

Financial Highlights for the 3rd Quarter FY2007

(April 1,2007~December 31,2007)

February 5, 2008

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Idemitsu Kosan Co., Ltd.



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1. FY2007 3rd Quarter Financials

(1) Overview



1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2006 3Q	FY2007 3Q	Change	
Crude Oil (DB FOB)	62.7	72.7	10.0	15.9%
Crude Oil (Brent)	67.0	67.1	0.1	0.1%
Naphtha Price (Customs)	602	708	107	17.7%
Exchange Rate (TTS)	117.2	118.3	1.1	0.9%

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

2) Consolidated Income Statement (Summary)

(Units: ¥100 million)

	FY2006 3Q	FY2007 3Q	Change	
Net Sales	25,169	27,407	2,238	8.9%
Operating income	884	438	(446)	(50.4%)
<i>(Including Income from equity-method Investments)</i>	949	484	(465)	(49.0%)
Non-operating Income/Loss	15	63	48	308.9%
Ordinary income	900	501	(398)	(44.3%)
Extraordinary Gain/Loss	(83)	39	122	-
Net Income	344	183	(161)	(46.9%)

* Figures rounded to the nearest ¥100 million. * LIFO method used for inventory valuation.

(2) Segment Information



1) Net Sales

(Units: ¥100 million)

	FY2006 3Q	FY2007 3Q	Change	
Petroleum Products	18,946	20,285	1,340	7.1%
Petrochemical Products	4,596	5,282	685	14.9%
Oil Exploration and Production	634	724	90	14.1%
Other	993	1,116	123	12.4%
Total	25,169	27,407	2,238	8.9%

<Reasons for Increase/Decrease>

Petroleum Products: Increase in crude oil prices, etc. + ¥134.0 bn

Petrochemical Products: Increase in naphtha prices, etc. + ¥68.5 bn

Oil Exploration and Production: Increase in production volume, etc. + ¥9.0 bn

Other: Increased coal production in Australia + ¥12.3 bn

(2) Segment Information



2) Operating income

(Units: ¥100 million)

	FY2006 3Q	FY2007 3Q	Change	
Petroleum Products	230	(61)	(291)	-
Petrochemical Products	323	186	(137)	(42.5%)
Oil Exploration and Production	303	319	17	5.5%
Other	29	(5)	(35)	-
Total	884	438	(446)	(50.4%)

<Reasons for Increase/Decrease>

Petroleum Products:

Decrease in product margins	- ¥18.6 bn
Increase in refining fuel costs / time lag	- ¥9.3 bn
Impact of Changes in the Tax Law	- ¥5.9 bn
Inventory-related, etc.	+ ¥4.7 bn

Petrochemical Products:

Decrease in product margins (PX, SM)	- ¥6.4 bn
Increase in naphtha prices, etc.	- ¥5.4 bn
Impact of Changes in the Tax Law	- ¥1.9 bn

Oil Exploration and Production:

Increase in production volume, etc.	+ ¥1.7 bn
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Other:

Stronger Australian dollar (Australian coal mine)	- ¥3.5 bn
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2. FY2007 Full-year Business Forecasts

(1) Revisions in Business Forecasts



1) Consolidated Performance

(Units: ¥100 million)

	Previous FY07 Forecast	Revised FY07 Forecast	Change	
Net Sales	36,200	38,400	2,200	6.1%
Operating income	780	480	(300)	(38.5%)
Ordinary income	820	540	(280)	(34.1%)
Net Income	290	105	(185)	(63.8%)

2) Non-consolidated Performance

(Units: ¥100 million)

	Previous FY07 Forecast	Revised FY07 Forecast	Change	
Net Sales	33,500	35,700	2,200	6.6%
Operating income	260	(25)	(285)	—
Ordinary income	270	140	(130)	(48.1%)
Net Income	110	45	(65)	(59.1%)

* Figures rounded to the nearest ¥100 million. * LIFO method used for inventory valuation.

