 billion (+¥124.2 billion year-on-year)**

<Forecast for FY2017 Performance>

- **Assuming an annual average crude oil price of $50/bbl. and an exchange rate of 110 JPY/USD, we forecast operating income of ¥124.0 billion (-¥11.2 billion year-on-year). Operating income excluding inventory impact is expected to increase by ¥21.9 billion year-on-year and net income attributable to owners of the parent is forecasted at ¥89.0 billion (¥0.8 billion year-on-year)**

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1. FY 2016 Financials

(1) Overview

1) Crude Oil / Exchange Rates

(Units: $/Bbl., $/Ton, ¥/$)

	FY2015	FY2016	Change	
Crude Oil (DB FOB)	45.5	46.9	1.4	3.1%
Crude Oil (Brent)	52.5	43.7	(8.8)	(16.7%)
Naphtha Price (Customs)	486	438	(48)	(9.9%)
Exchange Rate (TTS)	121.1	109.4	(11.7)	(9.7%)

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	FY2015	FY2016	Change	
Net Sales	3,570.2	3,190.3	(379.9)	(10.6%)
Operating Income	(19.6)	135.2	154.9	—
(Inventory impact)	*(122.2)*	*33.1*	*155.3*	—
(Excluding inventory impact)	*102.5*	*102.1*	*(0.4)*	*(0.4%)*
Non-operating Income/Loss	(2.3)	4.7	7.0	—
Ordinary Income	(21.9)	140.0	161.9	—
Extraordinary Gain/Loss	(33.1)	(17.0)	16.1	—
Net Income attributable to owners of the parent	(36.0)	88.2	124.2	—
(Excluding inventory impact)	*45.8*	*65.3*	*19.5*	*42.6%*

* 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	FY2016	Change	
Petroleum Products	(67.4)	77.0	144.4	—
(Excluding inventory impact)	*51.3*	*46.0*	*(5.3)*	*(10.3%)*
Petrochemical Products	42.3	40.0	(2.3)	(5.5%)
(Excluding inventory impact)	*45.8*	*37.9*	*(8.0)*	*(17.4%)*
Resources	(0.6)	16.6	17.2	—
Oil Exploration and Production	*(2.9)*	*8.5*	*11.4*	—
Coal, etc.	*2.3*	*8.1*	*5.9*	*258.8%*
Others	8.8	5.1	(3.7)	(42.3%)
Reconciliation	(2.7)	(3.4)	(0.7)	—
Total	(19.6)	135.2	154.9	—
(Excluding inventory impact)	*102.5*	*102.1*	*(0.4)*	*(0.4%)*

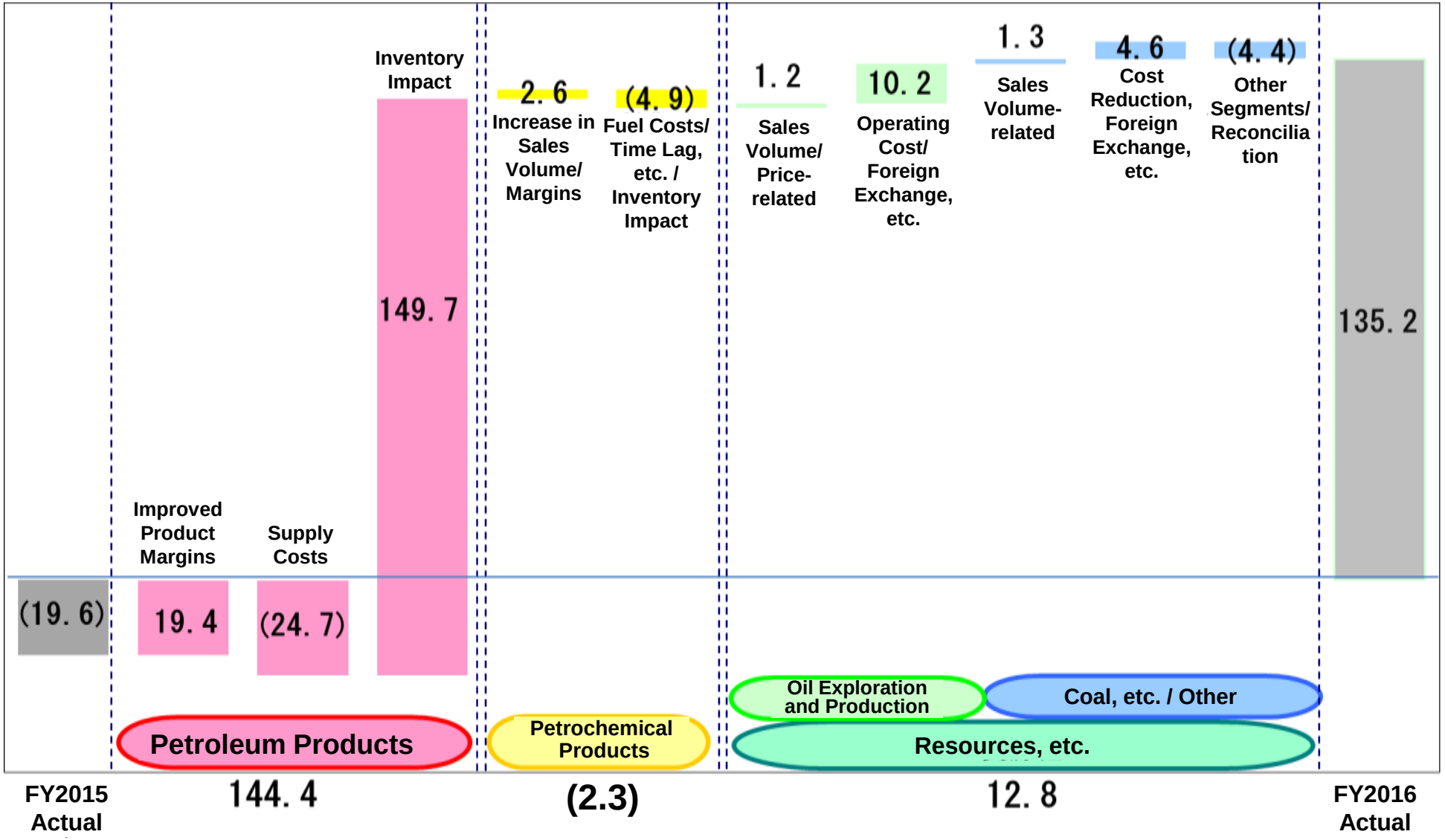
* Fiscal years for Oil Exploration and Production included in the Resources Business and coal operations end in December

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(2) Segment Information

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

(Units: ¥ billions)



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2. Forecast for FY 2017 Performance

(1) Overview

1) Crude Oil / Exchange Rates

(Units: $/Bbl., $/Ton, ¥/$)

	FY2016 Actual	FY2017 Forecast	Difference	
Crude Oil (DB FOB)	46.9	50.0	3.1	6.5%
Crude Oil (Brent)	43.7	53.0	9.3	21.3%
Naphtha Price (Customs)	438	469	31	7.2%
General Coal Price (NEWC)	66.0	70.0	4.0	6.1%
Exchange Rate (TTS)	109.4	110.0	0.6	0.6%

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	FY2016 Actual	FY2017 Forecast	Difference	
Net Sales	3,190.3	3,500.0	309.7	9.7%
Operating Income	135.2	124.0	(11.2)	(8.3%)
(Inventory impact)	33.1	0.0	(33.1)	—
(Excluding inventory impact)	102.1	124.0	21.9	21.4%
Non-operating Income/Loss	4.7	16.0	11.3	238.0%
Ordinary Income	140.0	140.0	0.0	0.0%
Extraordinary Gain/Loss	(17.0)	(6.0)	11.0	—
Net Income attributable to owners of the parent	88.2	89.0	0.8	0.9%
(Excluding inventory impact)	65.3	89.0	23.7	36.3%

* 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

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(2) Segment Information (Operating Profit)

1) Operating Income

(Units: ¥ billions)

	FY2016 Actual	FY2017 Forecast	Difference	
Petroleum Products	77.0	48.0	(29.0)	(37.7%)
(Excluding inventory impact)	46.0	48.0	2.0	4.3%
Petrochemical Products	40.0	31.0	(9.0)	(22.4%)
Resources	16.6	43.0	26.4	158.9%
Oil Exploration and Production	8.5	16.0	7.5	88.3%
Coal, etc.	8.1	27.0	18.9	232.8%
Others	5.1	6.0	0.9	18.6%
Reconciliation	(3.4)	(4.0)	(0.6)	—
Total	135.2	124.0	(11.2)	(8.3%)
(Excluding inventory impact)	102.1	124.0	21.9	21.4%

