

A vertical bar on the left side of the slide, consisting of a red upper section and a grey lower section.

# **Presentation on Results for the 1st Quarter FY2019**

**Idemitsu Kosan Co.,Ltd.**

**August 14, 2019**

# **Table of Contents**

## **1. FY 2019 1st Quarter Results**

### **(1) Overview**

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

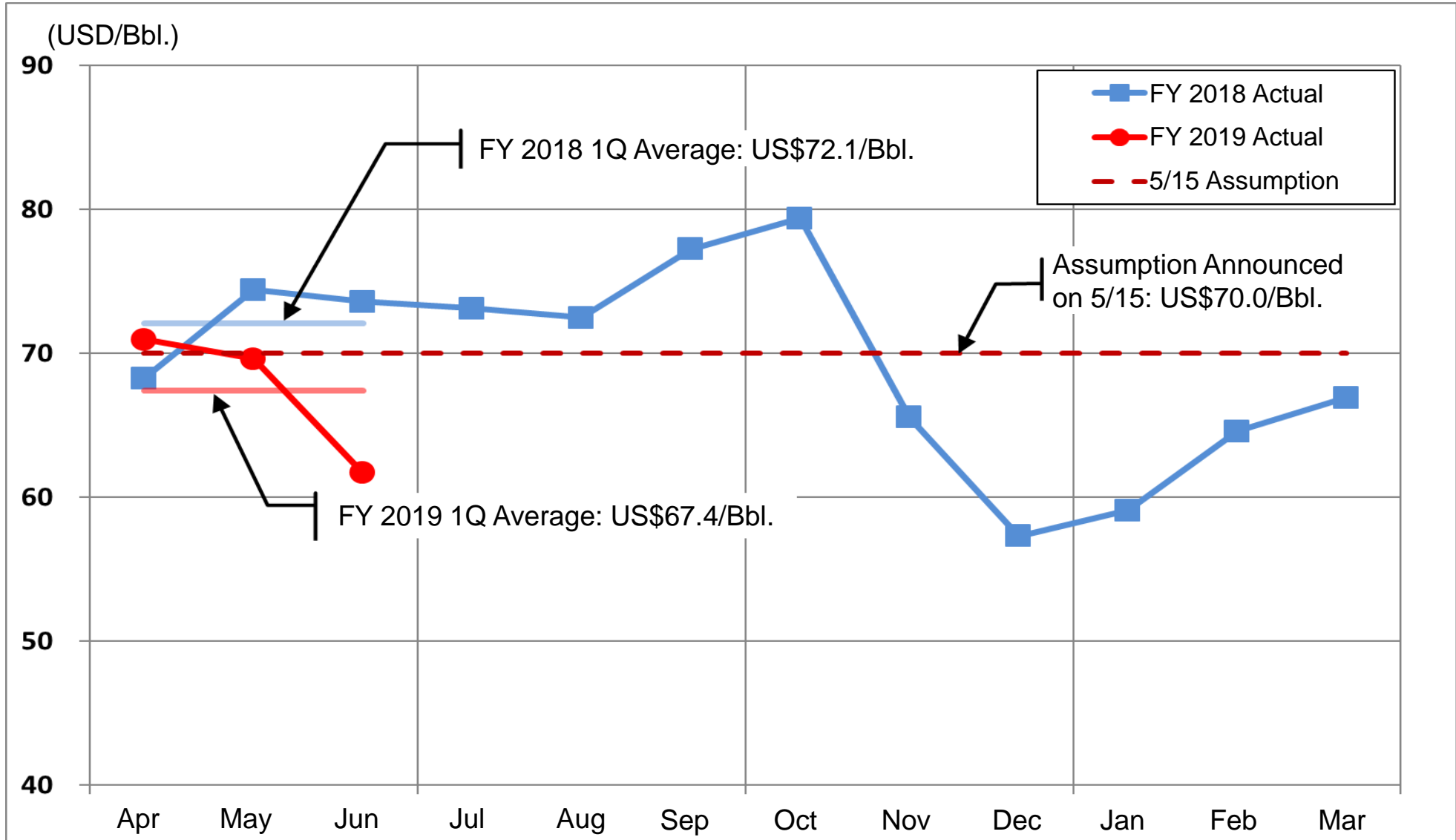
## **2. Reference Materials**

# 1. FY 2019 1st Quarter Results

- **FY 2018(E): Estimate of the total of Idemitsu Kosan and Showa Shell Sekiyu on a 100% consolidated basis**
- **Segment information: Total of operating income and equity earnings of affiliates (Equity Income)**