(2) Overview (Changes in Forecasts)



3) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	Previous Forecast	Current Forecast	Change		Assumptions (Jan-Mar)
Crude Oil (DB FOB)	68.7	75.8	7.1	10.3%	85.0
Crude Oil (Brent)	69.1	72.5	3.4	4.9%	—
Naphtha Price (Customs)	686	752	66	9.6%	880
Exchange Rate (TTS)	117.7	116.2	(1.5)	(1.2%)	110.0

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

4) Consolidated Income Statement (Summary)

(Units: ¥100 million)

	Previous Forecast	Current Forecast	Change	
Net Sales	36,200	38,400	2,200	6.1%
Operating income	780	480	(300)	(38.5%)
<i>(Including Income from equity-method Investments)</i>	840	525	(315)	(37.5%)
Non-operating Income/Loss	40	60	20	50.0%
Ordinary income	820	540	(280)	(34.1%)
Extraordinary Gain/Loss	0	0	0	-
Net Income	290	105	(185)	(63.8%)

* LIFO method used for inventory valuation.

(3) Segment Information (Changes in Forecasts)



1) Net Sales

(Units: ¥100 million)

	Previous Forecast	Current Forecast	Change	
Petroleum Products	26,910	28,660	1,750	6.5%
Petrochemical Products	6,730	7,100	370	5.5%
Oil Exploration and Production	970	1,050	80	8.2%
Other	1,590	1,590	0	0.0%
Total	36,200	38,400	2,200	6.1%

<Reasons for Increase/Decrease>

Petroleum Products: Increase in crude oil prices, etc. + ¥175.0 bn

Petrochemical Products: Increase in naphtha prices, etc. + ¥37.0 bn

Oil Exploration and Production: Increase in crude oil prices, etc. + ¥8.0 bn

(3) Segment Information (Changes in Forecasts)



2) Operating income

(Units: ¥100 million)

	Previous Forecast	Current Forecast	Change	
Petroleum Products	(20)	(110)	(90)	-
Petrochemical Products	330	160	(170)	(51.5%)
Oil Exploration and Production	420	410	(10)	(2.4%)
Other	50	20	(30)	(60.0%)
Total	780	480	(300)	(38.5%)

* Fiscal years for Australian coal mines (“Other” segments) and “Oil Exploration and Production” end in December

<Reasons for Increase/Decrease>

Petroleum Products:	Decrease in product margins	- ¥15.0 bn
	Increase in refining fuel costs / time lag	- ¥6.0 bn
	Inventory-related, etc.	+ ¥12.0 bn
Petrochemical Products:	Decrease in product margins (PX, SM)	- ¥6.7 bn
	Increase in naphtha prices, etc.	- ¥10.3 bn
Oil Exploration and Production:	Increase in exploration costs, etc.	- ¥1.0 bn
Other:	Increased costs at Australian coal mine, etc.	- ¥3.0 bn

(4) Overview (Year-on-year)



1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY06 Actual	FY07 Forecast	Change		Assumptions (Jan-Mar)
Crude Oil (DB FOB)	60.8	75.8	15.0	24.7%	85.0
Crude Oil (Brent)	65.1	72.5	7.4	11.4%	—
Naphtha Price (Customs)	591	752	161	27.2%	880
Exchange Rate (TTS)	118.0	116.2	(1.8)	(1.5%)	110.0

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

2) Consolidated Income Statement (Summary)

(Units: ¥100 million)

	FY06 Actual	FY07 Forecast	Change	
Net Sales	33,947	38,400	+4,453	+13.1%
Operating income <i>(Including Income from equity- method Investments)</i>	1,028 (1,112)	480 (525)	(548) (587)	(53.3%) (52.8%)
Non-operating Income/Loss	47	60	13	27.0%
Ordinary income	1,075	540	(535)	(49.8%)
Extraordinary Gain/Loss	(87)	0	87	-
Net Income	416	105	(311)	(74.8%)

* LIFO method used for inventory valuation.