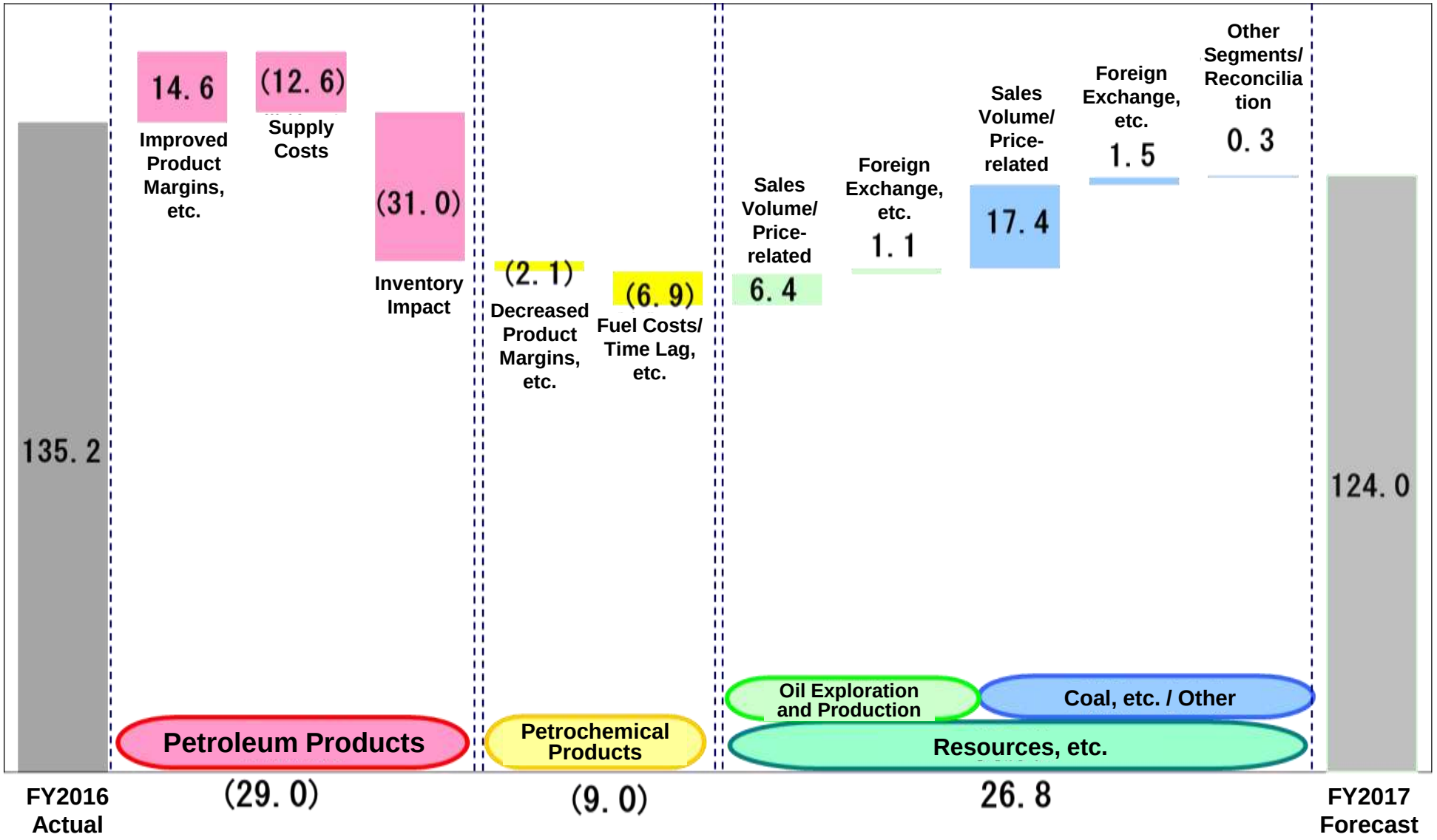
* Fiscal years for Oil Exploration and Production included in the Resources Business and the coal operations end in December

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(2) Segment Information

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

(Units: ¥ billions)



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(3) Investments

(Units: ¥ billions)

	FY2015 Actual	FY2016 Actual	Change	FY2017 Plan	Difference (vs. FY2016)
Strategic	92.0	39.0	(53.0)	54.0	15.0
Maintenance/Renewal	27.5	31.8	4.3	44.0	12.2
Total	119.5	70.8	(48.7)	98.0	27.2
Acquisition of Showa Shell Shares	-	159.0	159.0	-	(159.0)
Total	119.5	229.8	110.3	98.0	(131.8)
Depreciation Expense	81.5	71.3	(10.2)	69.0	(2.3)

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(4) Dividend Policy

■ **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**

■ **Dividend per Share**

	Interim	Year-end	Annual Total
FY2016 (Actual)	¥25	¥25	¥50
FY2017 (Plan)	¥25	¥25	¥50

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3. Medium-term Initiatives

(1) Enhancement and Promotion of the Business Collaboration with Showa Shell Sekiyu K.K.

◆ **Name of the Alliance**

Brighter Energy Alliance

◆ **Details of the Alliance**

Realizing Synergies from the Integration in the Domestic Petroleum Business

- ✓ **Purchase of Crude Oil, Supply, Manufacturing and Procurement, Logistics and Sales, Administrative Sectors**

◆ **Synergy Target**

Realizing more than 25 billion yen of annual synergies within three years from April 2017

◆ **Considering Strategies for the Alliance Group**

Considering mid-to long-term management strategies, business plans, investment plans as an alliance

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(2) Management Strategy

FY 2013~2015 (4th Medium-term Management Plan)	Implement Business Structural Reforms

- Strengthen core domestic businesses (shift from 4→3 refineries)
- Expand resources business (Knarr oil field/Boggabri coal mine)
- Shift to overseas businesses (Nghi Son Refinery, overseas lubricant plant)
- Business development in growth markets (OLED, etc.)
- Engagement with ESG

FY 2017~2020	Reap fruits of 4th Medium-term Management Plan and Expand further into growth areas

- Achieve earnings and cash flows
- Continue core business structural reforms (collaboration with Showa Shell Sekiyu)
- Continue expansion of overseas businesses
- Expand functional materials business

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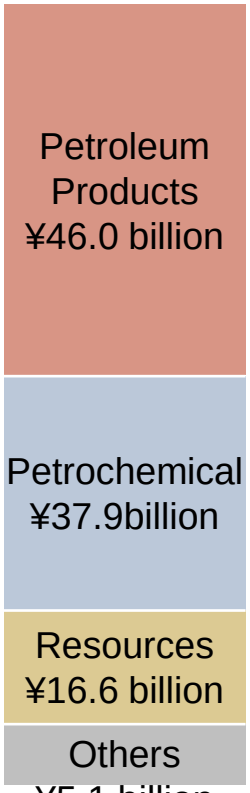
(3) Key Initiatives in Each Segment

FY 2016

Operating Income

(excluding inventory impact)

Total 102.1 billion



Further Growth Towards 2020

Major Initiatives	Overview
✓ ***Collaboration with Showa Shell Sekiyu***	➢ Share acquisition in 12/2016 ➢ Pursue synergies ➢ Contribution by equity profit
✓ ***Nghi Son Refinery***	➢ Commence commercial operations of petroleum/petrochemical complex in FY2017
✓ ***Expand overseas fuel oil business***	➢ Downstream business in Vietnam and other Southeast Asian countries
✓ ***Expand overseas lubricant business***	➢ Strengthen blend plant capacity in Southeast Asia, etc.
✓ ***Expand overseas functional materials business***	➢ Increase hydrogenated petroleum resin production capacity in Taiwan Commercial operations to begin in 2019 JV with FPCC Production capacity: 25,000 t
✓ ***Enhance OLED production capacity***	➢ Successive expansion since 2015 ➢ Achieve 10 t/year in 2017

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1. Financial Reporting

(1) FY2016 Results (vs. 2/7 Forecasts)

1) Crude Oil / Exchange Rates

(Units: $/Bbl., $/Ton, ¥/$)

	2/7 Forecasts	FY2016 Actual	Difference	
Crude Oil (DB FOB)	46.2	46.9	0.8	1.7%
Crude Oil (Brent)	43.7	43.7	0.0	0.0%
Naphtha Price (Customs)	430	438	8	1.8%
Exchange Rate (TTS)	109.5	109.4	(0.1)	(0.1%)

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

2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	2/7 Forecasts	FY2016 Actual	Difference	
Net Sales	3,260.0	3,190.3	(69.7)	(2.1%)
Operating Income	113.0	135.2	22.2	19.7%
(Inventory impact)	*15.0*	*33.1*	*18.1*	*120.7%*
(Excluding inventory impact)	*98.0*	*102.1*	*4.1*	*4.2%*
Non-operating Income/Loss	(1.0)	4.7	5.7	—
Ordinary Income	112.0	140.0	28.0	25.0%
Extraordinary Gain/Loss	(7.0)	(17.0)	(10.0)	—
Net Income attributable to owners of the parent	70.0	88.2	18.2	25.9%

* 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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1. Financial Reporting

(1) FY2016 Results (vs. 2/7 Forecasts)

3) Operating Profit by Segment

(Units: ¥ billions)

	2/7 Forecasts	FY2016 Actual	Difference	
Petroleum Products	64.0	77.0	13.0	20.3%
(Excluding inventory impact)	49.0	46.0	(3.0)	(6.1%)
Petrochemical Products	31.0	40.0	9.0	28.9%
(Excluding inventory impact)	31.0	37.9	6.9	22.1%
Resources	15.0	16.6	1.6	10.7%
Oil Exploration and Production	7.0	8.5	1.5	21.4%
Coal, etc.	8.0	8.1	0.1	1.4%
Others	6.0	5.1	(0.9)	(15.7%)
Reconciliation	(3.0)	(3.4)	(0.4)	—
Total	113.0	135.2	22.2	19.7%
(Excluding inventory impact)	98.0	102.1	4.1	4.2%

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

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1. Financial Reporting

(2) – 1. FY2016 Net Sales by Segment

(Units: ¥ billions)