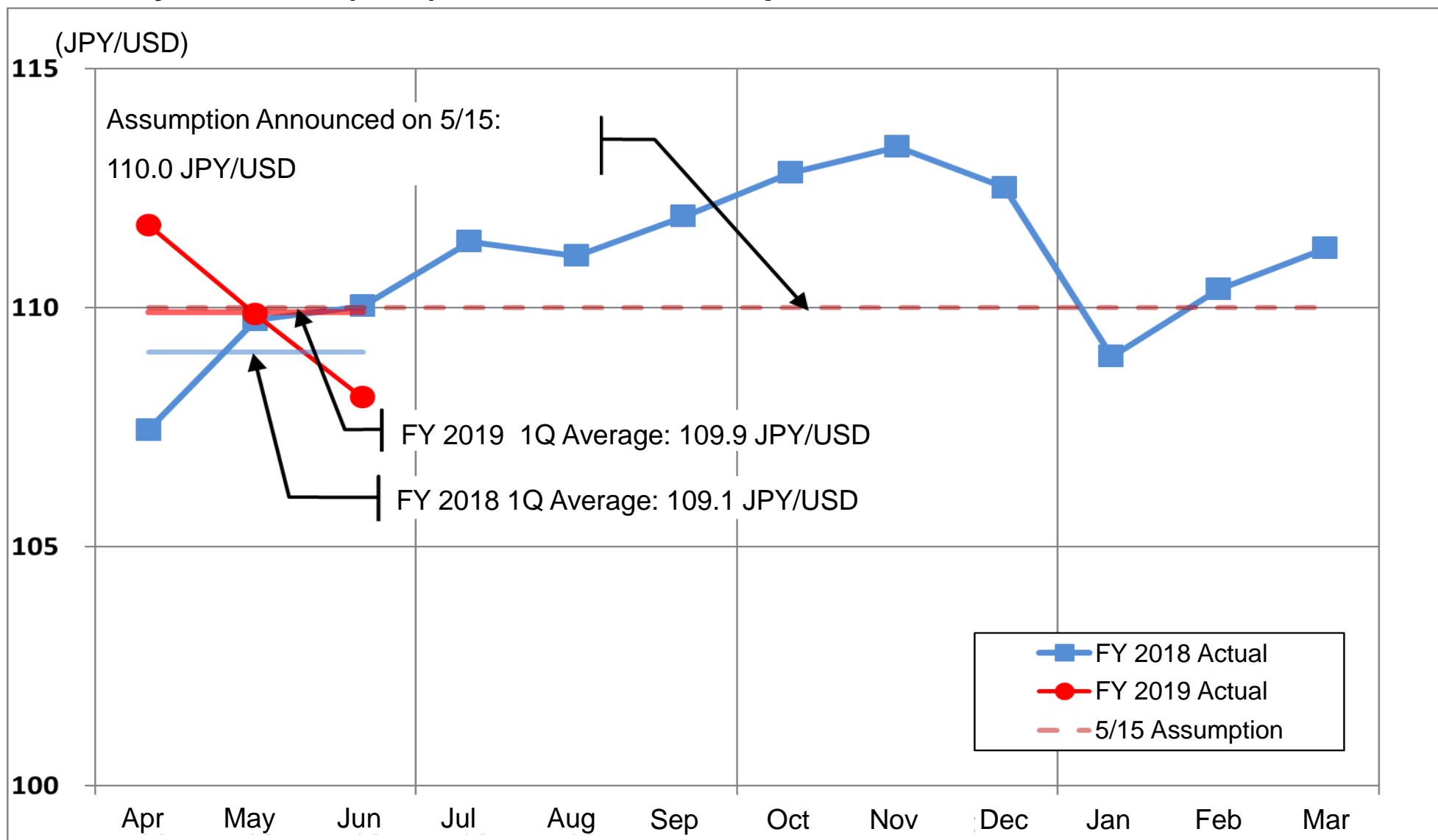
# Crude Oil Price Trends

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



# JPY/USD Exchange Rate (TTM) Trends

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



# Overview

## <FY 2019 1st Quarter Results>

- Operating income excluding inventory impact + equity income decreased by ¥48.7 billion year-on-year to ¥31.1 billion, mainly due to decreased earnings from the petroleum segment as a result of reduced refining margins impacted by declined crude prices as well as from the basic chemicals segment
- Ordinary income decreased by ¥83.1 billion year-on-year, to ¥34.6 billion. Gain from step acquisition was recorded on integration with Showa Shell Sekiyu, and as a result, net income attributable to owners of the parent decreased by ¥35.7 billion year-on-year, to ¥36.0 billion

## <FY 2019 Performance Forecasts>

- Performance forecasts announced on May 15 remain unchanged

# (1) Overview

## 1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY 2018 1Q	FY 2019 1Q	Change	
Crude Oil (Dubai)	72.1	67.4	(4.7)	(6.6%)
Crude Oil (Brent)	66.8	63.2	(3.6)	(5.3%)
Naphtha Price (Customs)	619	566	(53)	(8.5%)
Thermal Coal (NEWC)	102.6	95.8	(6.8)	(6.6%)
Exchange Rate (TTM)	109.1	109.9	0.8	0.8%

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

## 2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	FY 2018 1Q(E)	FY 2019 1Q	Change	
Net Sales	1,664.3	1,476.3	(187.9)	(11.3%)
Operating Income + Equity Income	116.3	32.7	(83.6)	(71.9%)
<i>(Inventory impact)</i>	36.6	1.7	(34.9)	(95.4%)
<i>(Excluding inventory impact)</i>	79.7	31.1	(48.7)	(61.0%)
Ordinary Income	117.7	34.6	(83.1)	(70.6%)
Extraordinary Gain/Loss	(2.8)	17.9	20.7	—
Net Income Attributable to Owners of the Parent	71.7	36.0	(35.7)	(49.8%)
<i>(Excluding inventory impact)</i>	46.3	34.8	(11.5)	(24.8%)

\* 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 + Equity Income

(Units: ¥ billions)

	FY 2018 1Q(E)	FY2019 1Q	Change	
<b>Petroleum</b>	73.0	5.2	(67.8)	(92.9%)
<i>(Excluding inventory impact)</i>	36.4	3.5	(32.9)	(90.3%)
<b>Basic Chemicals</b>	16.0	5.9	(10.1)	(63.3%)
<b>Functional Materials</b>	9.2	6.4	(2.7)	(29.8%)
<b>Power and Renewable Energy</b>	0.4	0.8	0.4	88.4%
<b>Resources</b>	19.8	16.2	(3.7)	(18.5%)
<i>Oil Exploration and Production</i>	9.0	6.7	(2.3)	(25.3%)
<i>Coal</i>	10.9	9.5	(1.4)	(13.0%)
<b>Others/Reconciliation</b>	(2.2)	(1.8)	0.4	—
<b>Total</b>	116.3	32.7	(83.6)	(71.9%)
<i>(Excluding inventory impact)</i>	79.7	31.1	(48.7)	(61.0%)

