



February 14, 2018

# Consolidated Financial Results for the Third Quarter of Fiscal Year 2017 (From April 1, 2017 to December 31, 2017) [Japan GAAP]

Company Name: **Idemitsu Kosan Co.,Ltd.** (URL <http://www.idemitsu.com>)

Company Code: 5019, Shares listed on: Tokyo Stock Exchange

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Scheduled date of filing of quarterly securities report: February 14, 2018

Scheduled date of commencement of dividend payments: —

Supplementary materials for the quarterly financial results: Yes

Quarterly financial results presentation: Yes (for institutional investors and analysts)

(Figures less than ¥1 million are rounded off)

## 1. Consolidated Financial Results for the Third Quarter of FY2017 (From April 1, 2017 to December 31, 2017)

### (1) Consolidated operating results

(Percentage figures represent changes from the corresponding previous period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%
3Q FY2017	2,664,360	17.8	156,446	87.0	169,871	100.9	145,076	139.3
3Q FY2016	2,260,854	(19.2)	83,679	—	84,557	—	60,613	—

Note: Comprehensive income 3Q FY2017 ¥156,297 million 628.9 % 3Q FY2016 ¥21,442 million — %

	Net income per share	Diluted net income per share
	¥	¥
3Q FY2017	776.50	—
3Q FY2016	378.94	—

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	¥million	¥million	%
3Q FY2017	2,905,274	882,659	29.1
FY2016	2,641,633	619,932	22.1

Reference: Total equity 3Q FY2017 ¥844,634 million FY2016 ¥583,800 million

## 2. Dividends

	Cash dividends per share				
	As of Jun.30	As of Sep.30	As of Dec.31	As of Mar.31	Total
	¥	¥	¥	¥	¥
FY2016	—	25.00	—	25.00	50.00
FY2017	—	40.00	—	—	—
FY2017 (Forecasts)	—	—	—	40.00	80.00

Note: Revisions of the forecasts of cash dividends since the latest announcement: None

## 3. Forecasts of Consolidated Financial Results for FY2017 (From April 1, 2017 to March 31, 2018)

(Percentage figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥million	%	¥million	%	¥million	%	¥million	%	¥
FY2017	3,650,000	14.4	206,000	52.3	230,000	64.3	160,000	81.5	856.38

Note: Revisions of the forecasts of consolidated financial results since the latest announcement: Yes

\* Notes

(1) Changes of number of material consolidated subsidiaries during the nine months ended December 31, 2017: **Yes**

**Excluded companies: 1 (Idemitsu Petroleum UK Ltd.)**

(2) Application of the accounting method peculiar to the preparation of the quarterly financial statements: **Yes**

(3) Changes in accounting policies, accounting estimates and restatement

a) Changes in accounting policies arising from revision of accounting standards: **None**

b) Changes arising from other factors: **None**

c) Changes in accounting estimates: **None**

d) Restatement: **None**

(4) Number of shares issued (common stock)

a) Number of shares issued (including treasury stock)

As of December 31, 2017: 208,000,000      As of March 31, 2017: 160,000,000

b) Number of shares of treasury stock

As of December 31, 2017:      47,497      As of March 31, 2017:      47,236

c) Weighted average number of shares outstanding during the period

Nine months ended December 31, 2017: 186,832,683

Nine months ended December 31, 2016: 159,953,026

\*1 This document is out of the scope of the quarterly review procedures under the Financial Instruments and Exchange Act.

\*2 The financial forecasts above are based on information available and assumptions as of the date of publication of this document. Actual operating results may differ from the forecasts due to various factors. Additionally, for the assumptions used for the forecasts of the above, please refer to page 4 “Explanation of Forecasts of Consolidated Financial Results for FY2017” of the Appendix.

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## 1. Qualitative Information on the Consolidated Operating Results for the Third Quarter of FY 2017

### (1) Explanation of Operating Results

The overall domestic demand for petroleum products during the nine months ended December 31, 2017 was nearly consistent with the same period of fiscal 2016.

Dubai crude oil prices rose to more than \$60/bbl from November, driven by expectations for an extension of the coordinated production cut by OPEC towards the end of the year, as well as increasing geopolitical risks in the Middle East. As a result, the average price of crude oil from April to December 2017 was \$53.2/bbl, an increase of \$8.3/bbl from the same period last year.

Demand for petrochemical products during the nine months ended December 31, 2017 remained firm, particularly in Asia. The price for naphtha, a petrochemical raw material, was \$489.0/ton, an increase of \$74.0/ton from the same period last year.