	FY2015 Actual	FY2016 Actual	Change	
Petroleum Products	2,751.0	2,438.2	(312.7)	(11.4%)
Petrochemical Products	520.8	461.2	(59.6)	(11.4%)
Resources	228.8	227.3	(1.5)	(0.7%)
Oil Exploration and Production	*74.6*	*73.6*	*(1.0)*	*(1.4%)*
Coal, etc.	*154.2*	*153.7*	*(0.5)*	*(0.3%)*
Others/Reconciliation	69.6	63.6	(6.0)	(8.6%)
Total	3,570.2	3,190.3	(379.9)	(10.6%)

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1. Financial Reporting

(2) – 2. FY2017 Net Sales Forecast by Segment

(Units: ¥ billions)

	FY2016 Actual	FY2017 Forecast	Difference	
Petroleum Products	2,438.2	2,720.0	281.8	11.6%
Petrochemical Products	461.2	430.0	(31.2)	(6.8%)
Resources	227.3	290.0	62.7	27.6%
Oil Exploration and Production	*73.6*	*75.0*	*1.4*	*1.9%*
Coal, etc.	*153.7*	*215.0*	*61.3*	*39.9%*
Others/Reconciliation	63.6	60.0	(3.6)	(5.7%)
Total	3,190.3	3,500.0	309.7	9.7%

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1. Financial Reporting

(3) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY2015	FY2016	Change
Gain on Sale of Fixed Assets	5.4	1.5	(3.9)
Gain on Sale of Affiliate Stock	3.6	0.0	(3.6)
Other	0.5	1.3	0.8
Total Extraordinary Gains	9.6	2.9	(6.7)
Loss on Sale and Depletion of Fixed Assets	3.1	6.4	3.3
Impairment Losses	35.6	10.9	(24.7)
Other	3.9	2.5	(1.4)
Total Extraordinary Losses	42.6	19.8	(22.8)
Total Extraordinary Gains/Losses	(33.1)	(17.0)	16.1

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(4) Breakdown of Impairment Losses

Units: ¥ billions

	Amount	Relevant Assets, etc.
Resources Business	**6.5**	**Oil exploration and production: oil field production facilities, etc.** **Coal: Soil stripping assets (advanced stripping expenses), shipping facilities, etc.**
Other	**4.4**	
Total	**10.9**	

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1. Financial Reporting

(5) Consolidated Balance Sheet

(Units: ¥ billions)

	3/31/2016	3/31/2017	Change		3/31/2016	3/31/2017	Change
Cash and Deposits	121.1	91.4	(29.7)	Payables	291.7	331.6	39.9
Receivables	259.8	327.4	67.6	Short-term Borrowings	293.9	471.6	177.6
Inventory	362.7	430.9	68.1	Other Current Liabilities	351.5	341.8	(9.7)
Other Current Assets	115.0	110.1	(4.9)	Total Current Liabilities	937.2	1,145.0	207.8
				Long-term Borrowings	615.6	579.1	(36.5)
				Other Fixed Liabilities	311.6	297.6	(14.0)
Total Current Assets	858.7	959.8	101.1	Total Fixed Liabilities	927.3	876.7	(50.6)
Tangible Fixed Assets	1,066.6	1,022.1	(44.5)	Total Liabilities	1,864.5	2,021.7	157.2
(Land)	586.7	584.4	(2.3)	Shareholders' Equity	348.6	429.2	80.6
(Other)	479.9	437.7	(42.2)	Other Comprehensive Income	152.0	154.6	2.6
Other Fixed Assets	476.9	659.8	182.9	Noncontroling Interests	37.0	36.1	(0.9)
Total Fixed Assets	1,543.5	1,681.9	138.4	Total Net Assets	537.7	619.9	82.3
Total Assets	2,402.1	2,641.6	239.5	Total Liabilities and Net Assets	2,402.1	2,641.6	239.5

Total Interest-bearing Debt	909.6	1,052.3	142.8
Equity Ratio	20.8%	22.1%	1.3%

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1. Financial Reporting

(6) Consolidated Statement of Cash Flows

(Units: ¥ billions)

	FY2015	FY2016	Change
CF from Operating Activities	216.4	53.5	(162.8)
Net Income before Tax Adjustments	(55.0)	123.0	178.0
Depreciation Expense	80.3	70.2	(10.1)
Increase in Sales Receivables and Inventory	211.0	(140.8)	(351.9)
Other	(20.0)	1.2	21.1
CF from Investing Activities	(98.1)	(214.8)	(116.8)
Purchase of Tangible Fixed Assets	(60.1)	(41.5)	18.7
Other	(37.9)	(173.4)	(135.5)
CF from Financing Activities	(105.6)	136.1	241.7
Increase (Decrease) in Borrowings, etc.	(97.4)	146.6	244.0
Other	(8.2)	(10.5)	(2.2)
Translation Gains/Losses	(5.1)	(3.6)	1.6
Increase in Cash and Cash Equivalents	7.6	(28.7)	(36.3)
Cash and Cash Equivalents - Beginning Balance	111.2	118.8	7.6
Cash and Cash Equivalents - Ending Balance	118.8	90.1	(28.7)

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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	¥3.5billion
		¥2.9 billion
Oil Exploration & Production		¥1.4 billion

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

Petroleum Products	Increase in refinery fuel costs, etc.	(¥0.3 billion)
	Inventory impact	¥1.5 billion
		¥1.2 billion
Petrochemical Products		¥0.4billion
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, GBP, etc.)

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3. Sales and Production

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

（Units:Thousand KL,%）

	FY 2015	FY 2016	Change	
Gasoline	8,207	8,109	(98)	(1.2%)
(Premium-Unleaded)	902	864	(38)	(4.2%)
(Regular-Unleaded)	7,305	7,245	(60)	(0.8%)
Naphtha	271	240	(31)	(11.3%)
Jet Fuel	1,604	1,678	74	4.6%
Kerosene	2,606	2,570	(36)	(1.4%)
Diesel Oil	6,041	6,107	67	1.1%
Heavy Fuel Oil A	2,553	2,421	(132)	(5.2%)
Heavy Fuel Oil C	2,585	2,433	(152)	(5.9%)
Toal Domestic Sales Volume	23,866	23,558	(308)	(1.3%)
Exported Volume	3,787	3,611	(176)	(4.7%)
(General Exports)	1,594	1,586	(8)	(0.5%)
Total Sales Volume	27,653	27,169	(484)	(1.8%)

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3. Sales and Production

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

(Units:Thousand tons, %)

	FY 2015	FY 2016	Change	
Petrochemical Products-Total	3,319	3,363	44	1.3%
(Basic Chemicals)	3,273	3,316	43	1.3%
(Performance Chemicals)	46	47	1	3.1%

（1）－3.Sales Volume (Lubricants)

（Units:Thousand KL,%）

	FY 2015	FY 2016	Change	
Lubricants	1,110	1,179	69	6.2%

*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	FY 2016	Change	
Norway	31.0	37.4	6.4	20.7%
United Kingdom	4.6	5.2	0.6	13.5%
Vietnam	0.4	0.3	(0.1)	(19.6%)
Total('000BOED)	36.0	43.0	7.0	19.4%
Total('000BOE)	13,138	15,726	2,589	19.7%

*Figures based on interst owned by Idemitsu Group

(1)－5. Coal – Production Volume

(Units:Thousand tons)

	FY 2015	FY 2016	Change	
Ensham	3,539	4,417	878	24.8%
Muswellbrook	1,467	1,429	(38)	(2.6%)
Boggabri	5,663	5,580	(83)	(1.5%)
Tarawonga	583	597	14	2.4%
Sub Total	11,252	12,023	771	6.9%
Malinau	1,243	1,077	(166)	(13.4%)
Total Production Volume	12,495	13,100	605	4.8%

*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,%）

	FY 2016	FY 2017(E)	Difference	
Gasoline	8,109	7,780	(329)	(4.1%)
(Premium-Unleaded)	864	840	(24)	(2.8%)
(Regular-Unleaded)	7,245	6,940	(305)	(4.2%)
Naphtha	240	260	20	8.2%
Jet Fuel	1,678	1,670	(8)	(0.5%)
Kerosene	2,570	2,430	(140)	(5.4%)
Diesel Oil	6,107	6,020	(87)	(1.4%)
Heavy Fuel Oil A	2,421	2,360	(61)	(2.5%)
Heavy Fuel Oil C	2,433	2,090	(343)	(14.1%)
Toal Domestic Sales Volume	23,558	22,610	(948)	(4.0%)
Exported Volume	3,611	3,380	(231)	(6.4%)
(General Exports)	1,586	1,430	(156)	(9.9%)
Total Sales Volume	27,169	25,990	(1,179)	(4.3%)

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3. Sales and Production

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

(Units:Thousand tons, %)

	FY 2016	FY 2017(E)	Difference	
Petrochemical Products-Total	3,363	3,390	27	0.8%
(Basic Chemicals)	3,316	3,340	24	0.7%
(Performance Chemicals)	47	50	3	6.5%

(2)－3.Sales Forecasts (Lubricants)

(Units:Thousand KL,%)

	FY 2016	FY 2017(E)	Difference	
Lubricants	1,179	1,260	81	6.9%

*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)

	FY 2016	FY 2017(E)	Difference	
Norway	37.4	30.7	(6.8)	(18.1%)
United Kingdom	5.2	4.6	(0.6)	(12.2%)
Vietnam	0.3	0.0	(0.3)	(100.0%)
Total('000BOED)	43.0	35.3	(7.7)	(17.9%)
Total('000BOE)	15,726	12,870	(2,856)	(18.2%)

*Figures based on interst owned by Idemitsu Group

(2)－5. Coal – Production Volume Forecasts

(Units:Thousand tons)