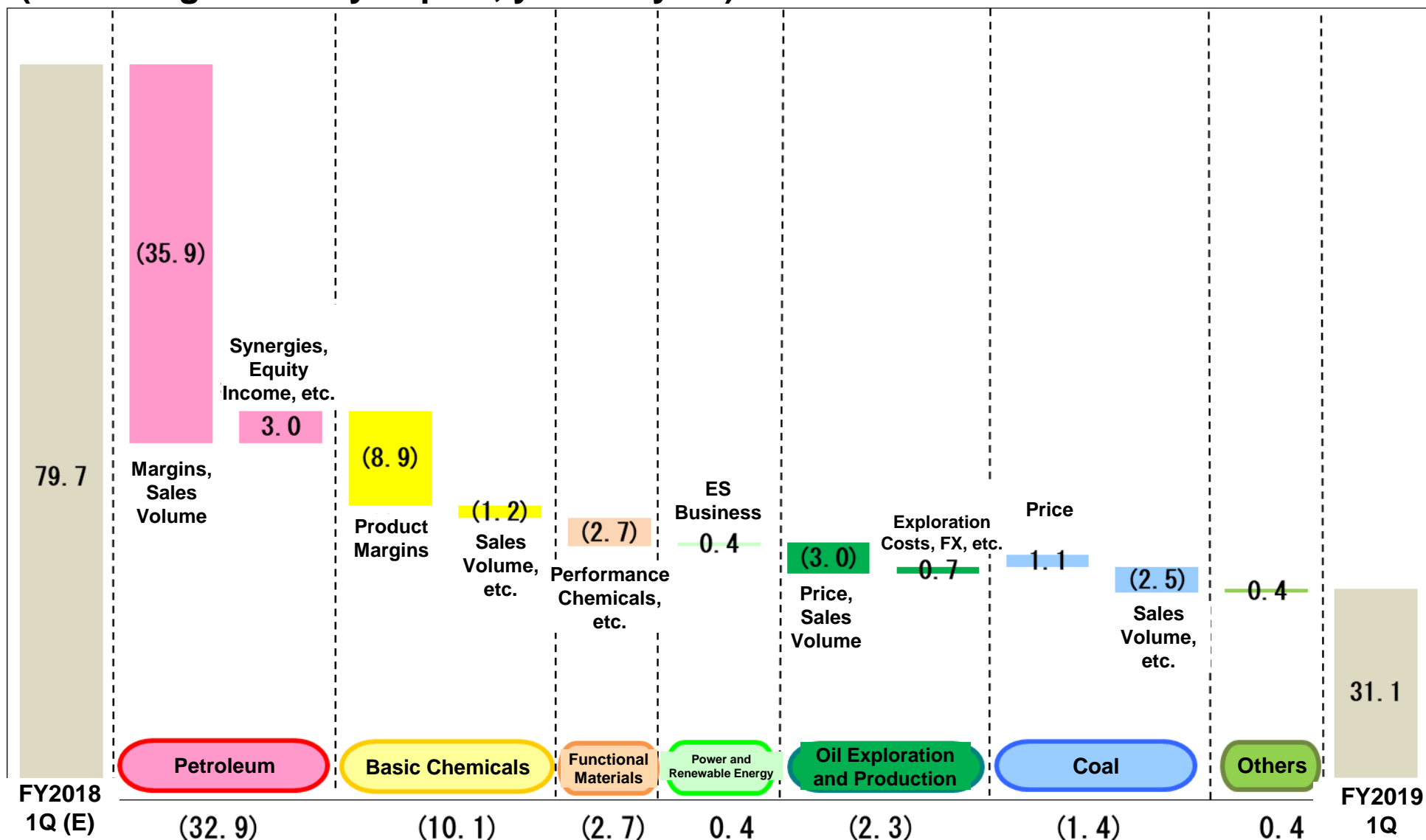
\* Fiscal years for Australian coal operations and Oil Exploration and Production included in the Resources Business end in December



# (2) Segment Information

## 2) Analysis of Factors Affecting Operating Income + Equity Income (Excluding inventory impact, year-on-year)

(Units: ¥ billions)



# Reference Materials

# **Table of Contents**

**1. Overview of the New  
Integrated Company**

**2. Financial Reporting**

**(1) FY 2019 Performance  
Forecasts Announced  
on May 15**

**(2) FY 2019 1st Quarter  
Results**

**3. Sensitivity**

**4. Sales and Production  
(1) Sales/Production  
Volume**

**5. Market Conditions**

**6. Refineries Utilization**

**7. Number of Service  
Stations**

# 1. Overview of the New Integrated Company

## Petroleum Segment

Refining capacity: 945,000 BD \*<sub>1</sub>

Domestic fuel oil sales volume:  
43.0 million KL/year

Number of service stations: 6,500

## Basic Chemicals Segment

Production Capacity

Ethylene: 1 mil tons/year

Paraxylene/mixed xylene: 1.28 mil tons/year

Styrene monomers: 0.75 mil tons/year

## Power and Renewable Energy Segment

Power generation capacity: 800MW  
(Renewable energy: 200MW)

Solar panel production capacity: 1GW/year

## Functional Materials Segment

(Lubricants, performance chemicals, electronic materials, functional asphalt, agricultural-biotechnology, solid electrolyte)

Lubricants sales volume: 1.3 mil KL/year \*<sub>2</sub>

Performance chemicals production capacity  
Engineering plastics: 110,000 tons/year  
Adhesive materials: 76,000 tons/year

OLED materials production capacity:  
10 tons/year

## Resources Segment

Crude oil production: 27,000 BD

Thermal coal production:  
12 million tons/year

\*<sub>1</sub> 1,090,000 barrels/day when adding the crude oil refining capacity of Fuji Oil, Co.,Ltd with which a petroleum products trade agreement has been signed

\*<sub>2</sub> Lubricants sales volume excludes sales by Shell Lubricants Japan K.K.