(5) Segment Information (Year-on-year)



1) Operating income

(Units: ¥100 million)

	FY06 Actual	FY07 Forecast	Change	
Petroleum Products	177	(110)	(287)	-
Petrochemical Products	443	160	(283)	(63.9%)
Oil Exploration and Production	369	410	41	11.2%
Other	39	20	(19)	(49.3%)
Total	1,028	480	(548)	53.3%

* Fiscal years for Australian coal mines ("Other" segments) and "Oil Exploration and Production" end in December

<Reasons for Increase/Decrease>

Petroleum Products:	Decrease in product margins	- ¥21.8 bn
	Increase in refining fuel costs / time lag	- 13.6 bn
	Impact of Changes in the Tax Law	- ¥7.5 bn
	Inventory-related, Rationalization effects etc.	+ ¥14.2 bn
Petrochemical Products:	Decrease in product margins (PX, SM)	} - ¥25.9 bn
	Increase in naphtha prices, etc.	
	Impact of Changes in the Tax Law	
Oil Exploration and Production:	Increases in crude oil prices and production volume, etc.	+ ¥4.1 bn
Other:	Stronger Australian dollar (Australian coal mine), etc.	- ¥1.9 bn

While crude oil and naphtha prices surged during FY2007, margins in fuel oil and petrochemical products can be expected to improve once such upward trends ease. While the domestic demand of fuel oil is expected the downward trend, Idemitsu will steadily implement the initiatives included in the current medium-term plan in order to achieve its earnings targets.