(Crude oil price, naphtha price and exchange rate)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017	Change	
Dubai Crude Oil (\$/bbl)	44.9	53.2	+8.3	+ 18.5%
Naphtha (\$/ton)	415	489	+74	+ 17.8%
Exchange Rate (¥/\$)	107.6	112.7	+5.1	+ 4.7%

The Idemitsu Group's net sales for the nine months ended December 31, 2017 were ¥2,664.4 billion, up 17.8% from the corresponding period of fiscal 2016, mainly due to increased import prices for crude oil.

Operating income for the nine months ended December 31, 2017 was ¥156.4 billion, an increase of 87.0% from the same period last year, mainly due to improved margins of petroleum products and higher prices of natural resources. Non-operating income was ¥13.4 billion, an increase of ¥12.5 billion from the same period last year, thanks to an increase in profit on equity in earnings nonconsolidated subsidiaries and affiliates. Consequently, ordinary income was ¥169.9 billion, an increase of 100.9% from the same period last year. Extraordinary income was ¥11.6 billion, up ¥12.7 billion from the same period last year, mainly due to gain on sale of affiliate stock. Net income attributable to owners of the parent was ¥145.1 billion, an increase of 139.3% from the same period last year, with the effect of the losses on the affiliate stock in past years included in deductible expenses.

The performance of each business segment for the nine months ended December 31, 2017 is as follows:

As to quarterly reporting periods, domestic subsidiaries use December 31 as their balance sheet date whereas overseas subsidiaries use September 30 as their balance sheet date, except for certain subsidiaries. As such, the following performance of the business segments includes the operating results of overseas subsidiaries for the nine months ended September 30, 2017, and those of domestic subsidiaries for the nine months ended December 31, 2017.

In association with an organizational change, effective as of July 1, 2017, net sales and operating income for the geothermal energy business and the uranium business, which had previously been categorized as part of "coal business and others" in the resources segment, were regrouped with "oil exploration and production and geothermal energy business", and "coal business and others" respectively in the resource segment. These changes were put into effect

retroactively for the nine months of fiscal 2017.

[Petroleum products segment]

Net sales of the petroleum products segment were ¥2,047.1 billion, an increase of 18.5% compared with the same period of fiscal 2016, due partly to increases in import prices for crude oil.

Operating income was ¥74.4 billion, an increase of 54.3% from the corresponding period last year, thanks to upward factors such as improved product margins and the favorable effect of inventory valuation.

[Petrochemical products segment]

Net sales of the petrochemical products segment for the nine months ended December 31, 2017 were ¥357.2 billion, an increase of 11.5% from the same period of fiscal 2016, largely due to increases in naphtha prices.

Operating income was ¥30.1 billion, up 11.6% from the same period last year, due to stronger favorable factors such as margins for styrene monomer, other products and an increase in sales volume, which were partially offset by downward factors, including higher fuel costs for production.

[Resources segment]

(Oil exploration and production and geothermal energy business)

Net sales of the oil exploration and production and geothermal energy business for the nine months ended December 31, 2017 were ¥59.5 billion, up 13.8% from the corresponding period of the previous year, bolstered primarily by an increase in crude oil prices, with operating income of ¥18.3 billion, up 486.0% from the same period of the preceding year.

(Coal business and others)

Net sales of the coal business and others for the nine months ended December 31, 2017 were ¥149.8 billion, up 32.1% compared with the same period last year, helped largely by a significant increase in coal prices, with operating income of ¥28.5 billion, an increase of ¥26.2 billion from the same period of the preceding year.

As a result, total net sales of the resources segment were ¥209.2 billion, up 26.3% from the corresponding period of the previous year, and operating income was ¥46.8 billion, up 755.2% from the same period of the preceding year.

[Other segments]

Net sales of the other segments for the nine months ended December 31, 2017 were ¥50.8 billion, up 8.7% from the same period last year, and operating income was ¥5.4 billion, up 59.9% compared with the corresponding period of fiscal 2016.

## (2) Explanation of Financial Position

Total assets as of December 31, 2017 increased by ¥263.6 billion from the end of fiscal 2016 to ¥2,905.3 billion, mainly due to increases in accounts receivable-trade, inventory and cash and deposits. Total liabilities as of December 31, 2017 increased by ¥0.9 billion from the end of fiscal 2016 to ¥2,022.6 billion, mainly due to increases in accounts payable-trade despite decrease in interest-bearing debt (down to ¥964.1 billion).

Total net assets as of December 31, 2017 increased by ¥262.7 billion from the end of fiscal 2016 to ¥882.7 billion, reflecting increases of ¥59.7 billion for both capital and capital surplus respectively due to the effect of public offering along with net income attributable to owners of the parent. Consequently, the equity ratio was 29.1%, up 7.0 points from the end of fiscal 2016.

## (3) Explanation of Forecasts of Consolidated Financial Results for FY2017

The Company has revised the forecasts of the consolidated financial results for the year ending March 31, 2018 released on November 14, 2017, given the actual business results for the nine months ended December 31, 2017 and the latest forecasts. Please refer to “Announcement on the Revisions to Consolidated Earnings Forecasts” announced today for details of the relevant expectations.