## 2. Financial Reporting

### (1) FY 2019 Performance Forecasts Announced on May 15

#### 1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2018(E)	FY2019 Forecast	Change	
Crude Oil (Dubai)	69.3	70.0	0.7	1.0%
Crude Oil (Brent)	71.0	72.0	1.0	1.4%
Naphtha Price (Customs)	621	650	29	4.7%
Thermal Coal (NEWC)	107.1	93.0	(14.1)	(13.1%)
Exchange Rate (TTM)	110.8	110.0	(0.8)	(0.7%)

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

#### 2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	FY2018(E)	FY2019 Forecast	Change	
Net Sales	6,866.6	6,790.0	(76.6)	(1.1%)
Operating Income	229.1	220.0	(9.1)	(4.0%)
+ Equity Income				
<i>(Inventory impact)</i>	10.8	0.0	(10.8)	(100.0%)
<i>(Excluding inventory impact)</i>	218.3	220.0	1.7	0.8%
Ordinary Income	236.5	228.5	(8.0)	(3.4%)
Extraordinary Gain/Loss	(55.7)	10.0	65.7	—
Net Income Attributable to Owners of the Parent	94.5	160.0	65.5	69.3%
<i>(Excluding inventory impact)</i>	87.0	160.0	73.0	83.9%

\* 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

## 2. Financial Reporting

### (1) FY 2019 Performance Forecasts Announced on May 15

### 3) Segment Information (Operating Income + Equity Income) (Units: ¥ billions)

	FY2018(E)	FY2019 Forecast	Change	
<b>Petroleum</b>	79.8	78.0	(1.8)	(2.3%)
<i>(Excluding inventory impact)</i>	69.0	78.0	9.0	13.0%
<b>Basic Chemicals</b>	50.4	45.5	(4.9)	(9.8%)
<b>Functional Materials</b>	33.2	39.0	5.8	17.4%
<b>Power and Renewable Energy</b>	(7.5)	2.0	9.5	—
<b>Resources</b>	88.5	61.0	(27.5)	(31.1%)
<i>Oil Exploration and Production</i>	37.1	21.0	(16.1)	(43.4%)
<i>Coal</i>	51.5	40.0	(11.5)	(22.3%)
<b>Others/Reconciliation</b>	(15.4)	(5.5)	9.9	—
<b>Total</b>	229.1	220.0	(9.1)	(4.0%)
<i>(Excluding inventory impact)</i>	218.3	220.0	1.7	0.8%

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

## 2. Financial Reporting

### (2) FY 2019 1st Quarter Results

#### 1) Net Sales by Segment

(Units: ¥ billions)

	FY 2018 1Q (E)	FY 2019 1Q	Change	
<b>Petroleum</b>	1,299.9	1,169.5	(130.3)	(10.0%)
<b>Basic Chemicals</b>	154.1	113.5	(40.6)	(26.4%)
<b>Functional Materials</b>	106.9	97.1	(9.8)	(9.2%)
<b>Power and Renewable Energy</b>	34.6	29.3	(5.3)	(15.4%)
<b>Resources</b>	68.1	66.4	(1.7)	(2.6%)
<i>(Oil Exploration and Production)</i>	20.3	15.3	(5.0)	(24.6%)
<i>(Coal)</i>	47.8	51.1	3.2	6.8%
<b>Others/Reconciliation</b>	0.6	0.5	(0.1)	(19.3%)
<b>Total</b>	1,664.3	1,476.3	(187.9)	(11.3%)

## 2. Financial Reporting

### (2) FY 2019 1st Quarter Results

#### 2) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY 2018 1Q (E)	FY 2019 1Q	Change
Gain on Sales of Fixed Assets	0.2	1.9	1.7
Gain on Sales of affiliate Stock	0.2	0.0	(0.2)
Gain on Transfer of business	2.3	0.0	(2.3)
Other	6.4	18.6	12.2
<b>Total Extraordinary Gains</b>	<b>9.1</b>	<b>20.5</b>	<b>11.4</b>
Loss on Sale and Depletion of Fixed Assets	0.6	1.6	1.1
Impairment Losses	10.4	0.0	(10.4)
Other	0.9	1.0	0.1
<b>Total Extraordinary Losses</b>	<b>11.9</b>	<b>2.6</b>	<b>(9.3)</b>
<b>Total Extraordinary Gains/Losses</b>	<b>(2.8)</b>	<b>17.9</b>	<b>20.7</b>



## 2. Financial Reporting

### (2) FY 2019 1st Quarter Results

### 3) Extraordinary Gains/Losses

(Units: ¥ billions)

	4/1/2019	6/30/2019	Change		4/1/2019	6/30/2019	Change
Cash and Deposits	141.7	117.8	(23.9)	Total Current Liabilities	1,781.2	1,700.0	(81.2)
Receivables, Inventory, etc.	1,677.8	1,593.8	(84.0)	Total Fixed Liabilities	1,060.4	1,054.2	(6.2)
Total Current Assets	1,819.5	1,711.6	(107.9)	Total Liabilities	2,841.6	2,754.2	(87.4)
Fixed Assets	1,410.4	1,440.7	30.3	Shareholders' Equity/ Other Comprehensive Income	1,255.6	1,264.6	9.0
Other Fixed Assets	920.5	918.8	(1.7)	Noncontrolling Interests	53.2	52.3	(0.9)
Total Fixed Assets	2,330.9	2,359.6	28.7	Total Net Assets	1,308.8	1,317.0	8.2
Total Assets	4,150.4	4,071.2	(79.2)	Total Liabilities and Net Assets	4,150.4	4,071.2	(79.2)

※Assets to be amortized associated with integration:  
¥315.0 billion

Net D/E Ratio (X)	0.75	0.84	0.1
Net Interest-bearing Debt	1,077.1	1,185.3	108.2
Equity Ratio (%)	30.3%	31.1%	0.8%

### 3. Sensitivity

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

<b>Petroleum</b>	<b>Increase in refinery fuel costs, etc.</b>	<b>( ¥ 1.0billion)</b>
	<b>Inventory impact</b>	<b>¥ 5.0 billion</b>
		<b>¥ 4.0 billion</b>
<b>Oil Exploration &amp; Production</b>		<b>¥ 1.0 billion</b>

