

Financial Highlights for the First Quarter of FY2007

August 1, 2007

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Idemitsu Kosan Co., Ltd.



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1. Business Results for the First Quarter of FY2007

(1) Outline



1) Crude oil, Naphtha and Foreign Exchange rate

(Unit: \$/bbl; \$/ton; Yen/\$)

	1st QTR, FY2006	1st QTR, FY2007	Change	
Crude oil price (DB)	64.8	64.8	0.0	-
Crude oil price (Brent Crude)	61.8	57.8	-4.0	-6.5%
Naphtha price (Customs value)	588	673	+85	+14.5%
Exchange rate (TTS)	115.5	121.8	+6.3	+5.5%

* Brent crude price is the average price on a calendar year basis (from January to March).

2) Summary of Consolidated Statement of Income for the First Quarter of FY2007

(Unit: ¥100 million)

	1st QTR, FY2006	1st QTR, FY2007	Change	
Net sales	7,931	7,878	-53	-0.7%
Operating income	237	89	-148	-62.5%
Non-operating income/expenses	21	43	+22	+105.2%
Ordinary income	258	132	-126	-48.9%
Extraordinary gains/losses	-29	-6	+23	-
Net income	80	21	-59	-74.1%

* Figures in the table above are rounded off by ten million.

* The valuation of inventory is based on the LIFO method.

(2) Business segment information



1) Net sales

(Unit:¥100 million)

	1st QTR, FY2006	1st QTR, FY2007	Change	
Petroleum products	5,909	5,703	-206	-3.5%
Petrochemical products	1,480	1,677	+197	+13.3%
Oil exploration and production	235	217	-18	-7.5%
Others	307	281	-26	-8.5%
Total	7,931	7,878	-53	-0.7%

[Causes for increase/decrease]

Petroleum Products:

Decrease in volume

Petrochemical Products:

Market price hikes

Oil Exploration and Production:

Decline of crude oil price

Others:

Decrease in volume of engineering projects

(2) Business segment information

2) Operating income

(Unit:¥100 million)

	1st QTR, FY2006	1st QTR, FY2007	Change	
Petroleum products	56	-52	-107	-
Petrochemical products	62	43	-19	-30.8%
Oil exploration and production	117	108	-9	-7.8%
Others	2	-10	-12	-
Total	237	89	-148	-62.5%

[Causes for increase/decrease]

Petroleum Products:

Increase of depreciation due to change of tax system: -¥1.8 billion;
 Product margin contraction: -¥4.3 billion;
 Increase in expenses: -¥4.6 billion

Petrochemical Products:

Product margin expansion in basic chemicals: +¥2.7 billion;
 Increase of depreciation due to change of tax system: -¥0.6 billion;
 Increases in purchase cost and expenses: -¥4.0 billion

Oil Exploration and Production:

Decline of crude oil price

Others:

Decrease in coals' profits due to stronger A\$
 Increase in expenses related to new business development

2. Forecast for Operating Results for FY2007

(1) Outline



1) Assumptions for crude oil, naphtha and foreign exchange rate

(Unit: \$/bbl; \$/ton; Yen/\$)

	Previous forecast	Current forecast	Change		Assumptions for Aug 2007 and onward
Crude oil price (DB)	60.0	68.7	+8.7	+14.5%	70.0
Crude oil price (Brent Crude)	62.4	68.6	+6.2	+9.9%	74.0
Naphtha price (Customs value)	600	679	+79	+13.1%	680
Exchange rate (TTS)	115.0	121.9	+6.9	+6.0%	122.0

* Brent crude price is the average price on a calendar year basis (from January to December).

2) Summary of Consolidated Statement of Income (Projected)

(Unit: ¥100 million)

	Previous forecast	Current forecast	Change	
Net sales	32,400	36,700	+4,300	+13.3%
Operating income	850	870	+20	+2.4%
Non-operating income/expenses	-40	-10	+30	-
Ordinary income	810	860	+50	+6.2%
Extraordinary gains/losses	-95	-83	+12	-
Net income	290	290	0	-

Note: The valuation of inventory is based on the LIFO method.

(2) Business segment information

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1) Net sales

(Unit: ¥100 million)

	Previous forecast	Current forecast	Change	
Petroleum products	24,070	27,550	+3,480	+14.5%
Petrochemical products	5,900	6,650	+750	+12.7%
Oil exploration and production	860	970	+110	+12.8%
Others	1,570	1,530	-40	-2.5%
Total	32,400	36,700	+4,300	+13.3%

[Causes for increase/decrease]

Petroleum Products: Crude oil price hikes: +¥348.0 billion

Petrochemical Products: Market prices increases: +¥75.0 billion

Oil Exploration and Production: Crude oil price hikes and increase in production: +¥11.0 billion

Others: Decrease in sales of Australian coals due to demurrage: -¥4.0 billion

(2) Business segment information

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2) Operating income

(Unit: ¥100 million)

	Previous forecast	Current forecast	Change	
Petroleum products	75	75	0	-
Petrochemical products	390	390	0	-
Oil exploration and production	275	345	+70	+25.5%
Others	110	60	-50	-45.5%
Total	850	870	+20	+2.4%