Status of Ensham Coal Mine



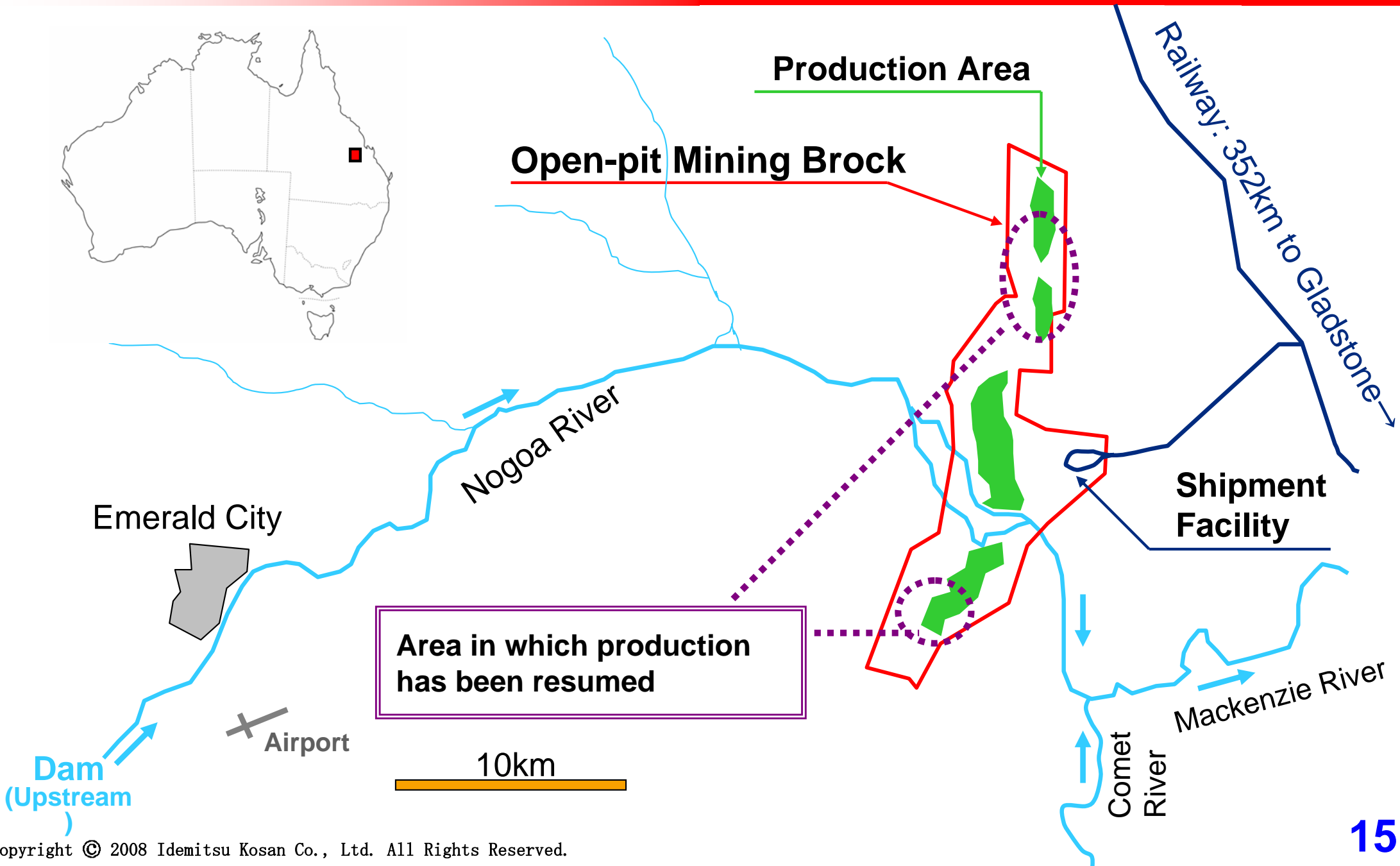
1. Damage

- (1) 4 of 7 mining areas were flooded.**
- (2) Malfunction in 1 of the 4 draglines. No other damage suffered with respect to production and shipment facilities.**
- (3) Shipments suspended due to inability to use roads in the premises.**

2. Status of Restoration Efforts

- (1) The commuting route was secured setting up the bypass on the north site of the coal mine.**
- (2) Production has been partially resumed in the areas without damages by the flood.**
- (3) Efforts are being made to restore roads within the premises and drain water from flooded mining areas in order to resume shipment as soon as possible.**

Map of Areas Surrounding Ensham Coal Mine



Reference Materials

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1. Financial Reporting



(1) Breakdown of Extraordinary Gains/Losses



(Units: ¥100 million)

	FY2006 3Q	FY2007 3Q	Change	FY2006 Actual	FY2007 Forecast	Change
Gain on Sale of Fixed Assets	7	101	94	53	101	49
Other	6	12	5	24	12	(12)
Total Extraordinary Gains	13	113	100	77	113	36
Loss on Sale and Depletion of Fixed Assets	43	51	8	57	72	15
Impairment Loss on Fixed Assets	47	15	(32)	86	24	(62)
Other	6	8	2	20	17	(3)
Total Extraordinary Losses	96	74	(22)	164	113	(51)
Total Extraordinary Gains/Losses	(83)	39	122	(87)	0	87

1. Financial Reporting



(2) Balance Sheet

(Units: ¥100 million)

	3/31/07	12/31/07	Change		3/31/07	12/31/07	Change
Cash and Deposits	1,076	1,366	290	Payables	3,020	4,088	1,068
Receivables	4,137	5,224	1,087	Short-term Borrowings	3,423	5,005	1,582
Inventory	3,356	4,151	795	Other Current Liabilities	3,835	4,296	461
Other Current Assets	1,570	1,664	94	Total Current Liabilities	10,278	13,389	3,111
				Long-term Borrowings	4,920	4,104	(816)
				Other Fixed Liabilities	2,520	2,557	37
Total Current Assets	10,139	12,405	2,266	Total Fixed Liabilities	7,440	6,661	(779)
Tangible Fixed Assets	10,437	10,462	25	Total Liabilities	17,718	20,050	2,332
(Land)	6,224	6,189	(34)	Shareholders' Equity	3,650	3,758	108
(Other)	4,213	4,273	60	Valuation and Translation Adjustments	1,678	1,514	(163)
Other Fixed Assets	2,755	2,761	6	Minority Interests	286	307	21
Total Fixed Assets	13,192	13,224	32	Total Net Assets	5,614	5,580	(34)
Total Assets	23,331	25,629	2,298	Total Liabilities and Net Assets	23,331	25,629	2,298

Total Interest-bearing Debt	8,343	9,109	766
Equity Ratio	22.8%	20.6%	(2.3%)