## 2. Consolidated Financial Statements for the Third Quarter of FY2017 and Major Notes

### (1) Consolidated Quarterly Balance Sheets

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	3rd Quarter of FY2017 (As of December 31, 2017)
<b>Assets</b>		
Current assets:		
Cash and deposits	91,423	169,732
Notes and accounts receivable, trade	327,402	412,029
Inventories	430,861	497,089
Other	112,712	126,011
Less: Allowance for doubtful accounts	(2,629)	(856)
Total current assets	959,770	1,204,007
Fixed assets:		
Property, plant and equipment:		
Machinery and equipment, net	203,493	193,890
Land	584,350	583,478
Other, net	234,241	237,390
Total property, plant and equipment	1,022,086	1,014,760
Intangible fixed assets	22,124	20,917
Investments and other assets:		
Investment securities	414,455	425,762
Oil field premium assets	30,617	20,548
Other	193,036	219,734
Less: Allowance for doubtful accounts	(457)	(456)
Total investments and other assets	637,652	665,588
Total fixed assets	1,681,863	1,701,266
Total assets	2,641,633	2,905,274
<b>Liabilities</b>		
Current liabilities:		
Notes and accounts payable, trade	331,602	405,192
Short-term loans payable	357,566	164,908
Commercial paper	104,005	215,000
Current portion of bonds payable	10,000	25,000
Accounts payable, other	231,990	274,279
Income taxes payable	14,529	25,975
Provision for bonuses	8,247	2,415
Other	87,036	95,154
Total current liabilities	1,144,978	1,207,926
Non-current liabilities:		
Bonds payable	55,000	40,000
Long-term loans payable	524,115	517,577
Liability for employees' retirement benefits	15,093	15,188
Reserve for repair work	28,357	30,220
Asset retirement obligations	78,132	49,373
Oil field premium liabilities	38,114	27,855
Other	137,908	134,472
Total non-current liabilities	876,722	814,688
Total liabilities	2,021,700	2,022,614

(Unit: ¥Million)

	FY2016 (As of March 31, 2017)	3rd Quarter of FY2017 (As of December 31, 2017)
Net assets		
Shareholders' equity:		
Common stock	108,606	168,351
Capital surplus	71,131	130,875
Retained earnings	249,549	384,759
Treasury stock	(131)	(132)
Total shareholders' equity	429,156	683,854
Accumulated other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	7,617	12,163
Deferred gains (losses) on hedging activities, net	(7,713)	(7,402)
Surplus from land revaluation	155,541	154,759
Foreign currency translation adjustments	318	1,382
Defined retirement benefit plans	(1,119)	(122)
Total accumulated other comprehensive income	154,644	160,780
Noncontrolling interests	36,132	38,025
Total net assets	619,932	882,659
Total liabilities and net assets	2,641,633	2,905,274

## (2) Consolidated Quarterly Statements of Income and Comprehensive Income

### 1) Consolidated Quarterly Statements of Income

(Unit: ¥Million)

	3rd Quarter of FY2016 (From April 1, 2016 to December 31, 2016)	3rd Quarter of FY2017 (From April 1, 2017 to December 31, 2017)
Net sales	2,260,854	2,664,360
Cost of sales	1,974,312	2,297,224
Gross profit	286,541	367,135
Selling, general and administrative expenses	202,862	210,688
Operating income	83,679	156,446
Non-operating income:		
Interest income	1,814	3,230
Dividend income	4,339	2,332
Gain on foreign exchange, net	—	1,240
Equity in earnings of nonconsolidated subsidiaries and affiliates, net	3,753	17,090
Other	1,643	1,243
Total non-operating income	11,550	25,138
Non-operating expenses:		
Interest expense	6,756	7,454
Loss on foreign exchange, net	577	—
Other	3,337	4,259
Total non-operating expenses	10,672	11,714
Ordinary income	84,557	169,871
Extraordinary income:		
Gain on sales of fixed assets	1,416	1,665
Gain on sales of investment securities	635	203
Gain on sale of affiliate stock	39	12,136
Other	398	15
Total extraordinary income	2,094	14,022
Extraordinary losses:		
Impairment loss on fixed assets	425	787
Loss on sales of fixed assets	98	133
Loss on disposals of fixed assets	2,269	1,349
Other	398	164
Total extraordinary losses	3,192	2,434
Income before income taxes	83,459	181,458
Income taxes	21,166	32,926
Net income	62,293	148,532
Net income attributable to noncontrolling interests	1,680	3,455
Net income attributable to owners of the parent	60,613	145,076

## 2) Consolidated Quarterly Statements of Comprehensive Income

(Unit: ¥Million)