[Causes for increase/decrease]

Petroleum Products:

Time lag: -¥2.4 billion;

Increase in fuel cost for refining: -¥5.2 billion;

Supply cost: +¥3.5 billion;

Product margin expansion of naphtha for petrochemicals:
+¥4.1 billion

Petrochemical Products:

Product margin expansion in basic chemicals: +¥2.5 billion;

Purchase cost increase: -¥2.5 billion

Oil Exploration and Production:

Volume factor: +¥1.9 billion;

Crude oil price hikes: +¥5.1 billion;

Others:

Cost increase of Australian coals due to demurrage and stronger A\$: -5.0 billion

(3) Topics



- April 2007:** Completion of Omaezaki Organic Light Emitting Diode Materials Manufacturing Plant and commencement of production
- May 2007:** Acquired interests in 4 exploration blocks off the west coast of British Territorial Shetland Islands from Faroe Petroleum plc
- June 2007:** Assigned a new credit rating of “A-” from the Japan Credit Rating Agency Ltd., and the board of directors’ resolution of the commercial paper program.
- Development plan for Vega South field in the Norwegian North Sea approved by the Norwegian Government
- Agreed with Eni S.p.A. (Italy) to purchase partial interests of 15% for an exploration block in the Norwegian North Sea

3. Reference Data

(1) Reference data for operating results: Forecast for the 1st Half of FY2007 (Comparison with Previous Forecast)

1) Crude oil, foreign exchange rate and outline of consolidated statements of income

(Unit: \$/bbl; \$/ton; Yen/\$)

	Previous forecast for 1st Half of FY2007	Current forecast for 1st Half of FY2007	Change	
Crude oil price (DB)	60.0	67.4	+7.4	+12.3%
Crude oil price (Brent Crude)	60.9	63.3	+2.4	+3.9%
Naphtha price (Customs value)	600	686	+86	+14.3%
Exchange rate (TTS)	115.0	121.9	+6.9	+6.0%

* Brent crude price is the average price on a calendar year basis (from January to June).

(Unit: ¥100 million)

	Previous forecast for 1st Half of FY2007	Current forecast for 1st Half of FY2007	Change	
Net sales	15,500	17,300	+1,800	+11.6%
Operating income	330	270	-60	-18.2%
Non-operating income/expenses	-20	20	+40	-
Ordinary income	310	290	-20	-6.5%
Extraordinary gains/losses	-60	-54	+6	-
Net income	90	75	-15	-16.7%

(1) Reference data for operating results: Forecast for operating results by business segment for the 1st Half of FY2007 出光

2) Operating income by business segment

(Unit: ¥100 million)

	Previous forecast for the 1st Half of FY2007	Current forecast for the 1st Half of FY2007	Change	
Petroleum products	0	0	0	-
Petrochemical products	177	140	-37	-20.9%
Oil exploration and production	120	130	+10	+8.3%
Others	33	0	-33	-100.0%
Total	330	270	-60	-18.2%

(1) Reference data for consolidated operating results for the 1st Quarter of FY2007



3) Breakdown of extraordinary gains/losses

(Unit: ¥100 million)

		1st QTR, FY2007	1st QTR, FY2007	Change
Extraordinary gains	Gain on sale of fixed assets	1	3	+2
	Others	5	3	-1
	Total	6	7	+1
Extraordinary losses	Impairment loss on fixed assets	26	0	-26
	Loss on disposal of fixed assets	6	10	+4
	Others	2	3	0
	Total	34	12	-22
Total extraordinary gains/losses		-29	-6	23

(1) Reference data for consolidated operating results for the 1st Quarter of FY2007

4) Summary of consolidated balance sheet

(Unit: ¥100 million)

	End of Mar. 2007	End of Jun. 2007	Change		End of Mar. 2007	End of Jun. 2007	Change
Cash in hand and deposits at bank	1,076	1,092	16	Notes and accounts payable-trade	3,020	3,357	337
Notes and accounts receivable-trade	4,137	4,618	481	Short-term borrowings	3,423	3,600	177
Inventories	3,356	3,337	-19	Other current liabilities	3,835	3,756	-78
Other current assets	1,570	1,436	-134	Total current liabilities	10,278	10,713	435
				Long-term debt	4,920	4,845	-75
				Other long-term liabilities	2,520	2,521	1
Total current assets	10,139	10,484	345	Total long-term liabilities	7,440	7,366	-74
Fixed assets	10,437	10,430	-7	Total liabilities	17,718	18,079	362
(Land)	6,224	6,218	-5	Shareholders' equity	3,650	3,613	-37
(Others)	4,213	4,211	-2	Valuation and translation adjustments	1,678	1,721	43
Other fixed assets	2,755	2,804	49	Minority interest	286	304	19
Total fixed assets	13,192	13,234	41	Total net assets	5,614	5,638	24
Total assets	23,331	23,717	386	Total liabilities and net assets	23,331	23,717	386

Total interest-bearing debt	8,343	8,446	103
Shareholders' equity ratio	22.8%	22.5%	-0.3%

(1) Reference data for consolidated operating results for the 1st Quarter of FY2007



