

# **Presentation on Results for the 3rd Quarter FY2019**

**Idemitsu Kosan Co.,Ltd.**

**February 14, 2020**

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# FY 2019 3rd Quarter Topics

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## 1. Nghi Son Refinery in Vietnam

(1) Maintenance in December

① Overview: Inspection and maintenance aimed at correcting initial defects in refinery facilities.

Conducted upon the shut down of all equipment.

② Period: Commenced in late October and completed in mid-December as planned

(2) Current utilization

The refinery has maintained full utilization ever since

## 2. ESG efforts

(1) Announced the support for TCFD

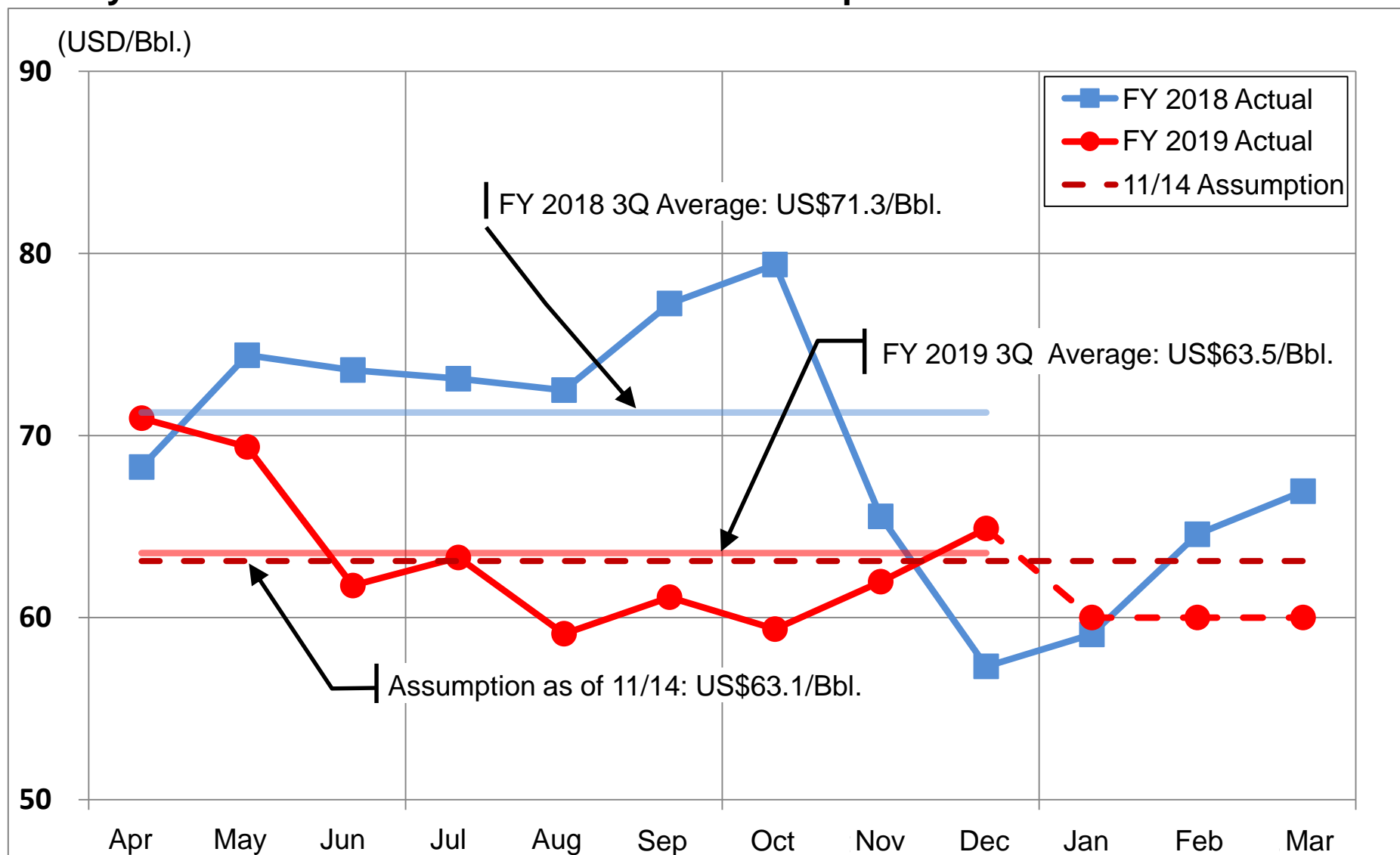
(2) Issued an Integrated Report

## **FY 2019 3rd 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)**

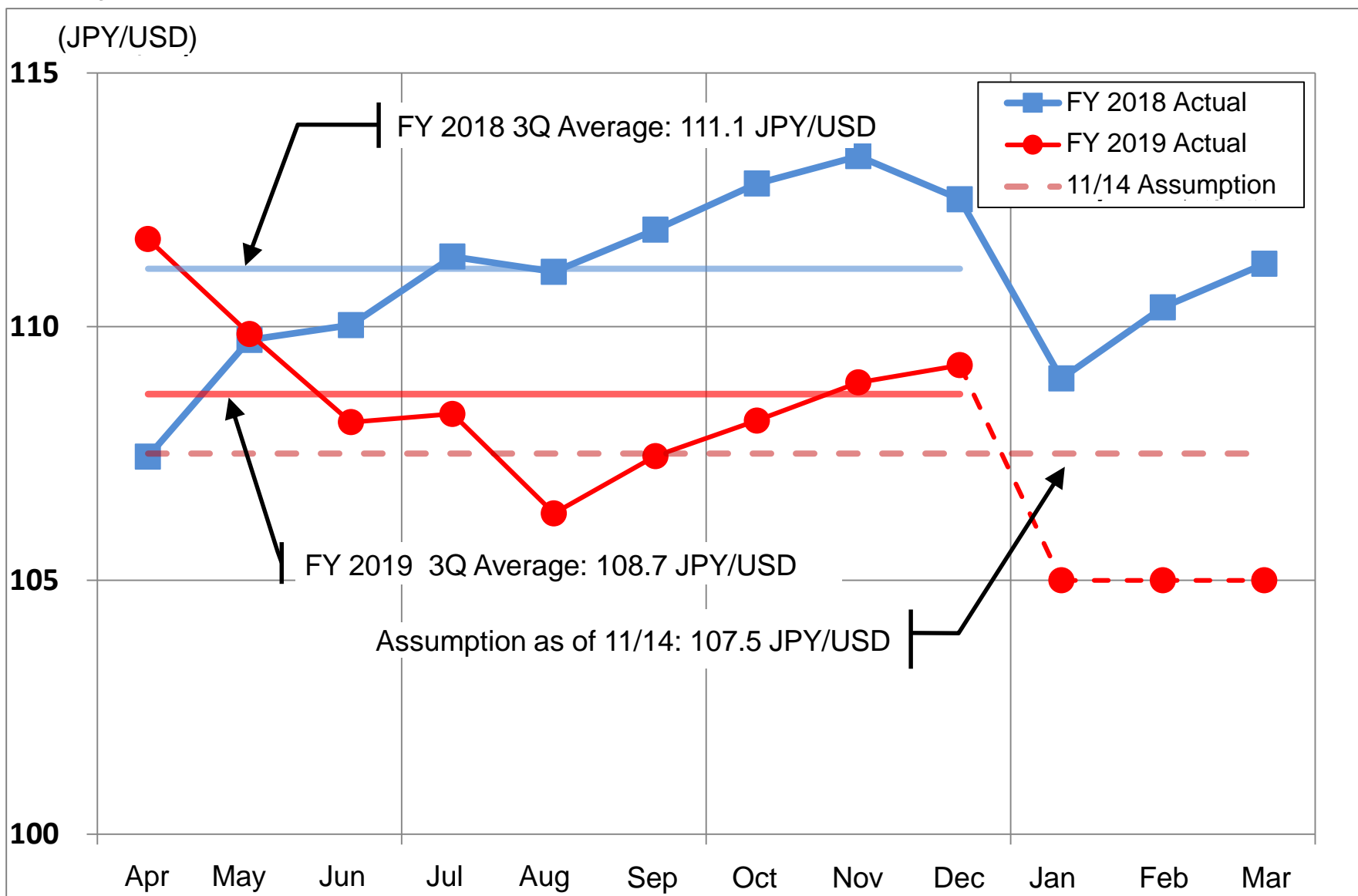
# Crude Oil Price Trends

## <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

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## <FY 2019 3rd Quarter Results>

- Operating income excluding inventory impact + equity income decreased by ¥88.6 billion year-on-year, to ¥96.7 billion, mainly due to decreased equity income from the petroleum segment, reduced product margins in the basic chemicals segment, and decreasing operating income in the resources segment