1. Financial Reporting



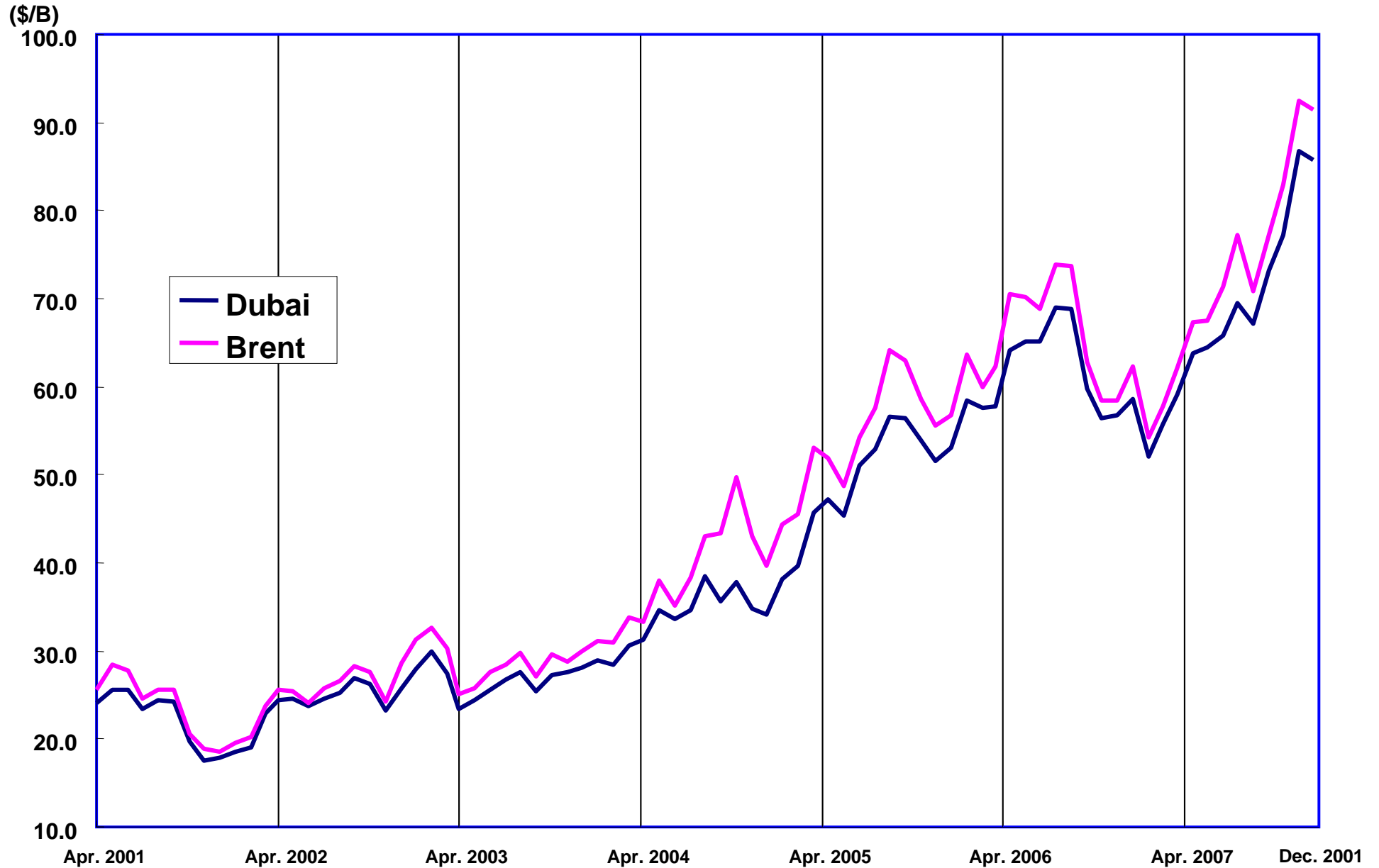
(3) Statement of Cash Flows

(Units: ¥100 million)

	FY2006 3Q	FY2007 3Q	Change
CF from Operating Activities	339	(28)	(367)
Quarterly Net Income before Tax Adjustments	816	540	(276)
Depreciation Expense	424	546	122
Decrease (Increase) in Sales Receivables and Inventory	(1,751)	(1,887)	(136)
Other	850	773	(77)
CF from Investing Activities	(404)	(463)	(59)
Purchase of Tangible Fixed Assets	(468)	(511)	(43)
Other	64	48	(16)
CF from Financing Activities	412	611	199
Increase (Decrease) in Borrowings	(627)	749	1,375
Other	1,039	(138)	(1,177)
Cash and Cash equivalents - Ending Balance	1,698	1,366	(332)