	FY 2016	FY 2017(E)	Difference	
Ensham	4,417	4,370	(47)	(1.1%)
Muswellbrook	1,429	1,500	71	5.0%
Boggabri	5,580	5,650	70	1.3%
Tarawonga	597	620	23	3.9%
Sub Total	12,023	12,140	117	1.0%
Malinau	1,077	1,200	123	11.4%
Total Production Volume	13,100	13,340	240	1.8%

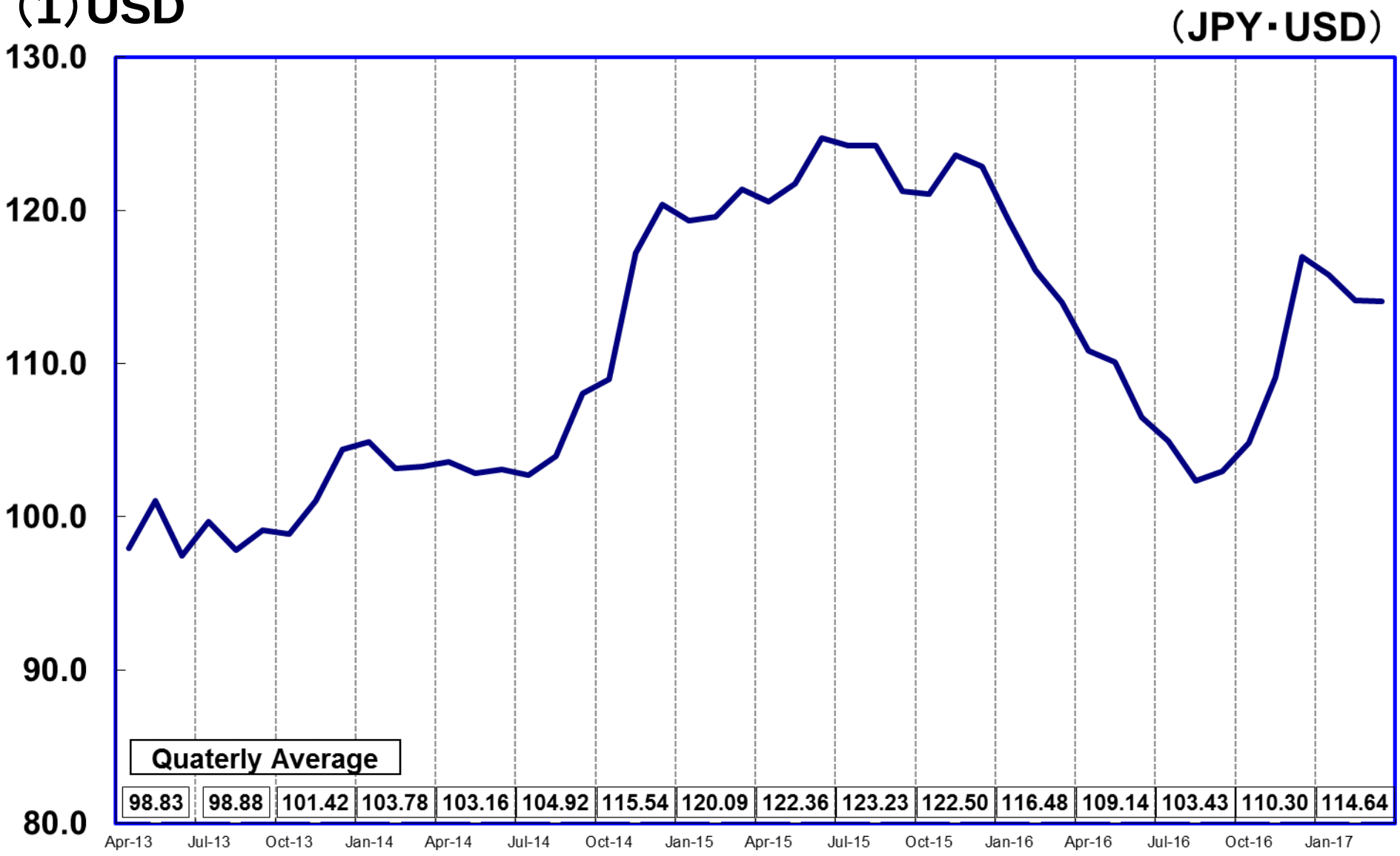
*Figures based on interst owned by Idemitsu Group

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

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4. Foreign Exchange

(1)USD



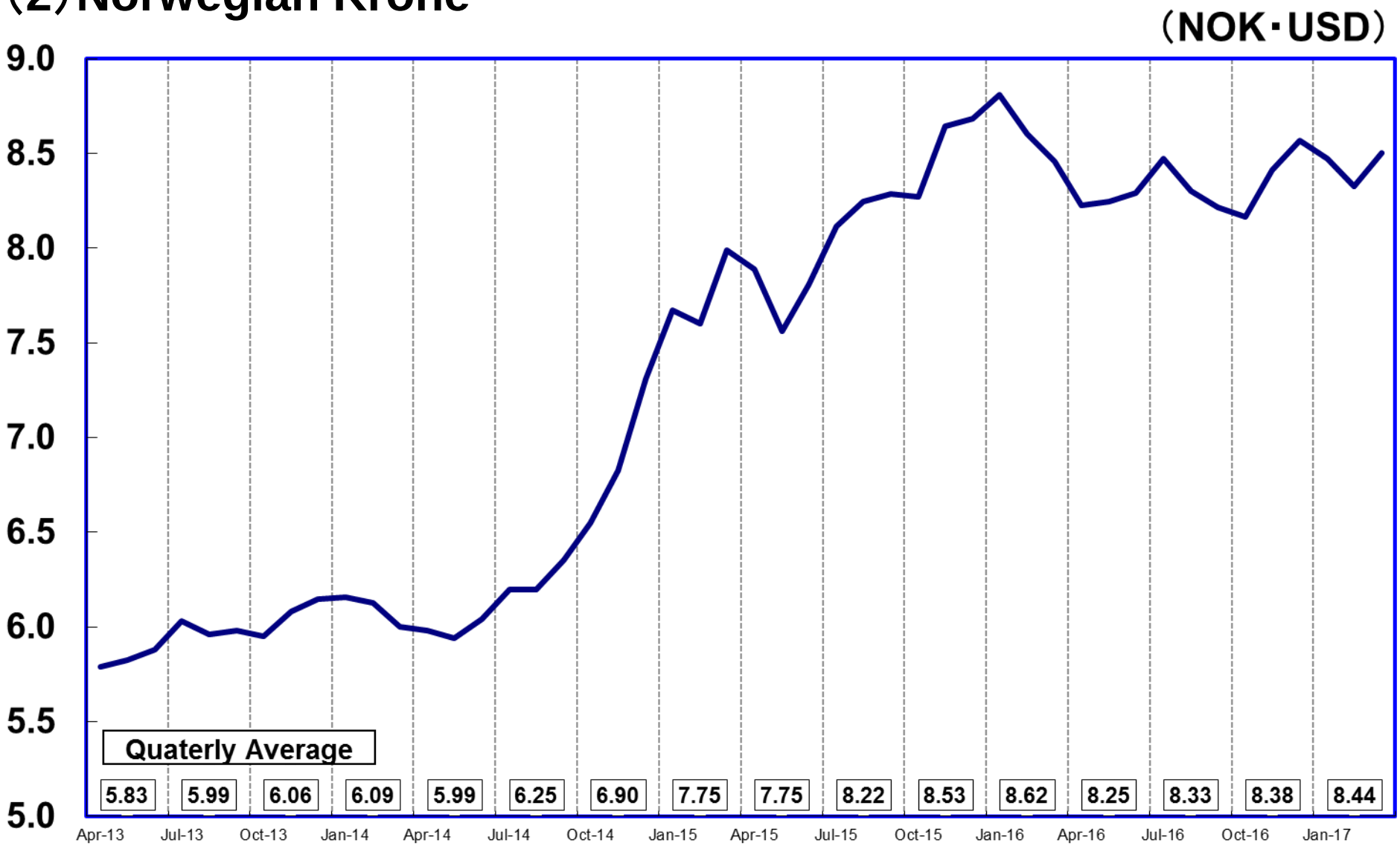
Quaterly Average

98.83	98.88	101.42	103.78	103.16	104.92	115.54	120.09	122.36	123.23	122.50	116.48	109.14	103.43	110.30	114.64