- Ordinary income decreased by ¥115.3 billion year-on-year, to ¥91.4 billion. Gains were recorded from step acquisition in the integration with Showa Shell Sekiyu, and as a result, net income attributable to owners of the parent decreased by ¥52.3 billion year-on-year, to ¥64.9 billion

## <Forecast for FY 2019 Performance>

- Forecasts announced on November 14 remain unchanged



# (1) Overview

## 1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY 2018 3Q	FY 2019 3Q	Change	
Crude Oil (Dubai)	71.3	63.5	(7.7)	(10.8%)
Crude Oil (Brent)	72.1	64.9	(7.2)	(10.0%)
Naphtha Price (Customs)	652	534	(118)	(18.1%)
Thermal Coal (NEWC)	108.0	81.3	(26.7)	(24.7%)
Exchange Rate (TTM)	111.1	108.7	(2.5)	(2.2%)

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

## 2) Consolidated Income Statement (Summary)

(Units: ¥ billions)

	FY 2018 3Q (E)	FY 2019 3Q	Change	
Net Sales	5,193.7	4,560.7	(633.0)	(12.2%)
Operating Income + Equity Income	205.1	87.5	(117.6)	(57.4%)
<i>(Inventory impact)</i>	19.8	(9.3)	(29.1)	—
<i>(Excluding inventory impact)</i>	185.3	96.7	(88.6)	(47.8%)
Ordinary Income	206.7	91.4	(115.3)	(55.8%)
Extraordinary Gain/Loss	(10.2)	11.4	21.6	—
Net Income Attributable to Owners of the Parent	117.2	64.9	(52.3)	(44.6%)
<i>(Excluding inventory impact)</i>	103.5	71.3	(32.2)	(31.1%)

\* 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)