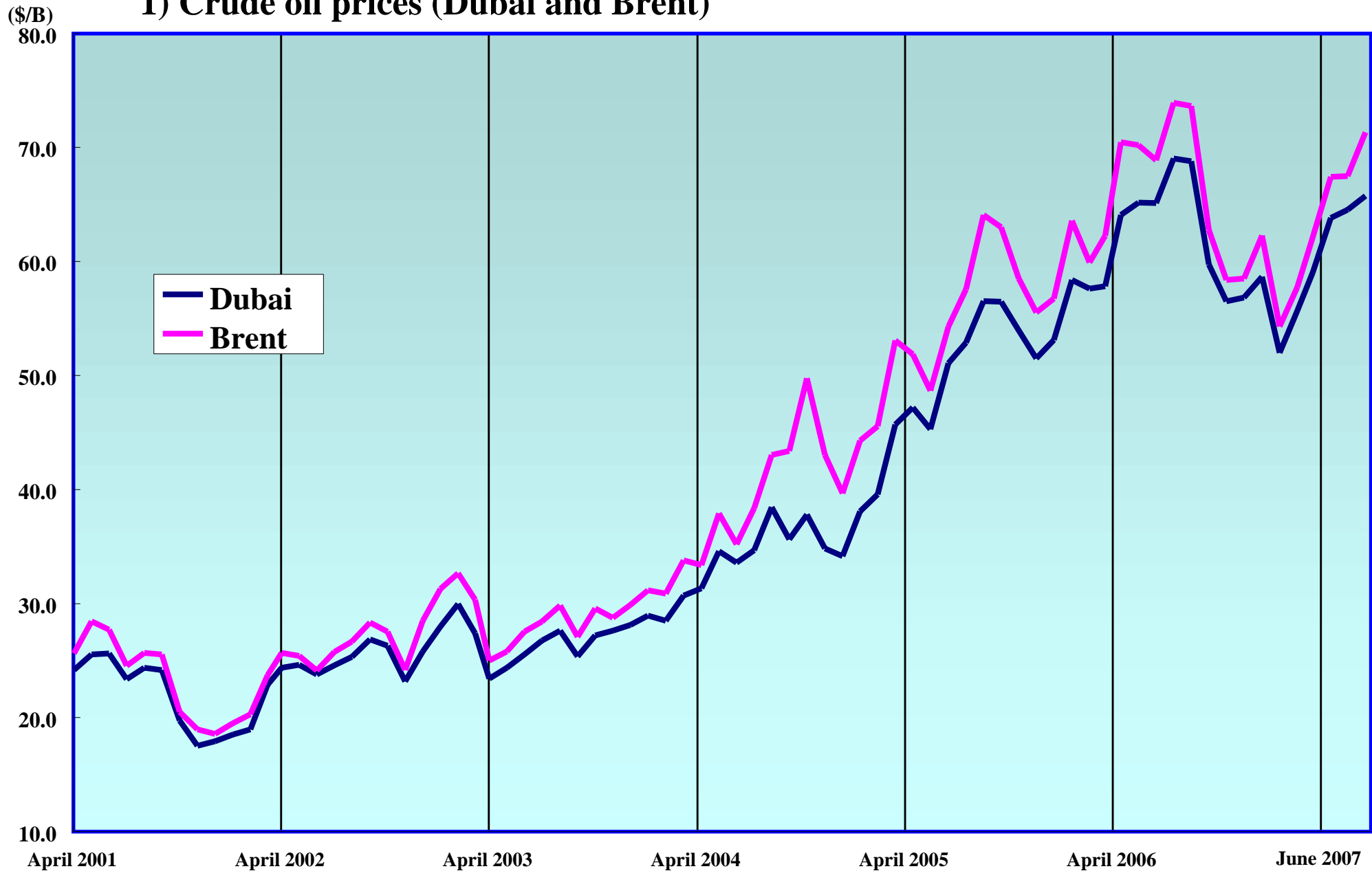
5) Consolidated cash flows

(Unit: ¥100 million)

	1st QTR of FY2006	1st QTR of FY2007	Change
CF from operating activities	429	0	-429
Income before income taxes for 1st QTR	229	126	-103
Depreciation and & amortization	133	171	38
(Increase) decrease in notes and accounts receivable-trade	34	-459	-493
Others	33	162	130
CF from investing activities	-37	-163	-126
Purchases of tangible fixed assets	-125	-192	-67
Others	88	30	-59
CF from financing activities	-181	14	195
Increase (decrease) in borrowings	-124	98	222
Others	-57	-84	-27
Cash and cash equivalents at end of the term	1,546	1,092	-454