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4. Foreign Exchange

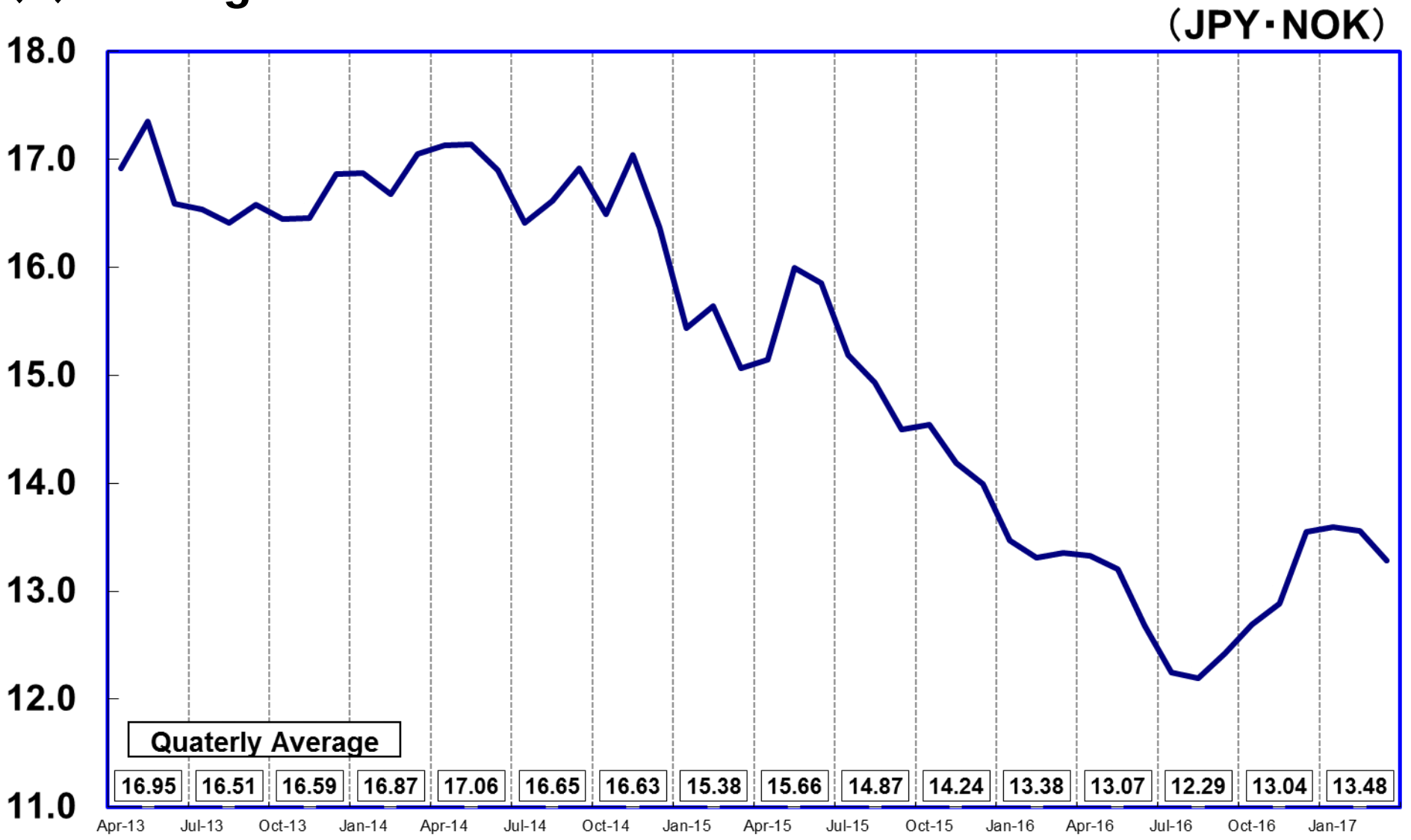
(2) Norwegian Krone



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4. Foreign Exchange

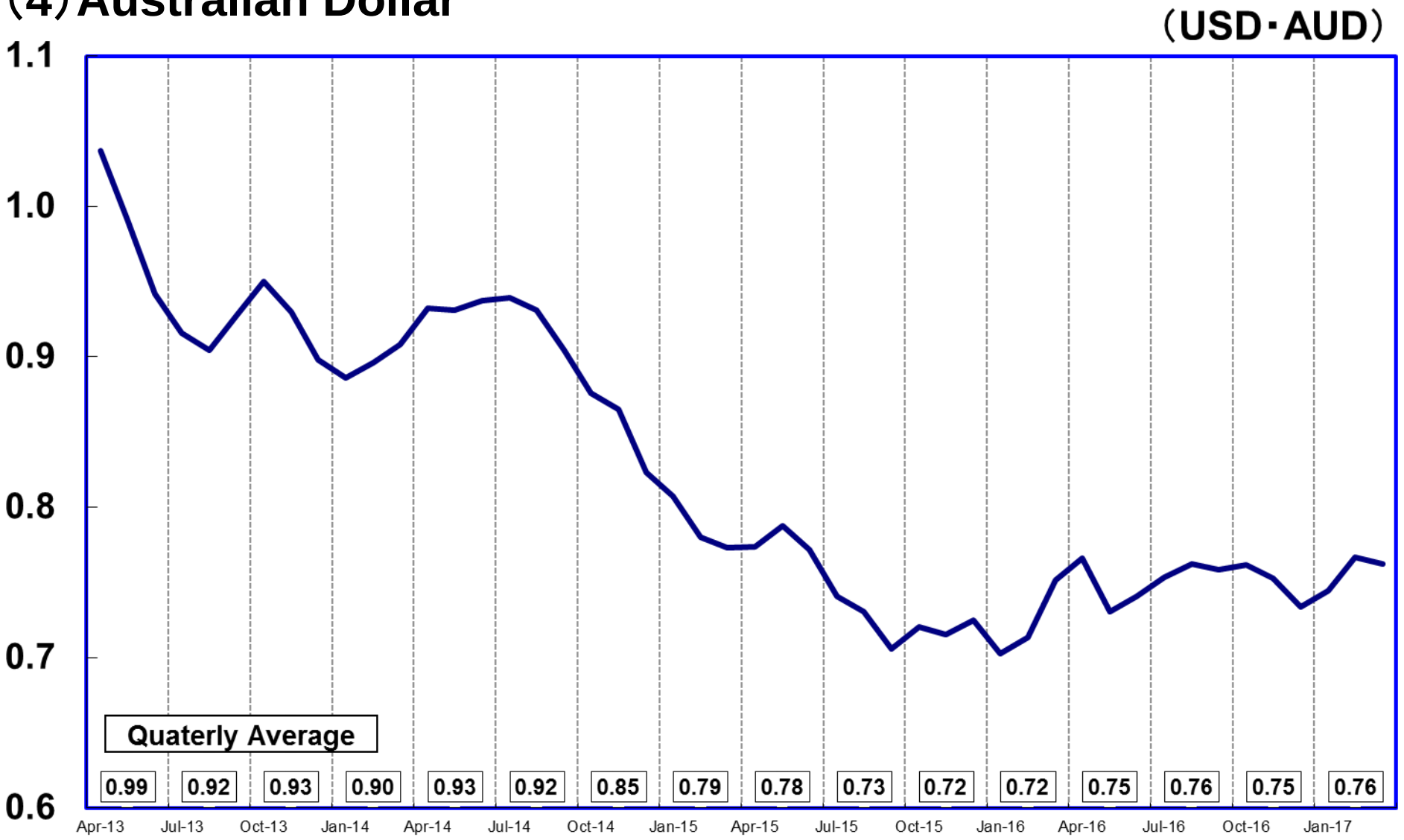
(3) Norwegian Krone



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4. Foreign Exchange