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

<b>Petroleum</b>	<b>Decrease in refinery fuel costs, etc.</b>	<b>¥ 0.5 billion</b>
	<b>Inventory impact</b>	<b>( ¥ 3.0 billion)</b>
		<b>( ¥ 2.5 billion)</b>
<b>Basic Chemicals</b>		<b>( ¥ 0.5 billion)</b>
<b>Oil Exploration &amp; Production</b>		<b>—</b>

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

## 4. Sales and Production

### (1)–1.Sales Volume (Petroleum Segment)

(Units:Thousand KL,%)

	FY 2018 1Q (E)	FY 2019 1Q	Change	
Gasoline	3,708	3,513	(195)	(5.3%)
Naphtha	110	25	(85)	(76.9%)
Jet Fuel	1,287	1,293	6	0.5%
Kerosene	530	578	49	9.2%
Diesel Oil	2,758	2,665	(93)	(3.4%)
Heavy Fuel Oil A	851	781	(71)	(8.3%)
Heavy Fuel Oil C	910	717	(193)	(21.2%)
Toal Domestic Sales Volume	10,154	9,573	(581)	(5.7%)
Exported Volume	1,380	529	(852)	(61.7%)
Total Sales Volume	11,534	10,101	(1,433)	(12.4%)

## 4. Sales and Production

### (1)–2.Sales Volume (Basic Chemicals Segment)

(Units:Thousand tons, %)

	FY 2018 1Q(E)	FY 2019 1Q	Change	
Basic Chemicals	1,116	1,047	(69)	(6.2%)

### (1)–3.Sales Volume (Functional Materials Segment)

(Units:Thousand KL,Thousand tons,%)

	FY 2018 1Q	FY 2019 1Q	Change	
Lubricants	312	301	(11)	(3.5%)
Performance Chemicals	114	103	(11)	(9.6%)

\*Includes sales of overseas licenses

\*Lubricant oil sales volume excludes sales by Shell Lubricants Japan K.K.

### (1)–4.Sales Volume (Power and Renewable Energy Segment)

(Units:Million kWh, %)

	FY 2018 1Q(E)	FY 2019 1Q	Change	
Retail Power Sales	490	593	103	21.0%

## 4. Sales and Production

### (1) – 5. Oil E&P – Production Volume ,including Gas (Resources Segment)

(Units:Thousand BOED)

	FY 2018 1Q	FY 2019 1Q	Change	
Norway	28.8	24.0	(4.8)	(16.7%)
<b>Total('000BOE)</b>	<b>2,589</b>	<b>2,156</b>	<b>(433)</b>	<b>(16.7%)</b>

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

### (1) – 6. Coal – Production Volume (Resources Segment)

(Units:Thousand tons)

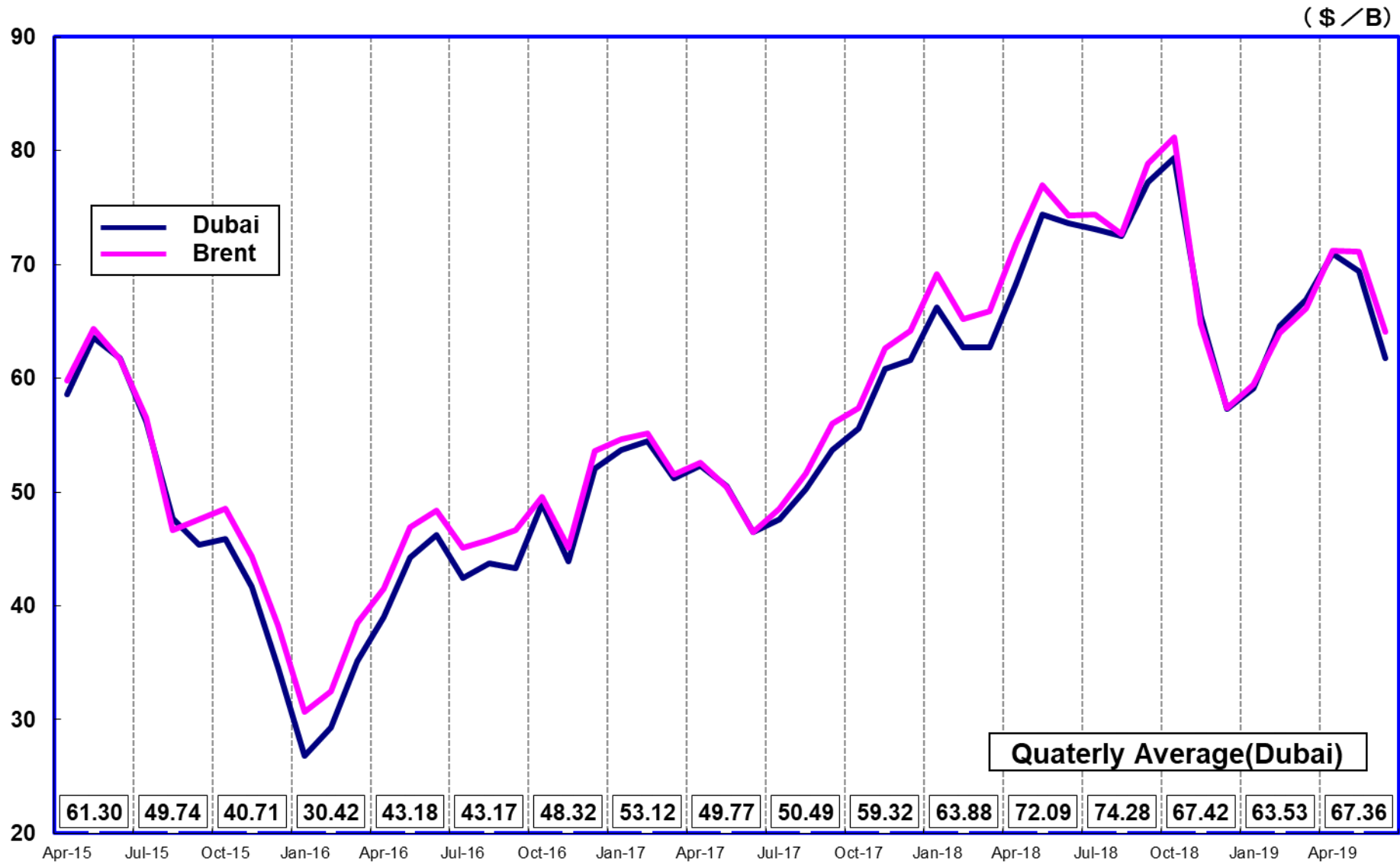
	FY 2018 1Q	FY 2019 1Q	Change	
Ensham	959	1,008	49	5.1%
Muswellbrook	388	338	(50)	(12.8%)
Boggabri	1,151	1,194	43	3.8%
Tarawonga	163	0	(163)	(100.0%)
<b>Sub Total</b>	<b>2,661</b>	<b>2,540</b>	<b>(120)</b>	<b>(4.5%)</b>
Malinau	321	328	6	2.0%
<b>Total Production Volume</b>	<b>2,982</b>	<b>2,868</b>	<b>(114)</b>	<b>(3.8%)</b>