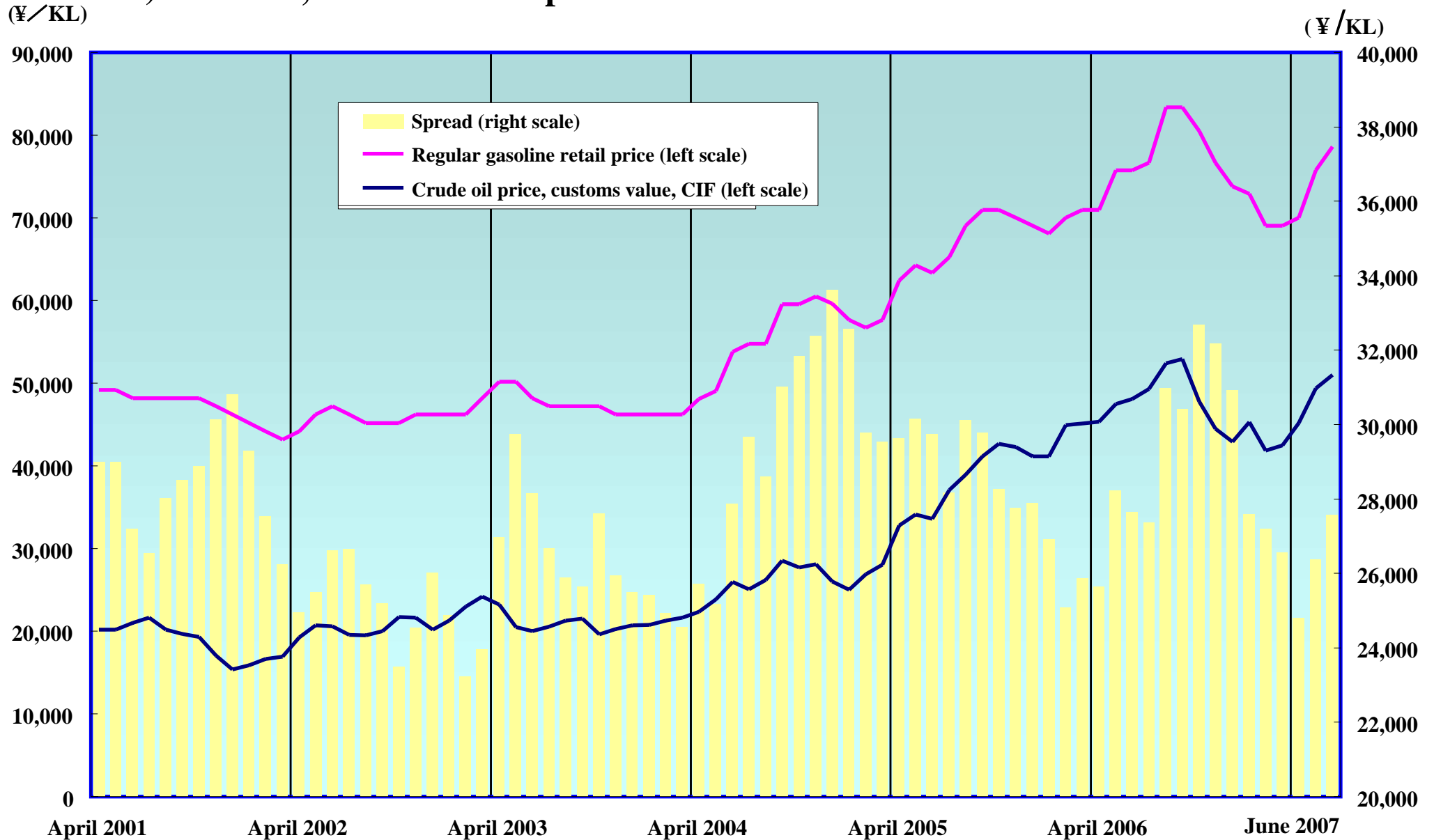
(2) Market prices

1) Crude oil prices (Dubai and Brent)