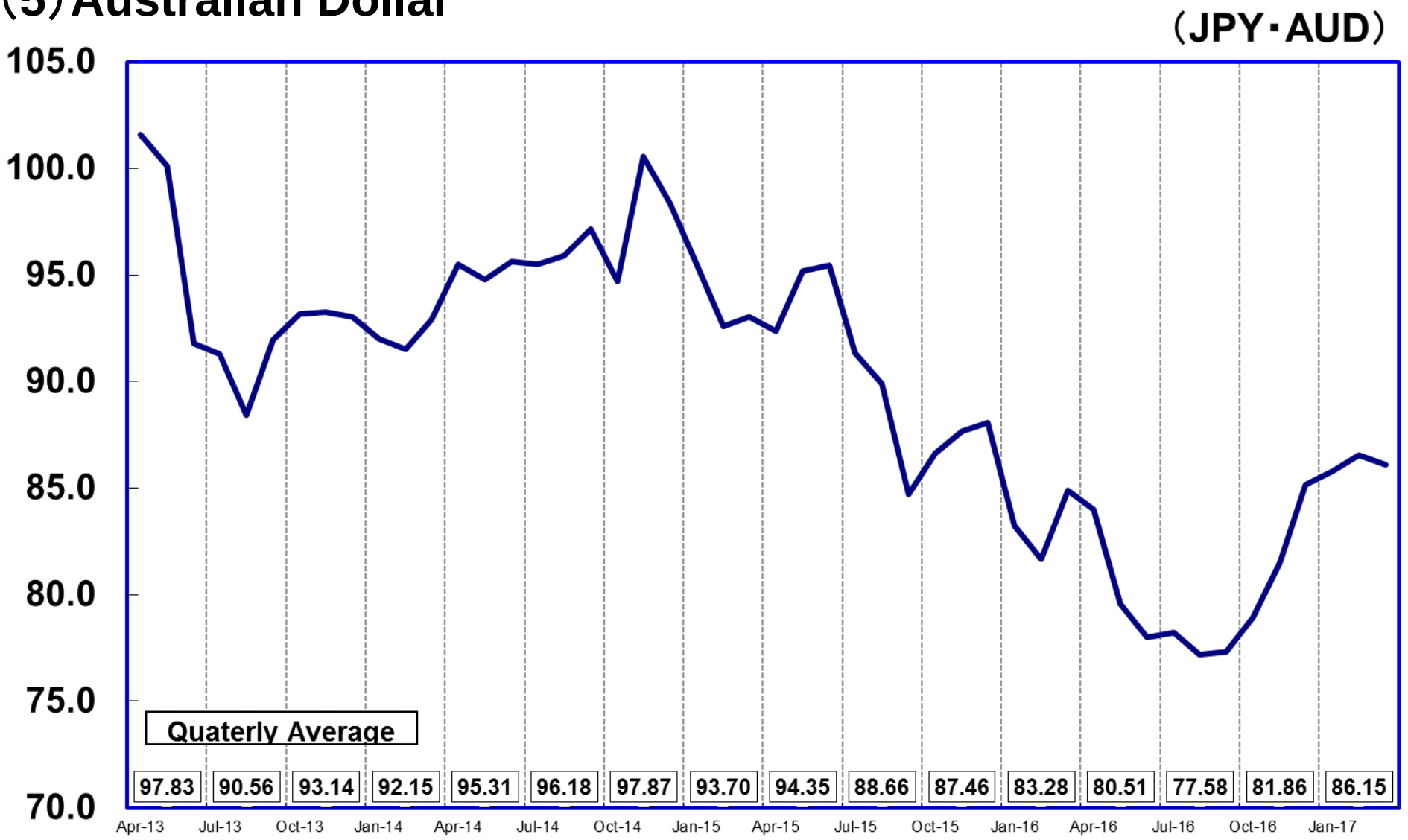
(4) Australian Dollar



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4. Foreign Exchange

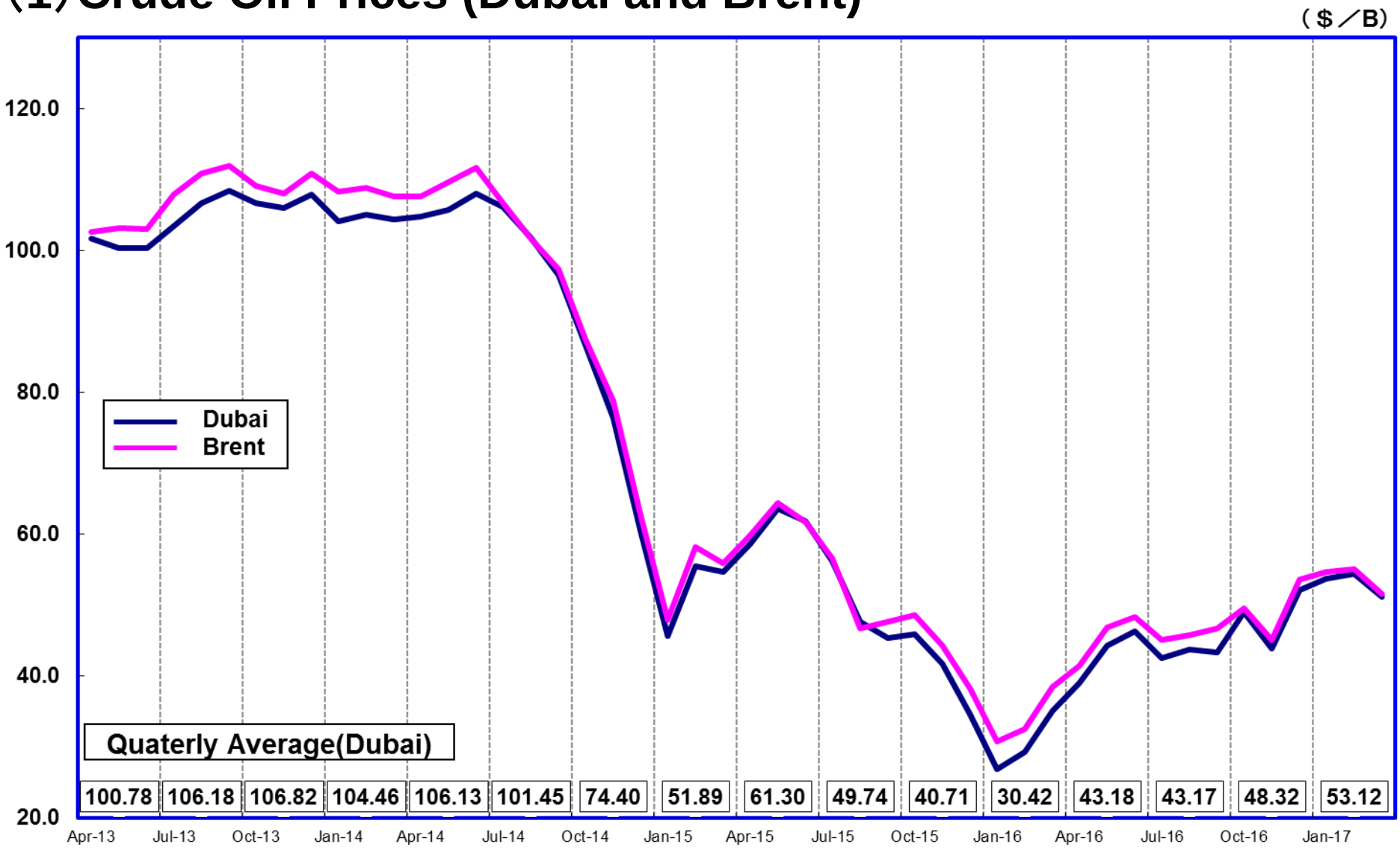
(5) Australian Dollar



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5. Market Conditions

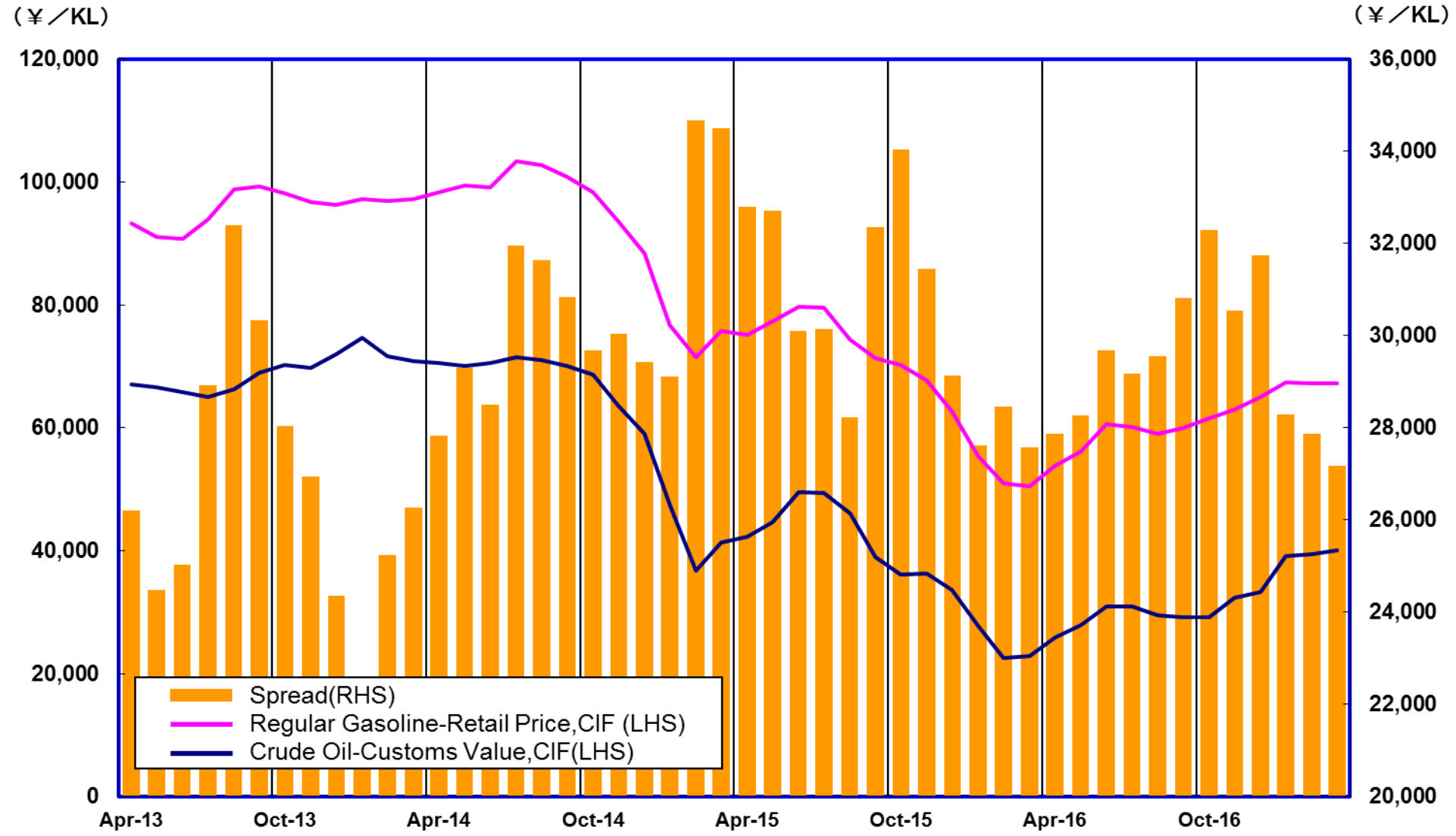
(1) Crude Oil Prices (Dubai and Brent)