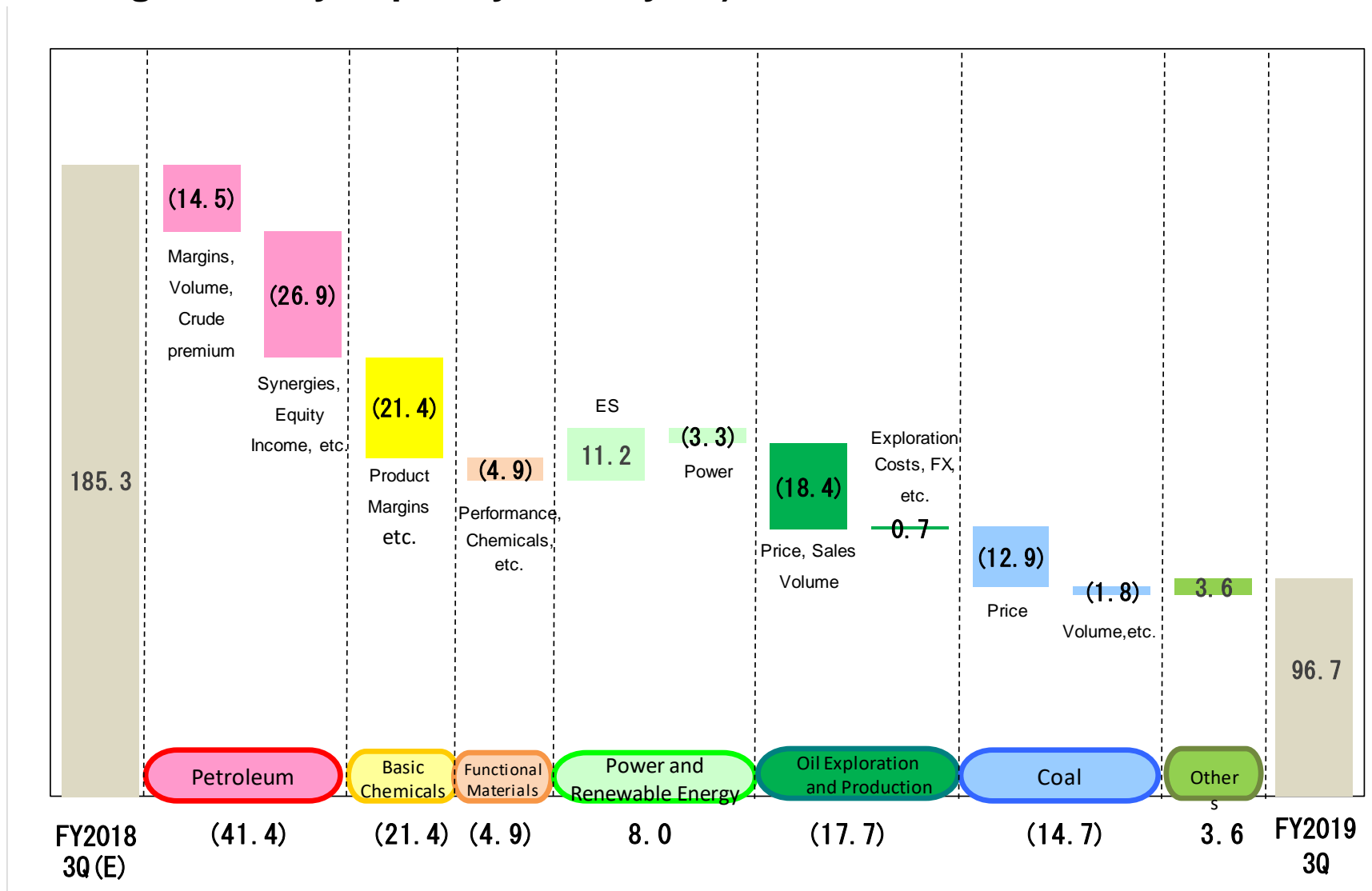
	FY 2018 3Q(E)	FY 2019 3Q	Change	
<b>Petroleum</b>	<b>87.3</b>	<b>16.8</b>	<b>(70.5)</b>	<b>(80.8%)</b>
<i>(Excluding inventory impact)</i>	<b>67.5</b>	<b>26.1</b>	<b>(41.4)</b>	<b>(61.4%)</b>
<b>Basic Chemicals</b>	<b>39.4</b>	<b>18.0</b>	<b>(21.4)</b>	<b>(54.4%)</b>
<b>Functional Materials</b>	<b>25.2</b>	<b>20.2</b>	<b>(4.9)</b>	<b>(19.5%)</b>
<b>Power and Renewable Energy</b>	<b>(8.5)</b>	<b>(0.5)</b>	<b>8.0</b>	<b>—</b>
<b>Resources</b>	<b>66.8</b>	<b>34.5</b>	<b>(32.4)</b>	<b>(48.4%)</b>
<i>(Oil Exploration and Production)</i>	<b>29.8</b>	<b>12.2</b>	<b>(17.7)</b>	<b>(59.2%)</b>
<i>(Coal)</i>	<b>37.0</b>	<b>22.3</b>	<b>(14.7)</b>	<b>(39.7%)</b>
<b>Others/Reconciliation</b>	<b>(5.1)</b>	<b>(1.5)</b>	<b>3.6</b>	<b>—</b>
<b>Total</b>	<b>205.1</b>	<b>87.5</b>	<b>(117.6)</b>	<b>(57.4%)</b>
<i>(Excluding inventory impact)</i>	<b>185.3</b>	<b>96.7</b>	<b>(88.6)</b>	<b>(47.8%)</b>

\* 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)



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# Shareholder Returns

# Shareholder Returns

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## Shareholder Returns Policy FY2019-2021

Total payout ratio of 50% or higher

- The minimum dividend is ¥160 per share and at least 10% of returns to shareholders will be allocated to share buyback
- All repurchased shares will be canceled

## Share buyback

- Share buyback commenced on November 15, 2019, was completed on January 24, 2020  
(disclosed on company website and the TSE on January 27)

(1) Total shares acquired: 4,060,800 shares (all will be canceled)

\* % of total shares outstanding excluding treasury shares: 1.34%

(2) Aggregate value purchased: ¥11,999,847,800

# Reference Materials

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## 6. Refineries Utilization

## 7. Number of Service Stations

# 1. Overview of the New Integrated Company

## Petroleum Segment

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

Domestic fuel oil sales volume:  
43 million KL/year

Number of service stations: 6,500

## Basic Chemicals Segment

Production Capacity

Ethylene: 1 mil tons/year

Paraxylene: 1.28 mil tons/year <sup>\*2</sup>

Styrene monomers: 0.75 mil tons/year

## Power and Renewable Energy Segment

Power generation capacity: 1GW  
(Renewable energy: 0.2GW)

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 <sup>\*3</sup>

Performance chemicals production capacity  
Engineering plastics: 150,000 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 mil tons/year

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

<sup>\*2</sup> Including mixed xylene production capacity

<sup>\*3</sup> Lubricants sales volume excludes sales by Shell Lubricants Japan K.K.