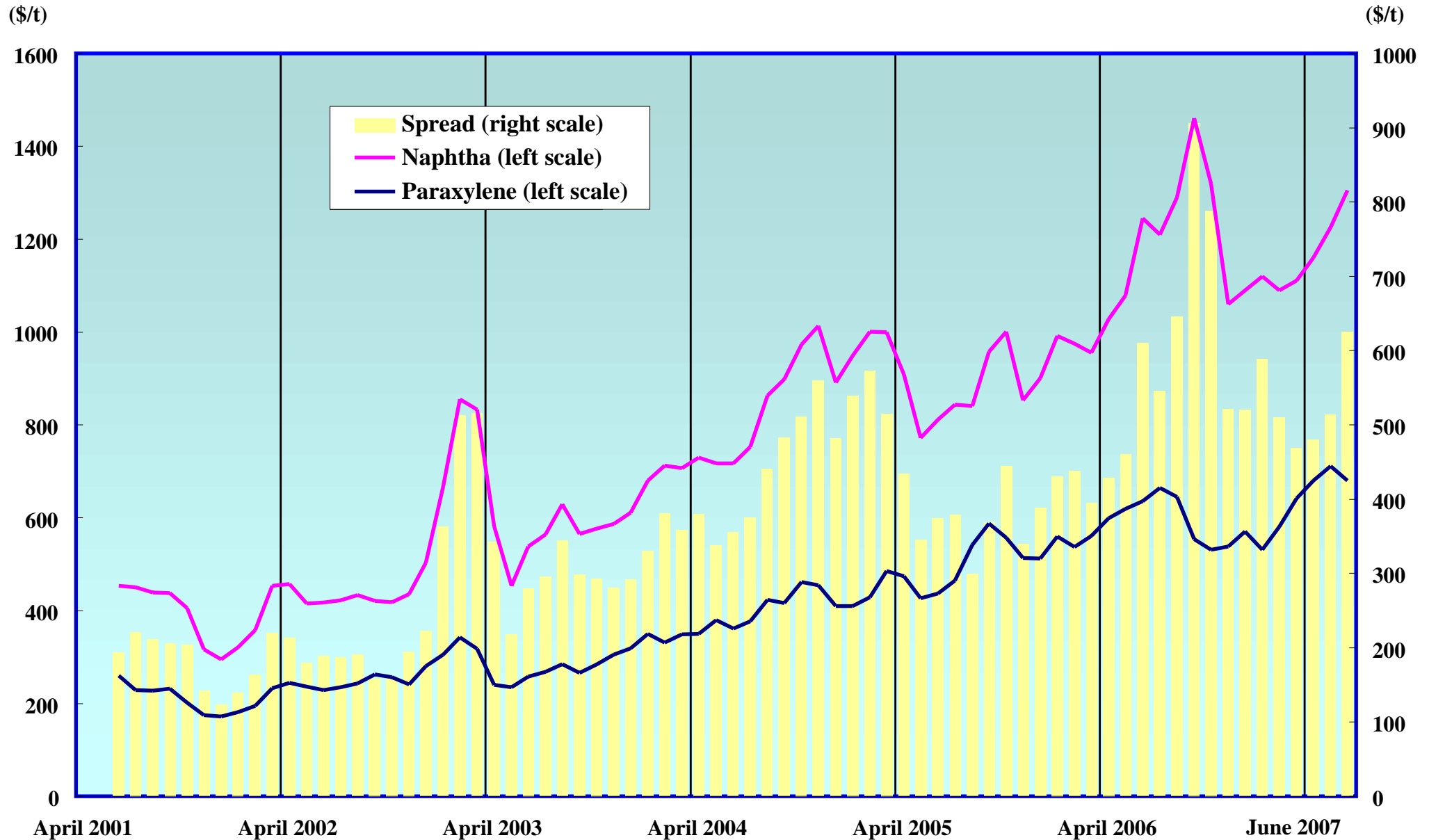
(2) Market prices

2) Gasoline, crude oil and spreads



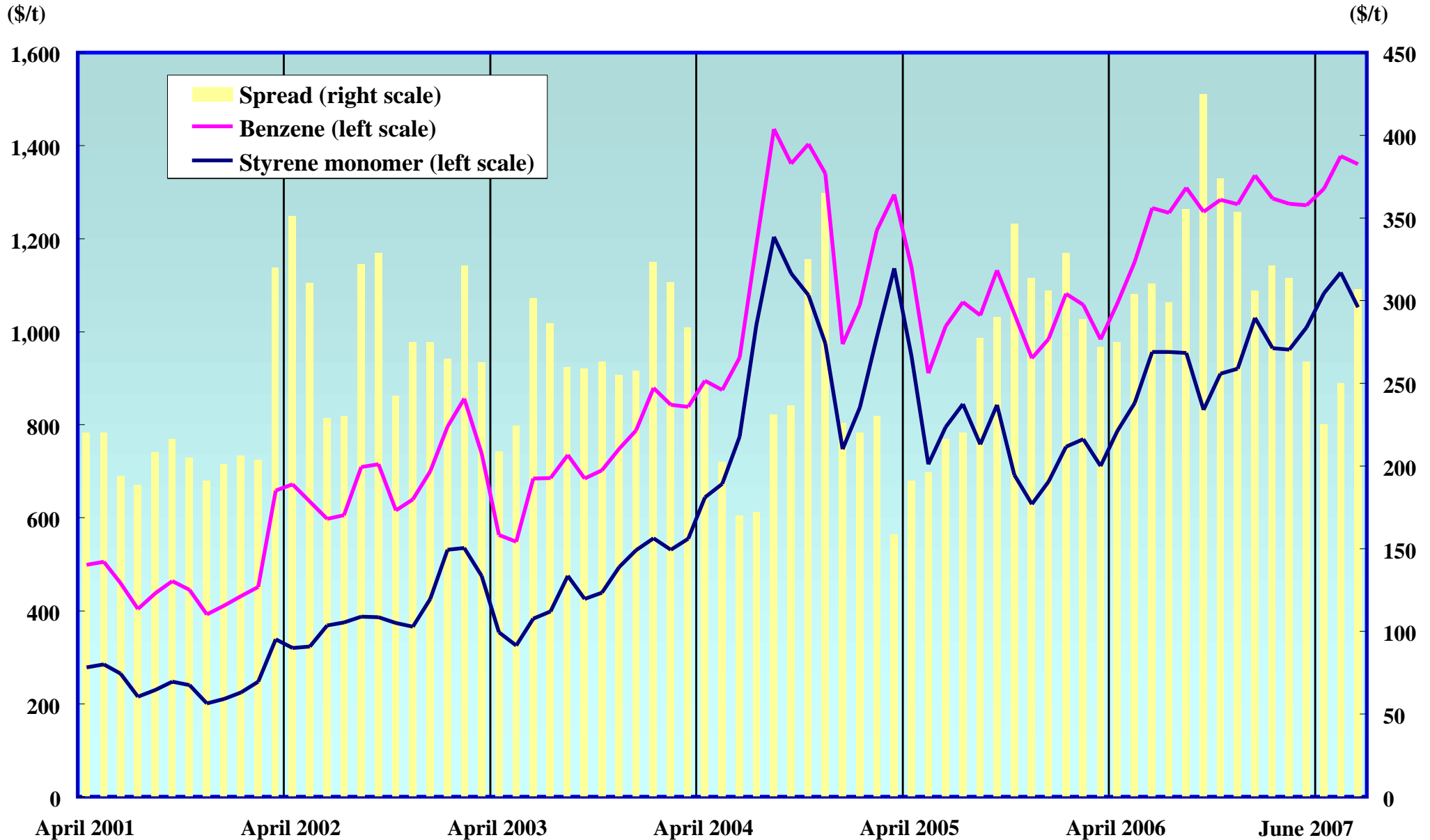
(2) Market prices

3) Paraxylene, naphtha and spreads



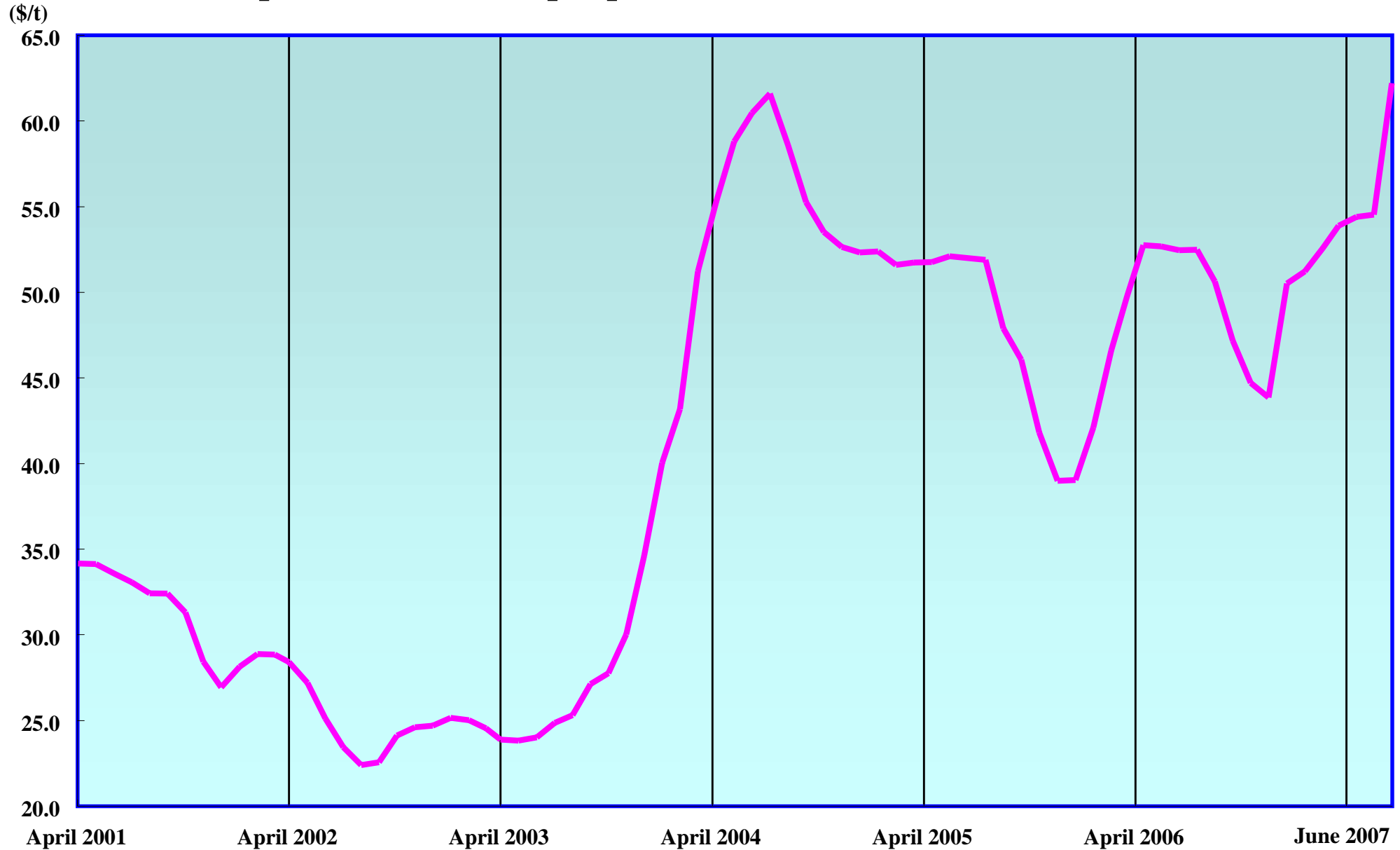
(2) Market prices

4) Styrene monomer, benzene and spreads



(2) Market prices

5) Coal price (Australian spot price)



(3) Sales



1) Sales volume for the 1st Quarter of FY2007 (Domestic sales volume of fuel oil, non-consolidated)

(Unit: Thousand KL, %)