\*Figures based on interest owned by Idemitsu Group

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

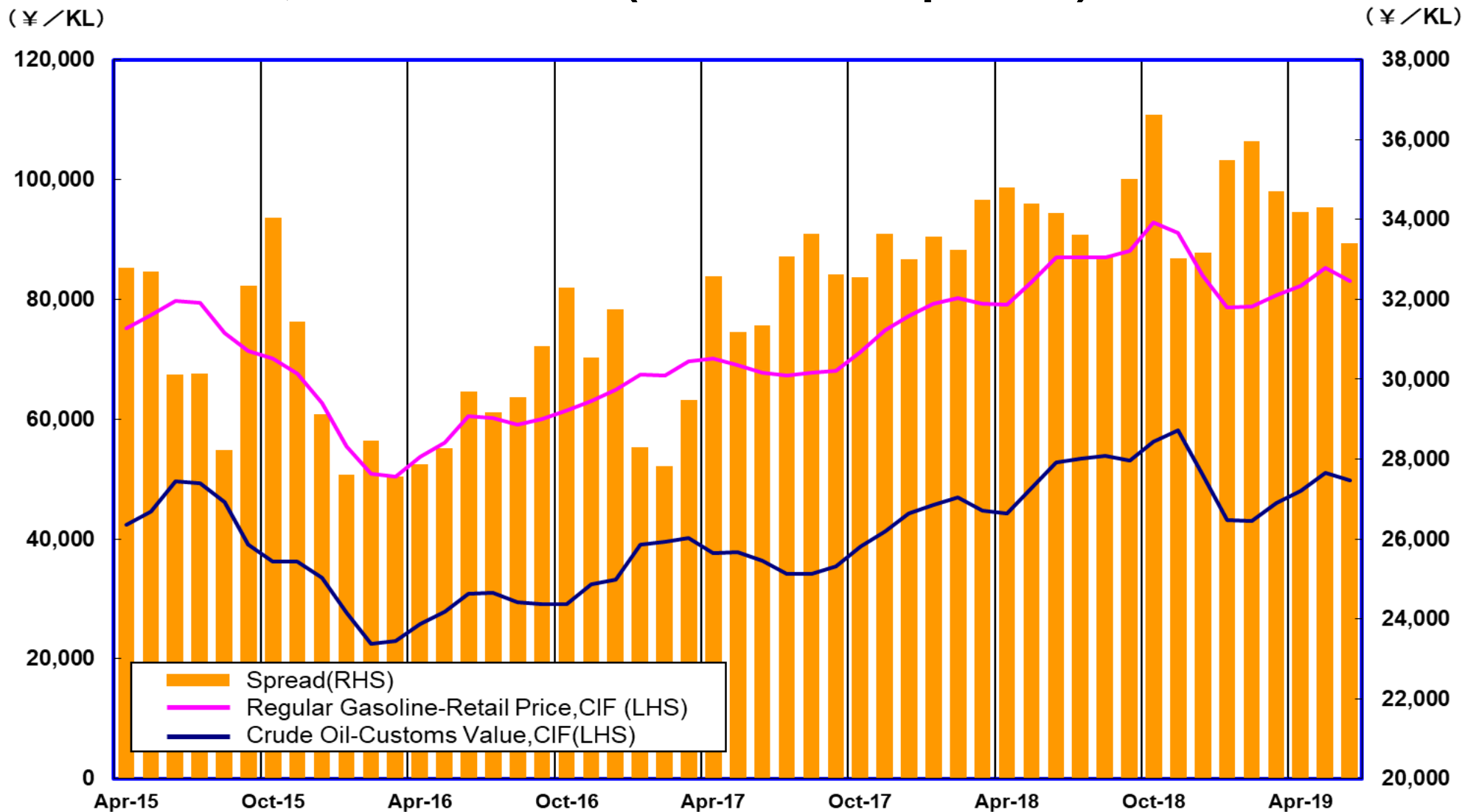
# 5. Market Conditions

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