## 2. Financial Reporting

### (1) Forecast for FY 2019

#### 1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	5/15 Forecast	11/14 Forecast	Difference		Assumptions (Oct~)
Crude Oil (Dubai)	70.0	63.1	(6.9)	(9.9%)	60.0
Crude Oil (Brent)	72.0	63.4	(8.6)	(11.9%)	61.5
Naphtha Price (Customs)	650	515	(135)	(20.8%)	485
Thermal Coal (NEWC)	93.0	75.5	(17.5)	(18.8%)	63.0
Exchange Rate (TTM)	110.0	107.5	(2.5)	(2.3%)	105.0

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

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

(Units: ¥ billions)

	5/15 Forecast	11/14 Forecast	Difference	
Net Sales	6,790.0	6,100.0	(690.0)	(10.2%)
Operating Income + Equity Income	220.0	140.0	(80.0)	(36.4%)
<i>(Inventory impact)</i>	0.0	(28.0)	(28.0)	—
<i>(Excluding inventory impact)</i>	220.0	168.0	(52.0)	(23.6%)
Ordinary Income	228.5	150.0	(78.5)	(34.4%)
Extraordinary Gain/Loss	10.0	9.0	(1.0)	(10.0%)
Net Income Attributable to Owners of the Parent	160.0	100.0	(60.0)	(37.5%)
<i>(Excluding inventory impact)</i>	160.0	120.0	(40.0)	(25.0%)

\* 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. Financial Reporting

### 3) Operating Income + Equity Income (vs. 5/15 Forecast)

(Units: ¥ billions)

	5/15 Forecast	11/14 Forecast	Difference	
<b>Petroleum</b>	78.0	31.0	(47.0)	(60.3%)
<i>(Excluding inventory impact)</i>	78.0	59.0	(19.0)	(24.4%)
<b>Basic Chemicals</b>	45.5	45.0	(0.5)	(1.1%)
<b>Functional Materials</b>	39.0	31.0	(8.0)	(20.5%)
Power and Renewable Energy	2.0	(4.0)	(6.0)	—
<b>Resources</b>	61.0	42.0	(19.0)	(31.1%)
<i>(Oil Exploration and Production)</i>	21.0	14.0	(7.0)	(33.3%)
<i>(Coal)</i>	40.0	28.0	(12.0)	(30.0%)
<b>Others/Reconciliation</b>	(5.5)	(5.0)	0.5	—
<b>Total</b>	220.0	140.0	(80.0)	(36.4%)
<i>(Excluding inventory impact)</i>	220.0	168.0	(52.0)	(23.6%)

\* 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 3rd Quarter Results

#### 1) Net Sales by Segment

(Units: ¥ billions)

	FY 2018 3Q(E)	FY 2019 3Q	Change	
<b>Petroleum</b>	4,063.6	3,630.4	(433.2)	(10.7%)
<b>Basic Chemicals</b>	466.7	350.0	(116.7)	(25.0%)
<b>Functional Materials</b>	325.2	294.0	(31.3)	(9.6%)
<b>Power and Renewable Energy</b>	105.8	94.6	(11.2)	(10.6%)
<b>Resources</b>	229.2	189.0	(40.2)	(17.6%)
<i>(Oil Exploration and Production)</i>	58.6	35.9	(22.7)	(38.8%)
<i>(Coal)</i>	170.7	153.1	(17.5)	(10.3%)
<b>Others/Reconciliation</b>	3.2	2.8	(0.4)	(13.3%)
<b>Total</b>	5,193.7	4,560.7	(633.0)	(12.2%)

## 2. Financial Reporting

### (2) FY 2019 3rd Quarter Results

#### 2) Extraordinary Gains/Losses

(Units: ¥ billions)

	FY 2018 3Q(E)	FY 2019 3Q	Change
Gain on Sale of Fixed Assets	3.3	2.3	(1.0)
Gain on Sale of affiliate stock	0.2	0.0	(0.2)
Gain on Business Transfer	2.3	0.0	(2.3)
Gain from Step Acquisition	0.0	17.2	17.2
Other	7.9	3.1	(4.8)
<b>Total Extraordinary Gains</b>	<b>13.7</b>	<b>22.6</b>	<b>9.0</b>
Impairment Losses	18.4	0.1	(18.3)
Loss on Sale and Depletion of Fixed Assets	3.0	5.6	2.6
Other	2.4	5.6	3.1
<b>Total Extraordinary Losses</b>	<b>23.9</b>	<b>11.3</b>	<b>(12.6)</b>
<b>Total Extraordinary Gains/Losses</b>	<b>(10.2)</b>	<b>11.4</b>	<b>21.6</b>

## 2. Financial Reporting

### (2) FY 2019 3rd Quarter Results

#### 3) Balance Sheet

(Units: ¥ billions)

	4/1/2019	12/31/2019	Change		4/1/2019	12/31/2019	Change
Cash and Deposits	141.7	125.2	(16.5)	Total Current Liabilities	1,781.2	1,841.5	60.3
Receivables, Inventory, etc.	1,677.8	1,715.3	37.5	Total Fixed Liabilities	1,060.4	988.5	(71.9)
Total Current Assets	1,819.5	1,840.6	21.1	Total Liabilities	2,841.6	2,830.0	(11.6)
Tangible Fixed Assets	1,410.4	1,439.8	29.4	Shareholders' Equity and Other Comprehensive Income	1,255.6	1,245.5	(10.1)
Other Fixed Assets	920.5	845.8	(74.7)	Noncontrolling Interests	53.2	50.6	(2.6)
Total Fixed Assets	2,330.9	2,285.5	(45.4)	Total Net Assets	1,308.8	1,296.1	(12.7)
Total Assets	4,150.4	4,126.1	(24.3)	Total Liabilities and Net Assets	4,150.4	4,126.1	(24.3)

Net D/E Ratio	0.75	0.90	0.15
Total Interest-bearing Debt	1,077.2	1,240.0	162.8
Equity Ratio	30.3%	30.2%	(0.1%)

# 3. Sensitivity

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

<b>Petroleum</b>	<b>Decrease 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 Depreciation on FY Earnings

<b>Petroleum</b>	<b>Increase 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 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 3Q (E)	FY 2019 3Q	Change	
Gasoline	11,610	10,902	(708)	(6.1%)
Naphtha	274	207	(67)	(24.4%)
Jet Fuel	3,934	3,869	(65)	(1.6%)
Kerosene	2,369	2,293	(77)	(3.2%)
Diesel Oil	8,561	8,089	(472)	(5.5%)
Heavy Fuel Oil A	2,555	2,338	(217)	(8.5%)
Heavy Fuel Oil C	2,673	2,566	(108)	(4.0%)
Toal Domestic Sales Volume	31,977	30,264	(1,713)	(5.4%)
Exported Volume	3,022	2,666	(356)	(11.8%)
Total Sales Volume	34,999	32,930	(2,069)	(5.9%)

## 4. Sales and Production

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

(Units:Thousand tons, %)

	FY 2018 3Q (E)	FY 2019 3Q	Change	
Basic Chemicals	3,154	2,961	(193)	(6.1%)