	1st QTR of FY2006	1st QTR of FY2007	Change	Growth rate
Gasoline	2,102	2,122	+20	100.9
(Super-unleaded)	336	329	-6	98.1
(Regular-unleaded)	1,766	1,792	+26	101.5
Naphtha	136	105	-31	77.4
Jet fuel	448	424	-24	94.6
Kerosene	604	539	-65	89.3
Diesel oil	1,501	1,529	+29	101.9
Heavy fuel oil A	892	806	-86	90.3
Heavy fuel oil C	716	570	-146	79.7
Total domestic sales volume	6,398	6,095	-303	95.3

(3) Sales

2) Sales volume for the 1st Quarter of FY2007 (Petrochemical products, non-consolidated)

(Unit: Thousand ton; %)

	1st QTR of FY2006	1st QTR of FY2007	Change	Growth rate
Total petrochemical products	897	854	-43	95.2
(Basic chemicals)	784	728	-56	92.8
(Performance chemicals)	113	126	+13	111.4

3) Sales volume for the 1st Quarter of FY2007 (Lubricants)

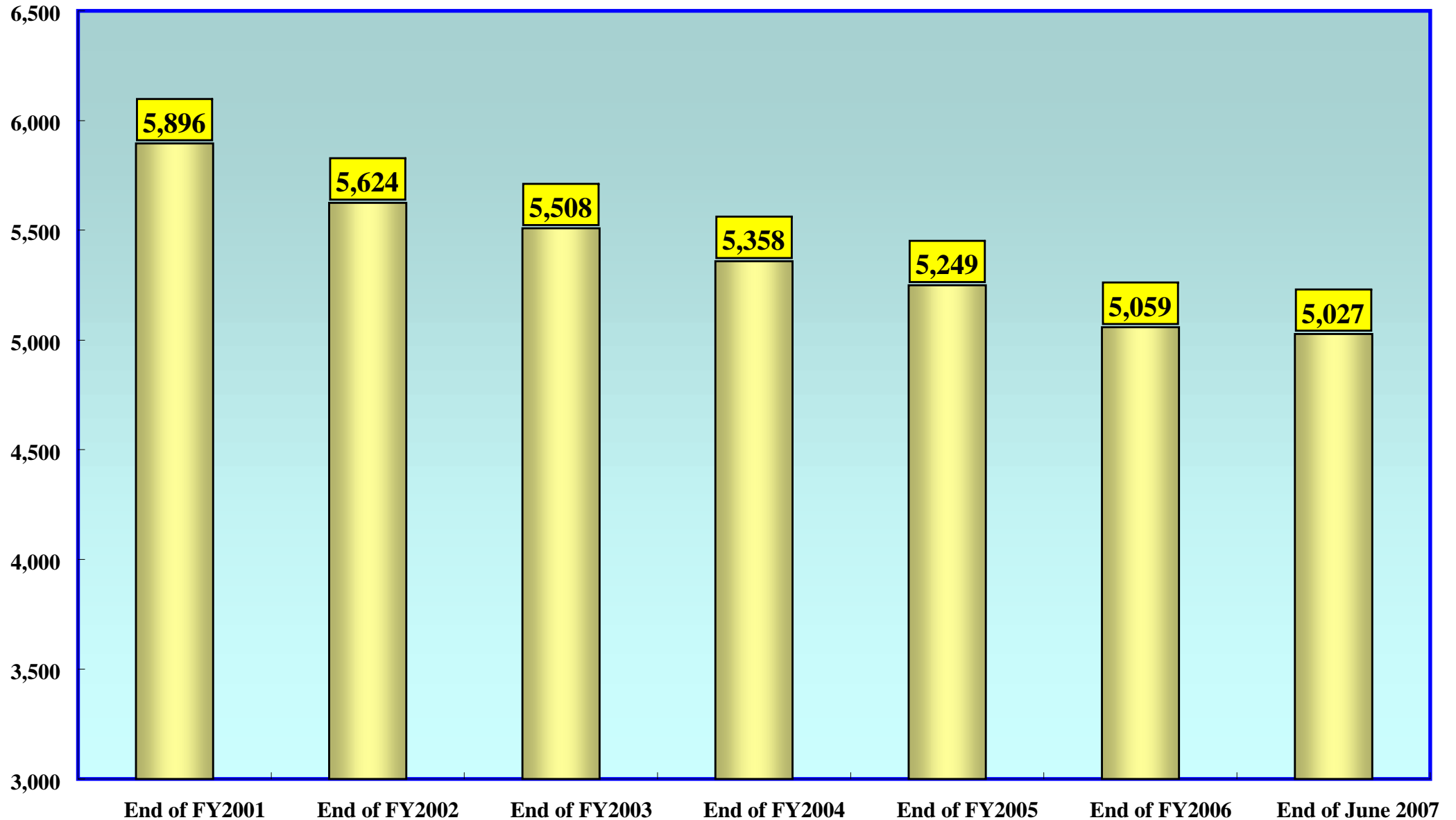
(Unit: Thousand KL)

	1st QTR of FY2006	1st QTR of FY2007	Change	Growth rate
Lubricants	244	242	-2	99.2