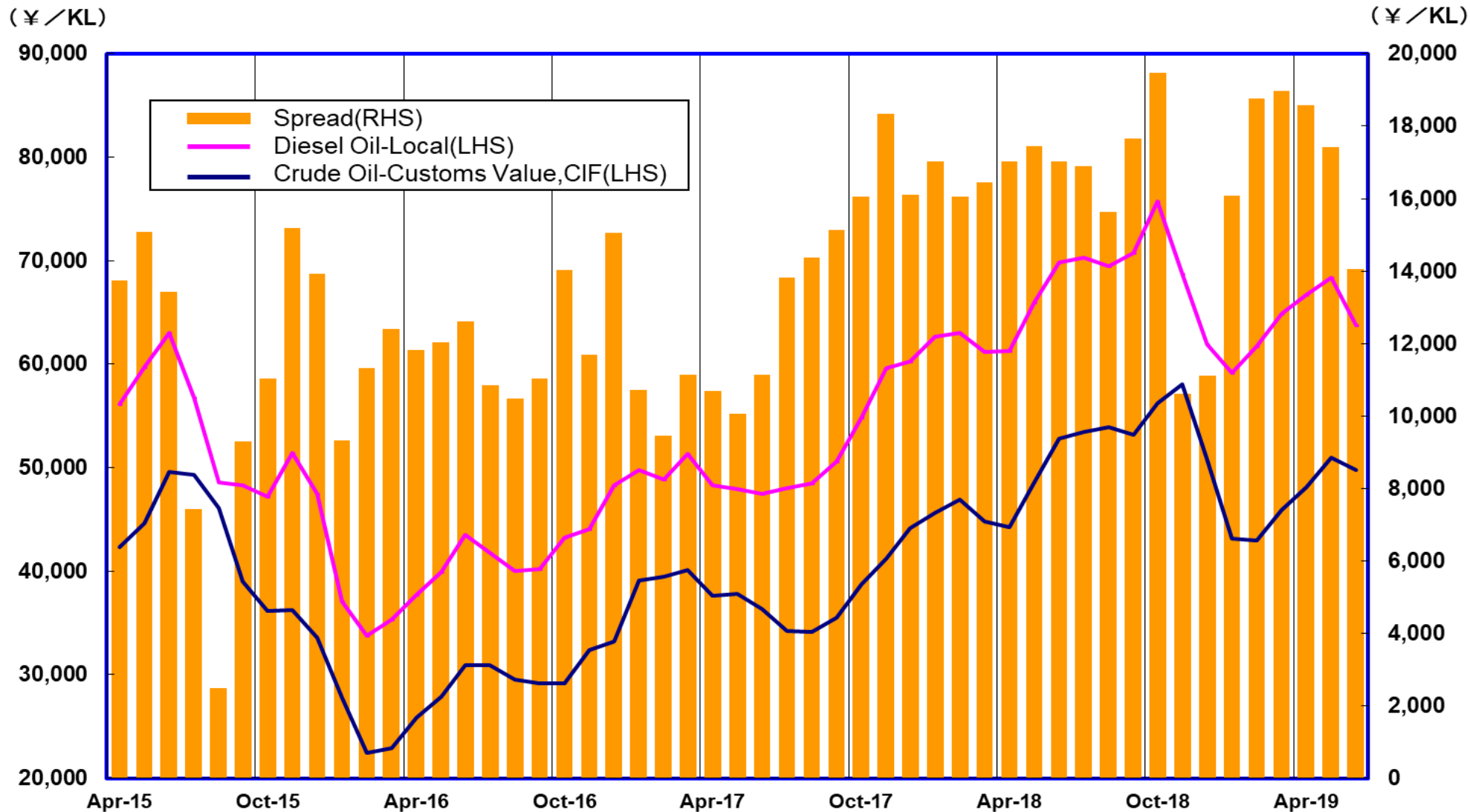
# 5. Market Conditions

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



# 5. Market Conditions

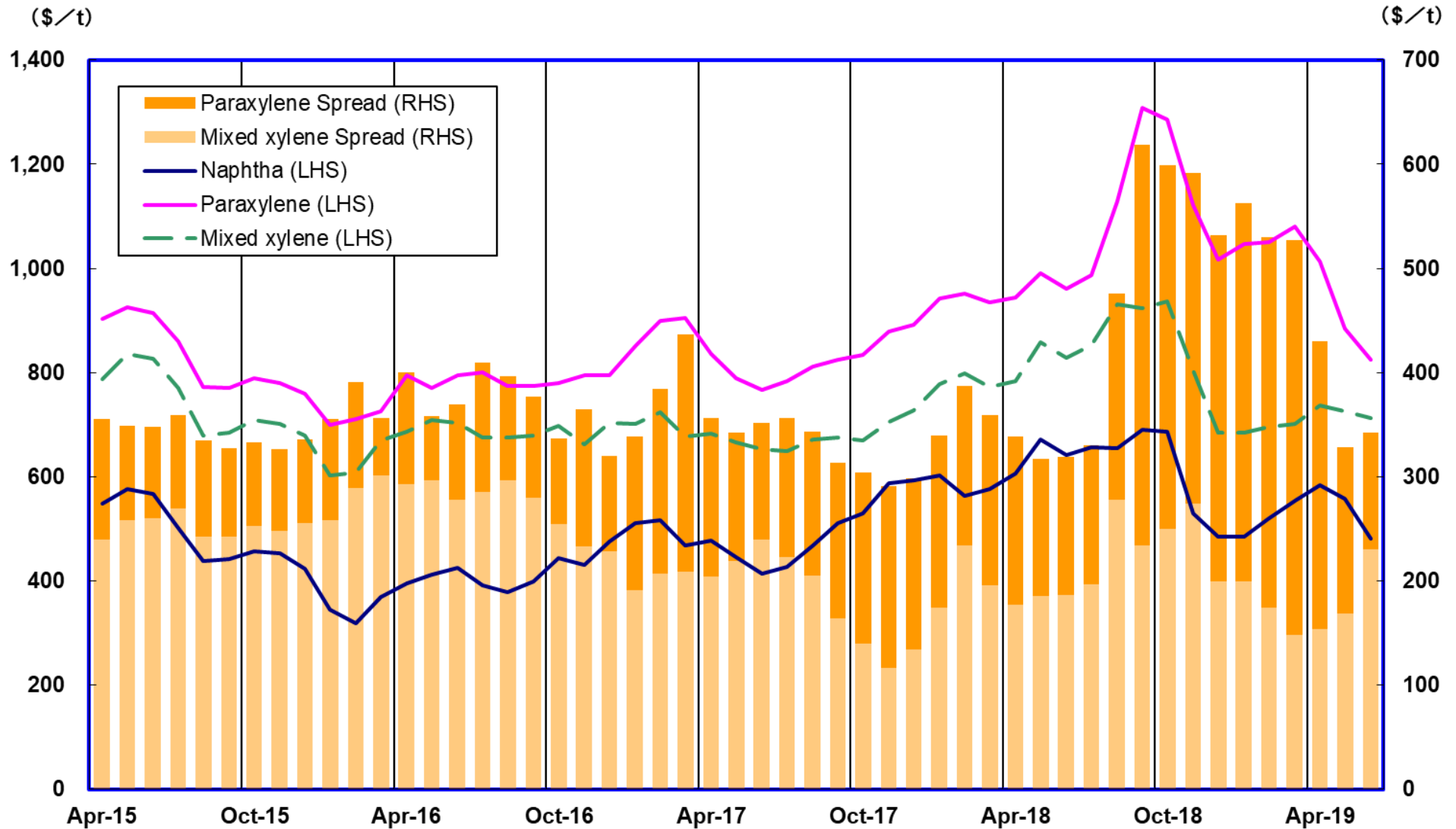
## (3) Diesel Oil – Crude Oil CIF (Prices and Spreads)