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5. Market Conditions

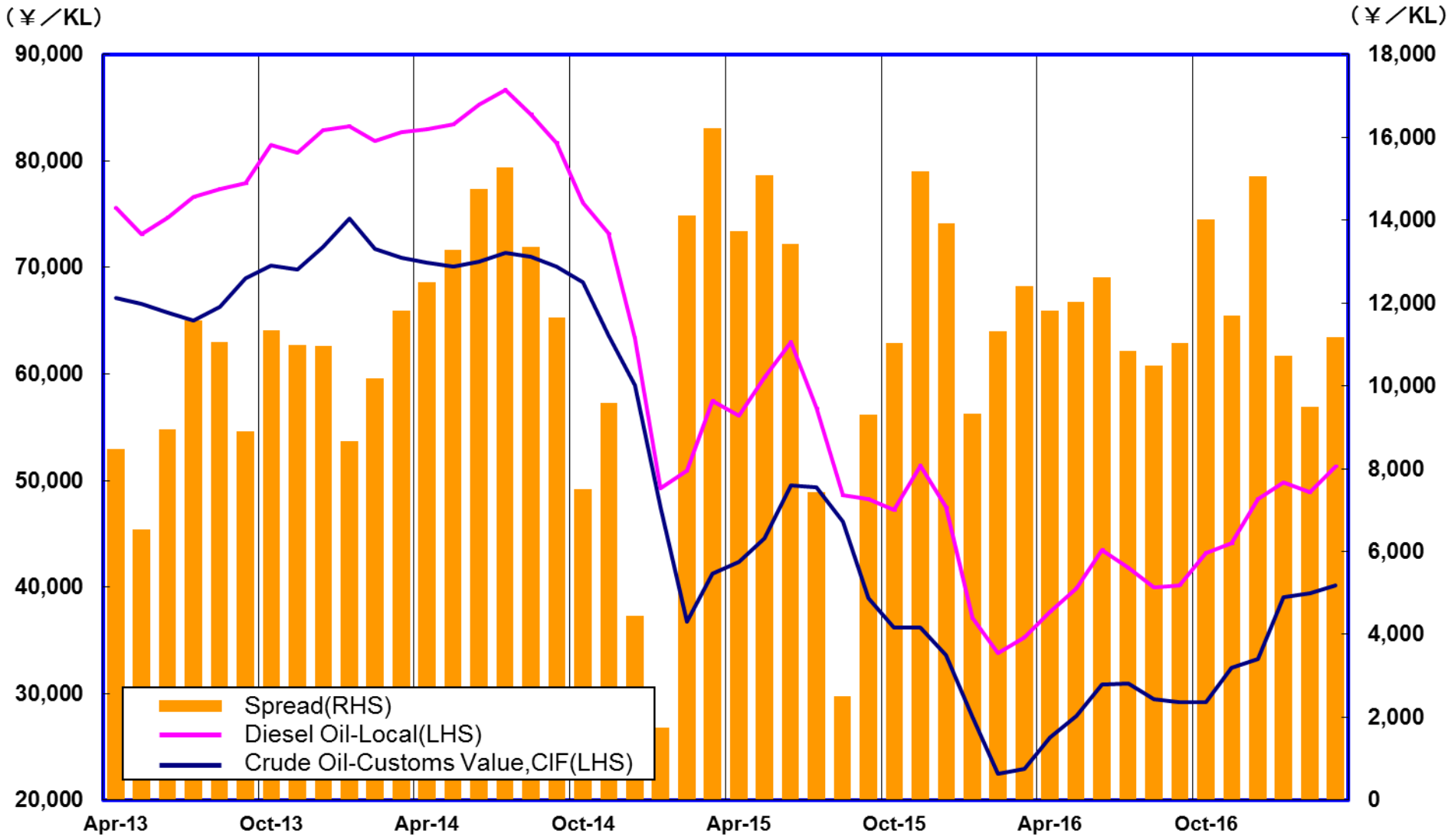
(2) Gasoline, Crude Oil CIF (Prices and Spreads)



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5. Market Conditions

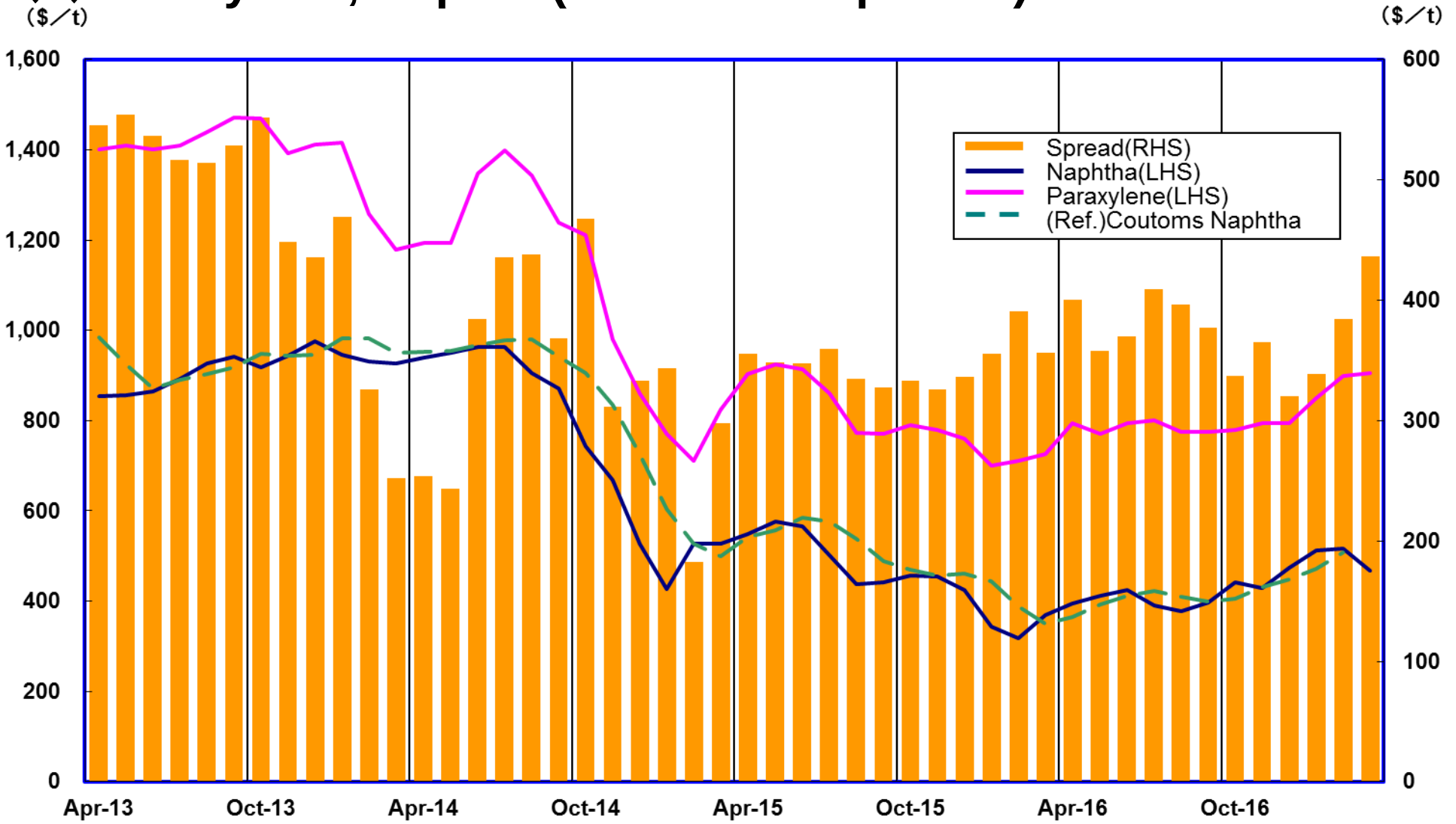
(3) Diesel Oil – Crude Oil CIF (Prices and Spreads)



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5. Market Conditions

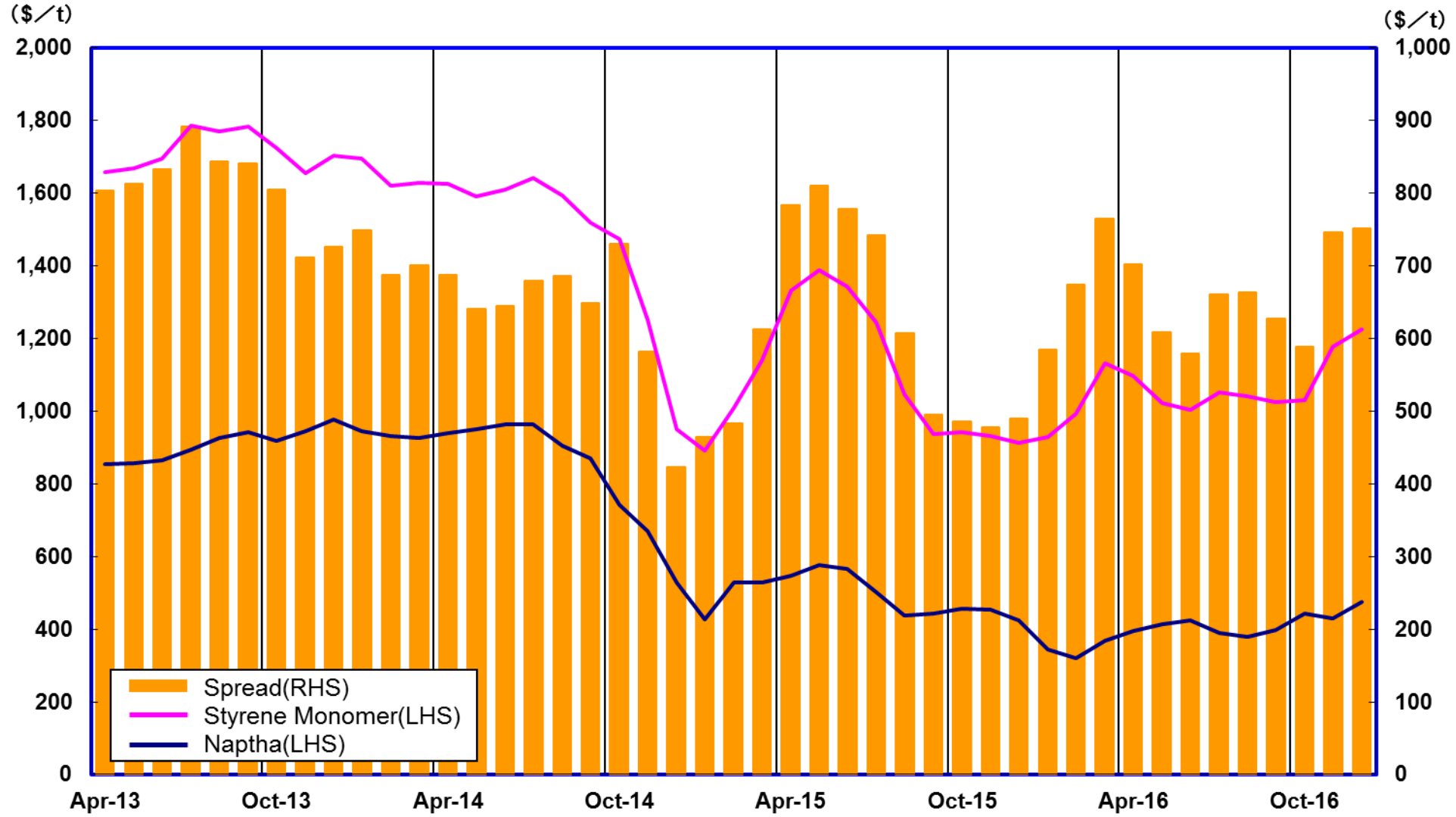
(4) Paraxylene, Naptha (Prices and Spreads)