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

(Units:Thousand KL,Thousand tons,%)

	FY 2018 3Q	FY 2019 3Q	Change	
Lubricants	958	897	(61)	(6.4%)
Performance Chemicals	454	464	11	2.4%

\*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 3Q (E)	FY 2019 3Q	Change	
Retail Power Sales	1,216	1,680	464	38.2%



## 4. Sales and Production

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

(Units:Thousand BOED)

	FY 2018 3Q	FY 2019 3Q	Change	
Norway	27.2	20.9	(6.3)	(23.2%)
<b>Total('000BOE)</b>	<b>7,416</b>	<b>5,692</b>	<b>(1,724)</b>	<b>(23.2%)</b>

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

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

(Units:Thousand tons)

	FY 2018 3Q	FY 2019 3Q	Change	
Ensham	3,318	3,123	(195)	(5.9%)
Muswellbrook	1,163	826	(337)	(29.0%)
Boggabri	4,053	4,047	(6)	(0.1%)
Tarawonga	204	0	(204)	(100.0%)
<b>Sub Total</b>	<b>8,738</b>	<b>7,996</b>	<b>(742)</b>	<b>(8.5%)</b>
Malinau	764	939	176	23.0%
<b>Total Production Volume</b>	<b>9,502</b>	<b>8,935</b>	<b>(566)</b>	<b>(6.0%)</b>

\*Figures based on interest owned by Idemitsu Group

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

# 4. Sales and Production

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

(Units:Thousand KL,%)

	5/15 Forecast	11/14 Forecast	Difference	
Gasoline	14,880	14,350	(530)	(3.6%)
Naphtha	390	300	(90)	(23.0%)
Jet Fuel	5,310	5,230	(80)	(1.5%)
Kerosene	4,610	4,350	(260)	(5.6%)
Diesel Oil	11,060	10,700	(360)	(3.3%)
Heavy Fuel Oil A	3,790	3,460	(330)	(8.7%)
Heavy Fuel Oil C	3,300	3,570	270	8.2%
Toal Domestic Sales Volume	43,340	41,960	(1,380)	(3.2%)
Exported Volume	3,570	4,650	1,080	30.3%
Total Sales Volume	46,910	46,610	(300)	(0.6%)

# 4. Sales and Production

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

(Units:Thousand tons, %)

	5/15 Forecast	11/14 Forecast	Difference	
<b>Basic Chemicals</b>	<b>4,270</b>	<b>4,210</b>	<b>(60)</b>	<b>(1.4%)</b>

## (2)–3.Sales Volume Forecasts (Functional Materials Segment)

(Units:Thousand KL,Thousand tons,%)

	5/15 Forecast	11/14 Forecast	Difference	
<b>Lubricants</b>	<b>1,300</b>	<b>1,250</b>	<b>(50)</b>	<b>(3.8%)</b>
<b>Performance Chemicals</b>	<b>660</b>	<b>640</b>	<b>(20)</b>	<b>(3.0%)</b>

\*Includes sales of overseas licenses

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

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

(Units:Million kWh, %)

	5/15 Forecast	11/14 Forecast	Difference	
<b>Retail Power Sales</b>	<b>2,720</b>	<b>2,810</b>	<b>90</b>	<b>3.3%</b>

## 4. Sales and Production

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

(Units:Thousand BOED)

	5/15 Forecast	11/14 Forecast	Difference	
Norway	22.7	21.7	(1.0)	(4.5%)
<b>Total('000BOE)</b>	<b>8,300</b>	<b>7,930</b>	<b>(370)</b>	<b>(4.5%)</b>

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

### (2) – 6. Coal – Production Volume Forecasts (Resources Segment)

(Units:Thousand tons)

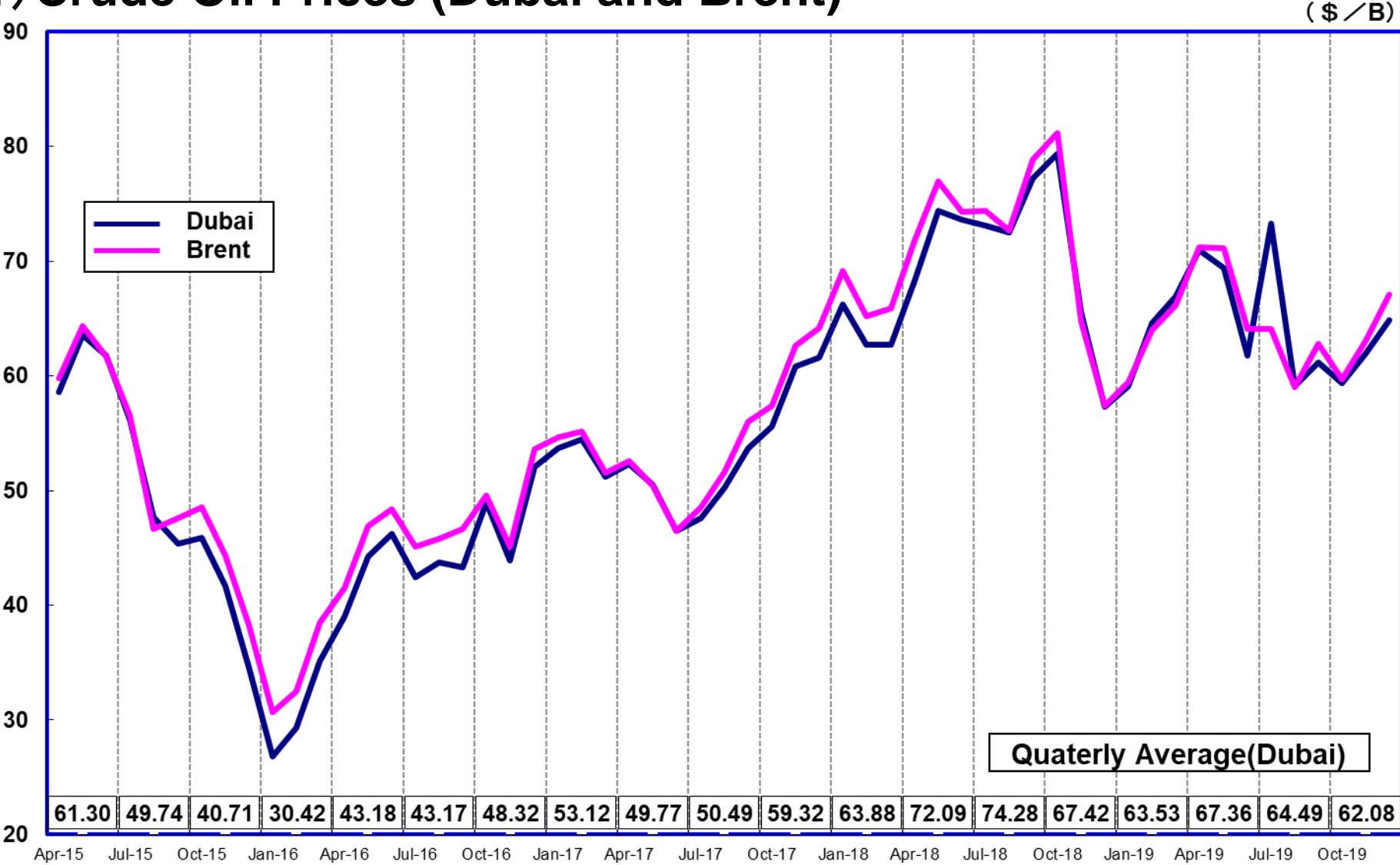
	5/15 Forecast	11/14 Forecast	Difference	
Ensham	4,360	4,420	60	1.4%
Muswellbrook	1,500	1,330	(170)	(11.3%)
Boggabri	5,990	5,450	(540)	(9.0%)
Tarawonga	0	0	0	—
<b>Sub Total</b>	<b>11,850</b>	<b>11,200</b>	<b>(650)</b>	<b>(5.5%)</b>
Malinau	1,230	1,230	0	0.0%
<b>Total Production Volume</b>	<b>13,080</b>	<b>12,430</b>	<b>(650)</b>	<b>(5.0%)</b>