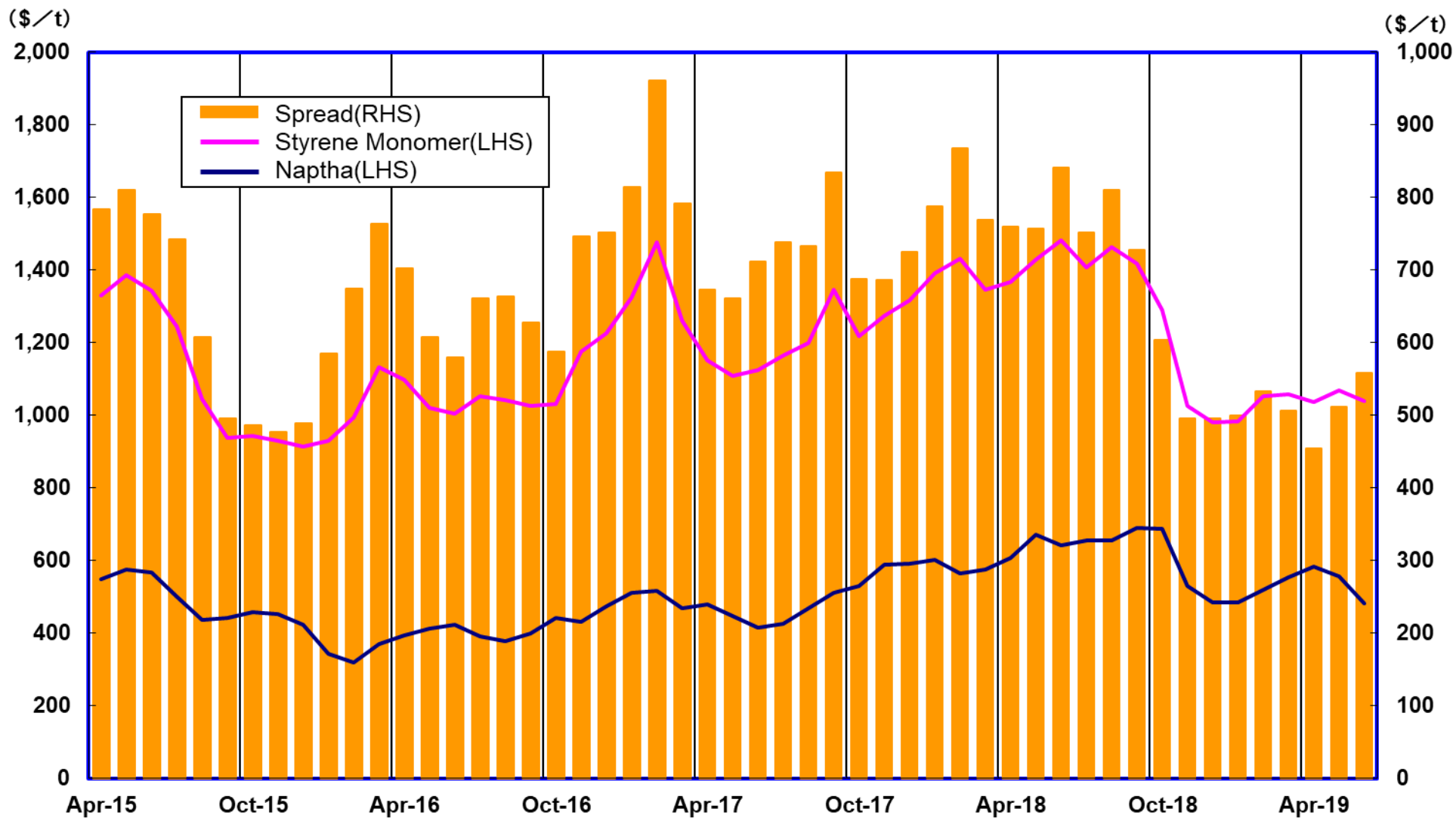
# 5. Market Conditions

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



# 5. Market Conditions

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



## 6. Refineries Utilization

Capacity Utilization(%) BCD

	FY2015	FY2016	FY2017	FY2018	FY2019 1Q
Idemitsu	86%	88%	88%	88%	80%
Showa Shell	91%	85%	88%	93%	

## 7. Number of Service Stations

(Locations)

	FY2015	FY2016	FY2017	FY2018	FY2019 1Q
Idemitsu	3,666	3,589	3,545	3,501	3,476
Showa Shell	3,193	3,123	3,028	2,964	2,943
Total	6,859	6,712	6,573	6,465	6,419

# 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.