Note: Including sales volume of overseas licensees

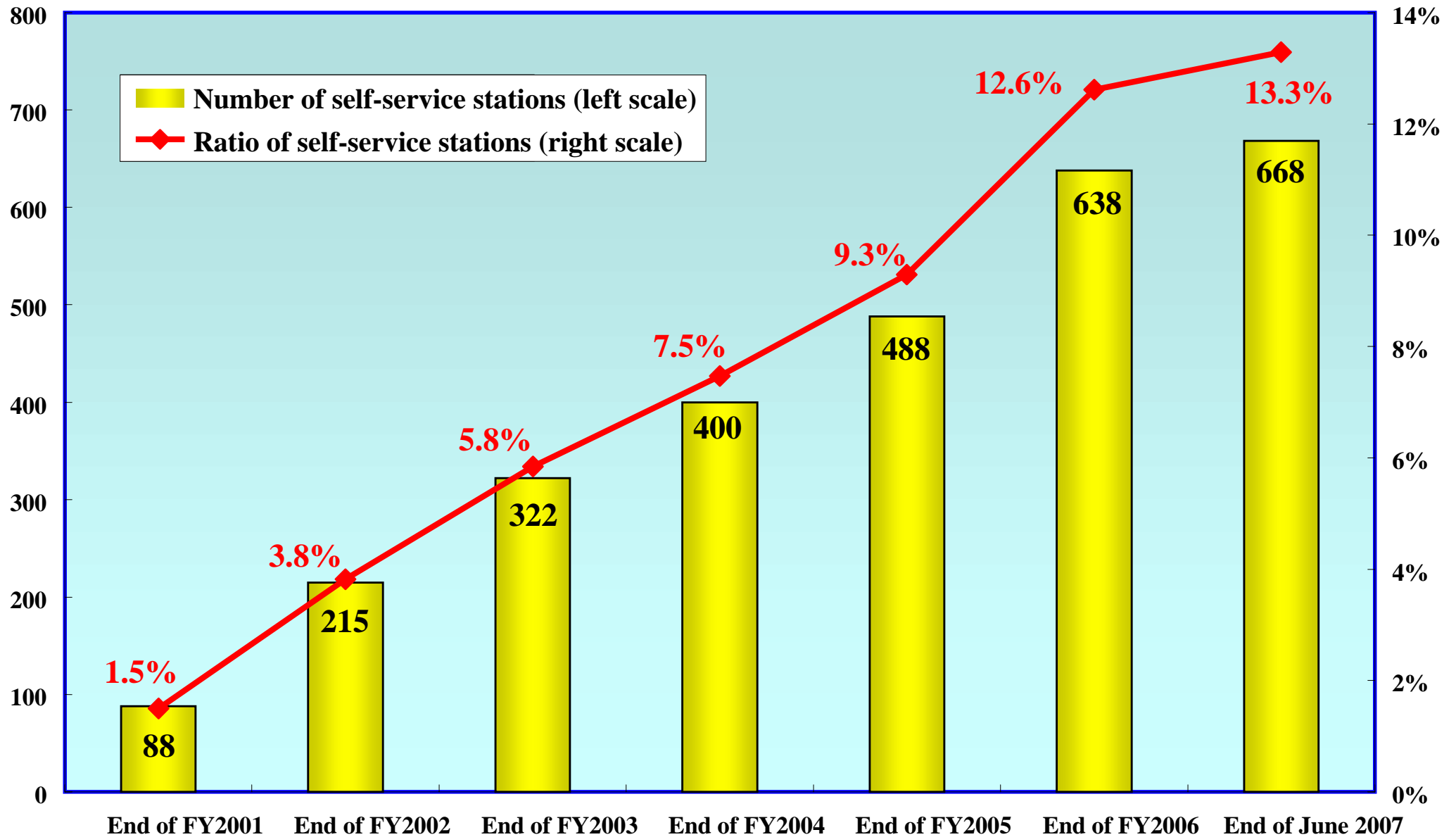
(3) Sales

4) Total number of service stations with Idemitsu brand



(3) Sales

5) Self-service stations with Idemitsu brand



(4) Production



1) Production and growth rate of oil exploration and production

(Unit: Thousand bbl per day)

	1st QTR of FY2006	1st QTR of FY2007	Change	
Production	30.7	33.4	2.7	+8.9%

* Figures in the table above are on the portion of Idemitsu Petroleum Norge's interests basis.

2) Production and growth rate of coal

(Unit: Thousand ton)

	1st QTR of FY2006	1st QTR of FY2007	Change	
Ensham (85%)	1,446	1,389	-57	-3.9%
Muswellbrook	406	316	-90	-22.2%
Boggabri	0	410	410	-
Tarawonga (30%)	0	33	33	-
Total production	1,852	2,148	296	+16.0%

* Figures in the table above are on the portion of the Idemitsu Group's interests basis.

Cautionary warnings about forecasts



Of information about forecasts for the Company's operating results, management strategy and management policy contained in this documents, any information which is not a historical fact is prepared according to decisions 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 petrochemical products, markets conditions, currency exchange rates and interest rates.

Consequently, actual operating results of the Company may substantially differ from forecasts due to changes in important factors mentioned above.

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