\*Figures based on interest owned by Idemitsu Group

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

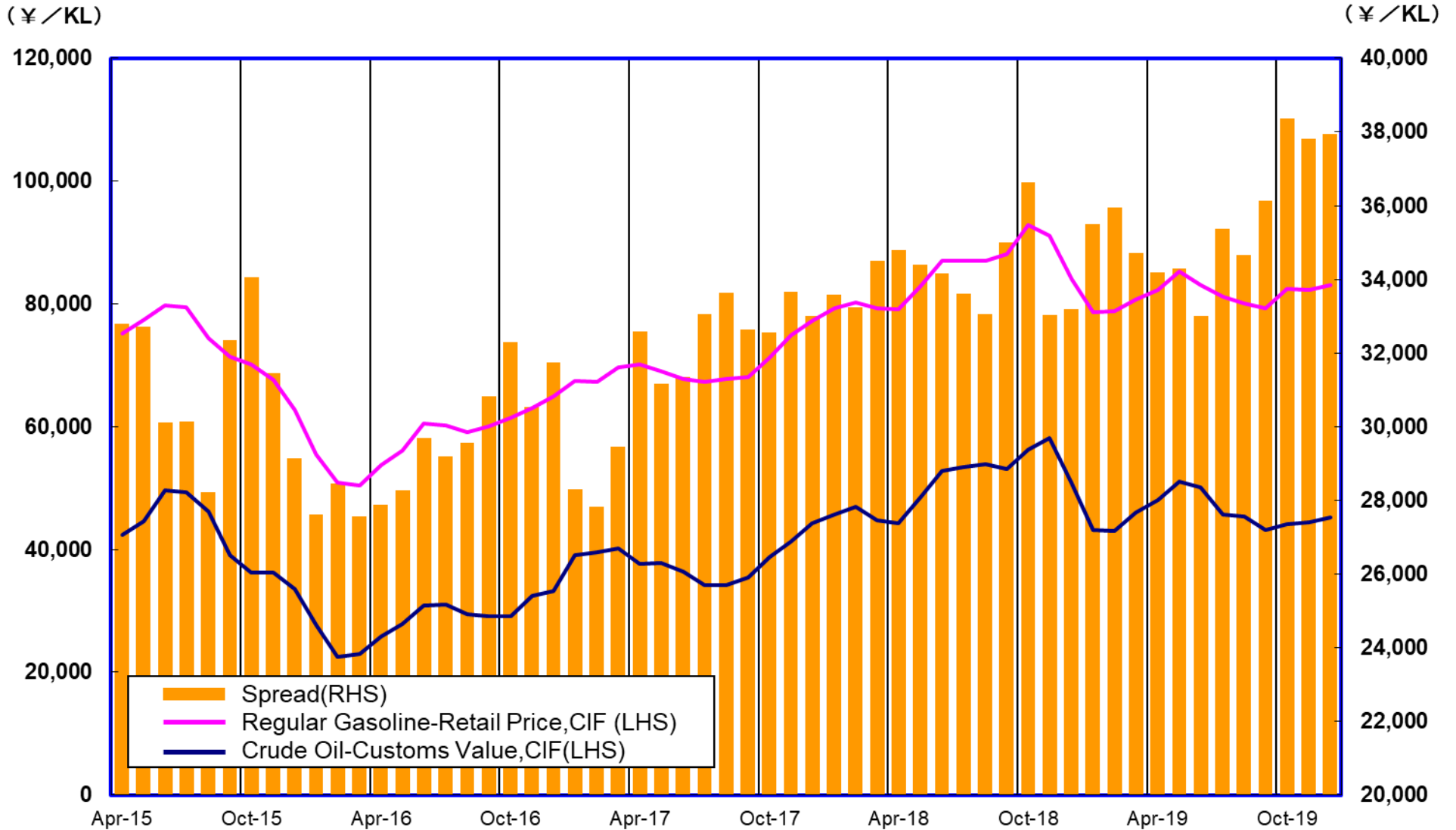
# 5. Market Conditions

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



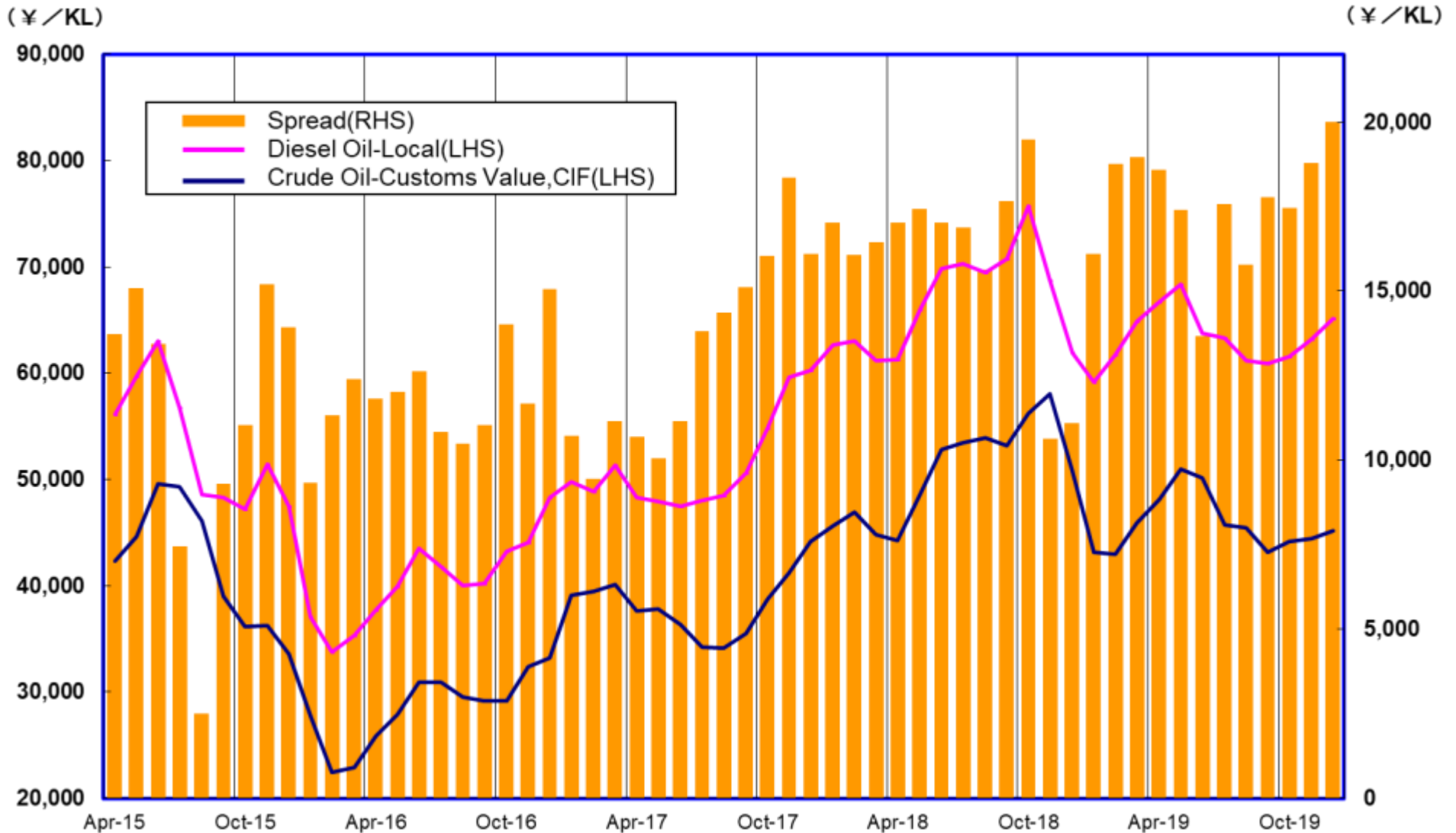
# 5. Market Conditions

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



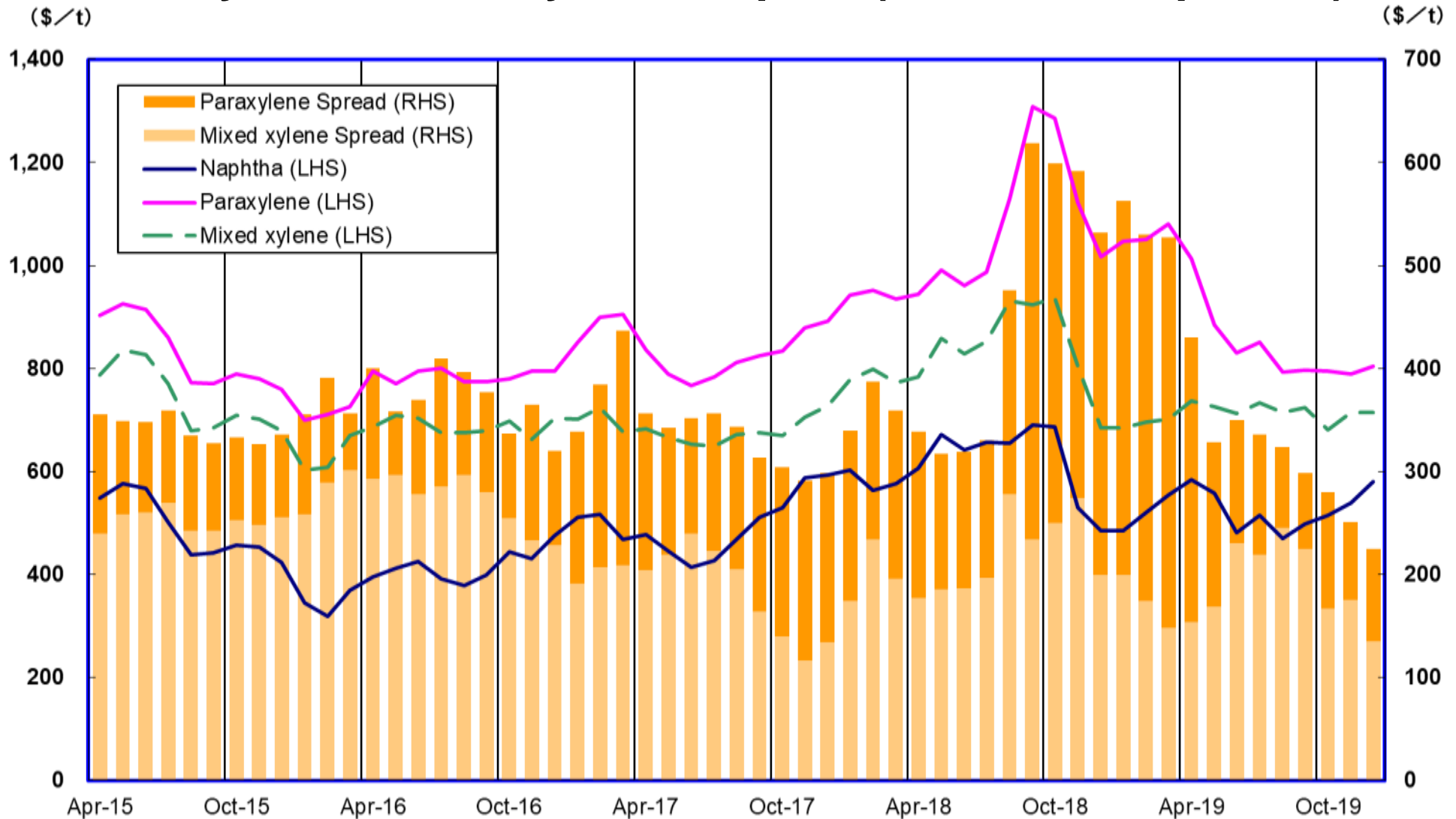