	3rd Quarter of FY2016 (From April 1, 2016 to December 31, 2016)	3rd Quarter of FY2017 (From April 1, 2017 to December 31, 2017)
Net income	62,293	148,532
Other comprehensive income:		
Unrealized gains (losses) on available-for-sale securities	3,378	3,518
Deferred gains on hedging activities, net	1,164	1,981
Foreign currency translation adjustments	(30,036)	4,606
Defined retirement benefit plans	1,041	904
Share of other comprehensive income in equity method affiliates	(16,398)	(3,245)
Total other comprehensive income	(40,851)	7,764
Comprehensive income	21,442	156,297
Comprehensive income attributable to:		
Owners of the parent	22,784	151,336
Noncontrolling interests	(1,342)	4,960

### (3) Notes to the Consolidated Quarterly Financial Statements

#### 1) Notes on the Assumption of a Going Concern

None

#### 2) Notes on Significant Changes in Shareholders' Equity

Setting July 20, 2017 as the due date of payment, the Company made a public offering. As a result, each of capital and capital surplus increased by ¥59,744 million during nine months ended December 31, 2017 leaving capital and capital surplus at ¥168,351 million and ¥130,875 million respectively as of December 31, 2017.

#### 3) Application of the Accounting Method Peculiar to the Preparation of the Quarterly Financial Statements

Income taxes are calculated by multiplying the income before income taxes for the nine months ended December 31, 2017 by the estimated effective tax rate that is reasonably estimated for income before income taxes for the fiscal year that includes the current quarter.

However, if the calculation using the relevant estimated effective tax rate leads to significantly irrational results, income taxes are calculated by multiplying the quarterly income before income taxes by the effective statutory tax rate, after adjusting important differences that do not constitute temporary differences.

#### 4) Consolidated Segment Information

##### Third Quarter of FY2016 (From April 1, 2016 to December 31, 2016)

##### (a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment				Others	Total	Reconciliation	Consolidated
	Petroleum products	Petro-chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	1,727,993	320,438	165,661	2,214,093	46,761	2,260,854	—	2,260,854
Inter-segment	4,895	2,677	0	7,573	170	7,744	(7,744)	—
Total	1,732,888	323,116	165,662	2,221,666	46,931	2,268,598	(7,744)	2,260,854
Operating income	50,163	26,989	5,476	82,629	3,396	86,026	(2,347)	83,679

Notes:

1. The segment "Others" refers to the total of other business segments that are not included in the reportable segments, including engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments is reconciled to the amount of operating income in the consolidated quarterly statement of income.

##### (b) Impairment loss on fixed assets and goodwill by reportable segment

There is no significant item during the period.

Third Quarter of FY2017 (From April 1, 2017 to December 31, 2017)

(a) Net sales and income or loss by reportable segment

(Unit: ¥Million)

	Reportable segment				Others	Total	Reconciliation	Consolidated
	Petroleum products	Petro-chemical products	Resources	Total				
Net sales:								
Net sales to outside customers	2,047,070	357,200	209,248	2,613,520	50,840	2,664,360	—	2,664,360
Inter-segment	4,764	2,972	735	8,472	295	8,768	(8,768)	—
<b>Total</b>	<b>2,051,835</b>	<b>360,173</b>	<b>209,984</b>	<b>2,621,993</b>	<b>51,136</b>	<b>2,673,129</b>	<b>(8,768)</b>	<b>2,664,360</b>
<b>Operating income</b>	<b>77,378</b>	<b>30,110</b>	<b>46,832</b>	<b>154,321</b>	<b>5,431</b>	<b>159,752</b>	<b>(3,305)</b>	<b>156,446</b>

Notes:

1. The segment “Others” refers to the total of other business segments that are not included in the reportable segments, including Showa Shell Sekiyu K.K., engineering businesses, insurance businesses, electronic materials businesses, agricultural biotechnology businesses and renewable energy businesses.
2. The amount of reconciliation for the operating income mainly represents research and development costs, which do not belong to reportable segments.
3. The operating income of the reportable segments is reconciled to the amount of operating income in the consolidated quarterly statement of income.
4. Although not included in the calculation of the operating income of the reportable segments, equity in earnings of non-consolidated subsidiaries and affiliates is provided to and used by the Board of Directors on a regular basis. The equity in earnings of non-consolidated subsidiaries and affiliates of Showa Shell Sekiyu K.K. is included in the segment “Others”.  
 (Petroleum products) ¥ (1,560) million    (Petrochemical products) ¥6,422 million  
 (Resources) ¥1,656 million    (Others) ¥10,575 million    (Reconciliation) ¥ (2) million

(b) Impairment loss on fixed assets and goodwill by reportable segment

There is no significant item during the period.