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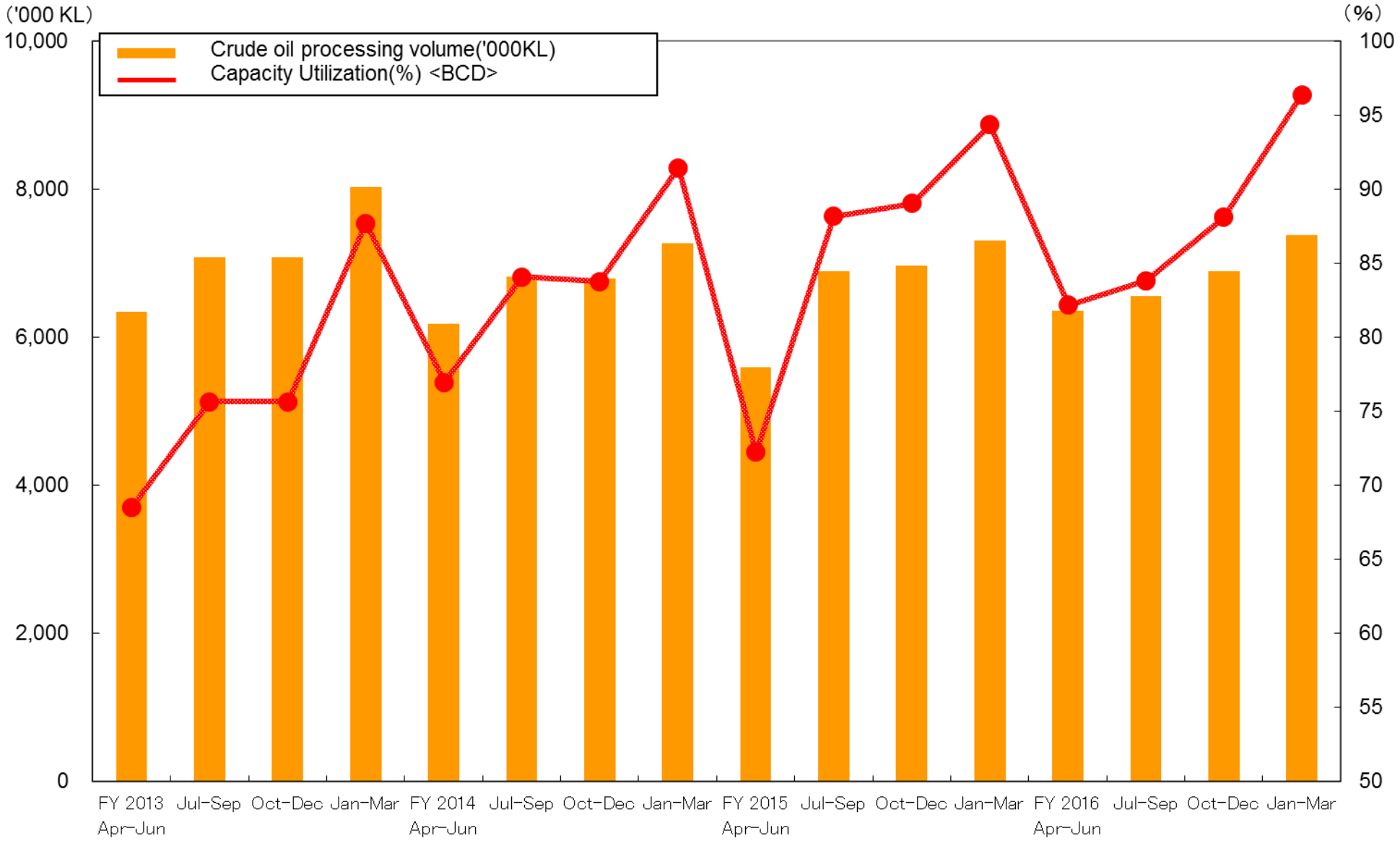
5. Market Conditions

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



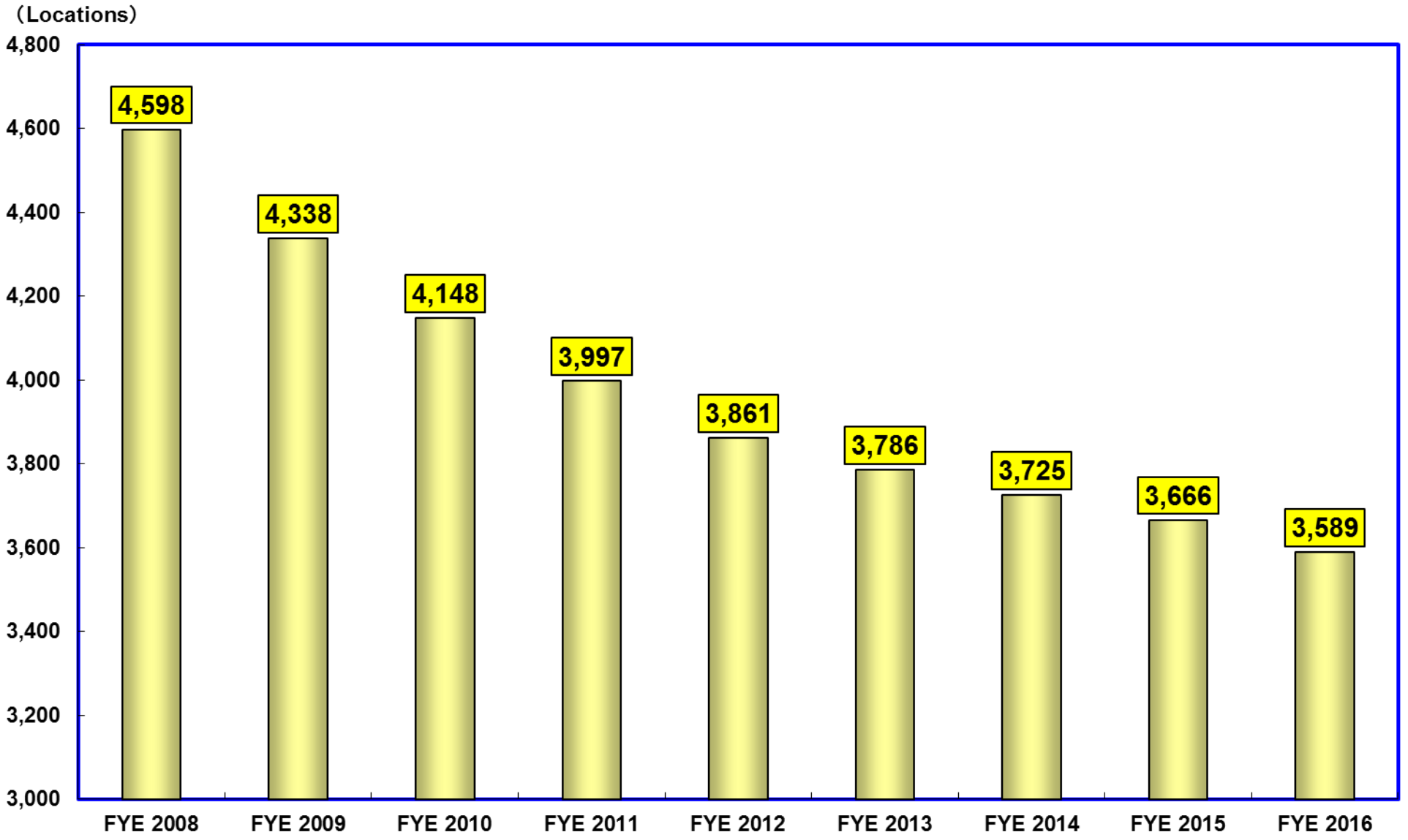
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6. Capacity Utilization at Refineries



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7. Number of Service Stations



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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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