# 5. Market Conditions

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



# 5. Market Conditions

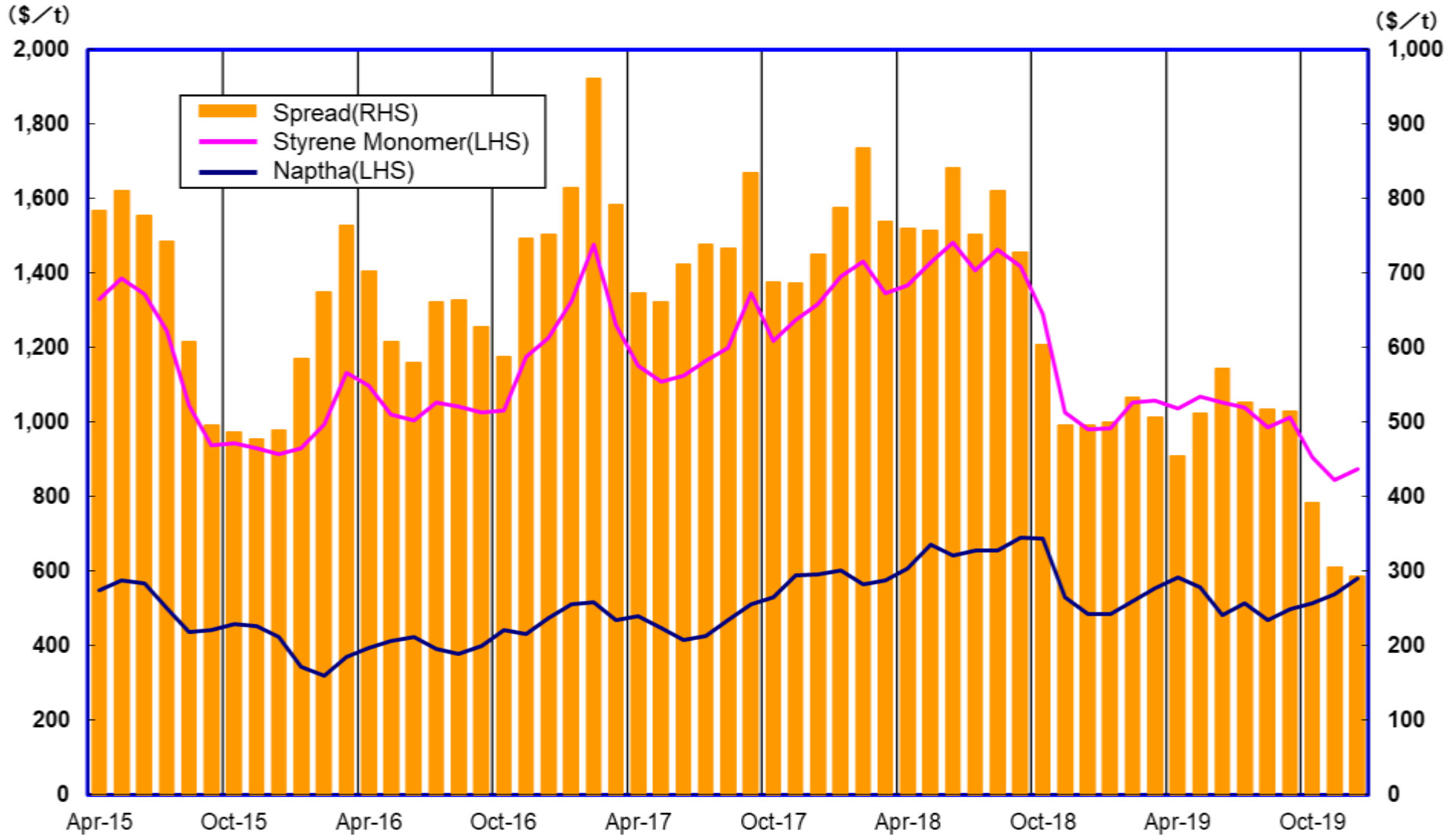
## (4) Paraxylene, Mixed xylene, Naptha (Prices and Spreads)





# 5. Market Conditions

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



## 6. Refineries Utilization

Capacity Utilization(%) BCD

	FY2015	FY2016	FY2017	FY2018	FY2019 3Q
Idemitsu	86%	88%	88%	88%	86%
Showa Shell	91%	85%	88%	93%	

## 7. Number of Service Stations

Locations

	FY2015	FY2016	FY2017	FY2018	FY2019 3Q
Idemitsu	3,666	3,589	3,545	3,501	3,453
Showa Shell	3,193	3,123	3,028	2,964	2,917
Total	6,859	6,712	6,573	6,465	6,370

# Precaution statement about forecasts

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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.