2. Market Conditions

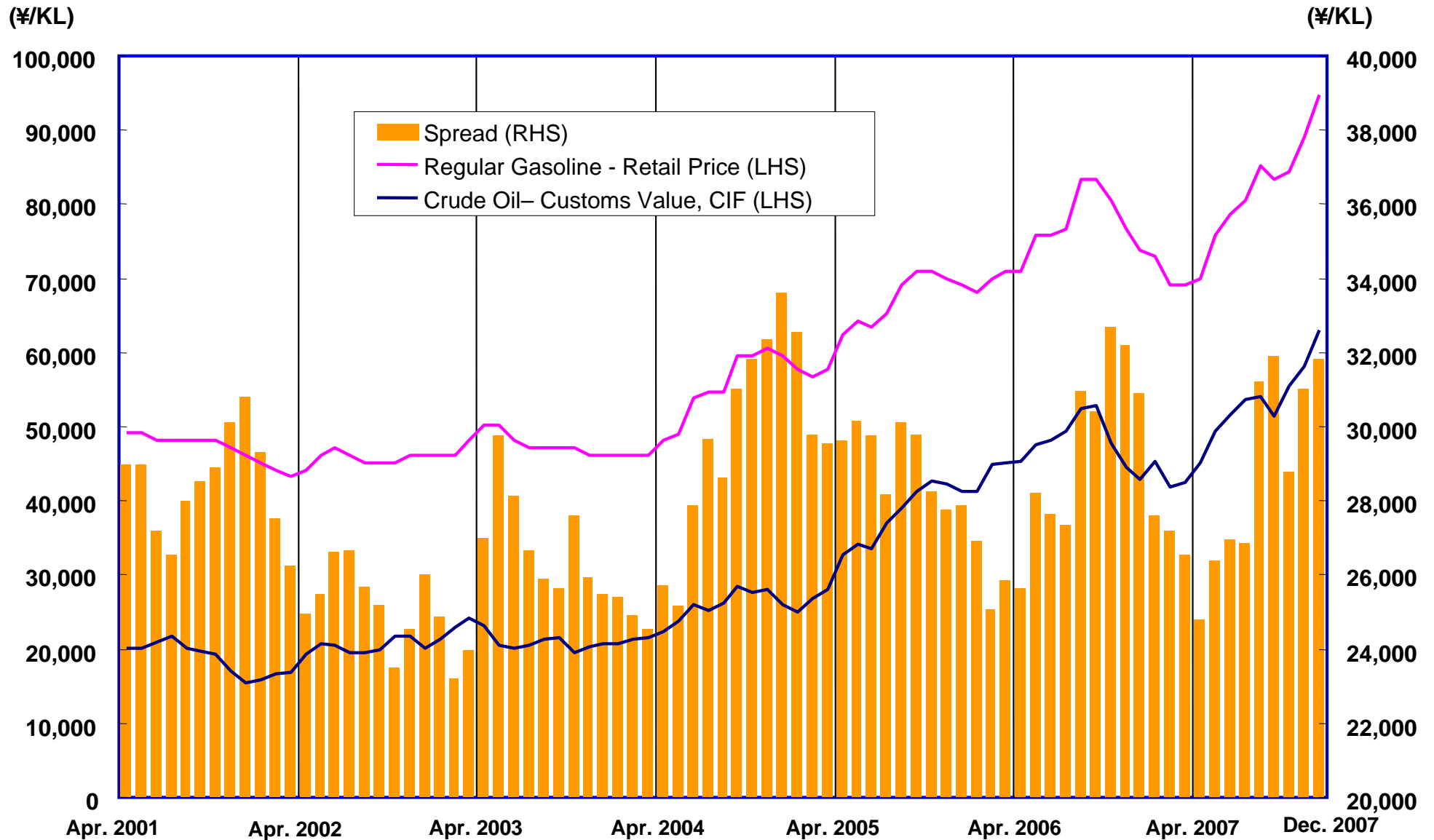
1) Crude Oil Prices (Dubai and Brent)



2. Market Conditions



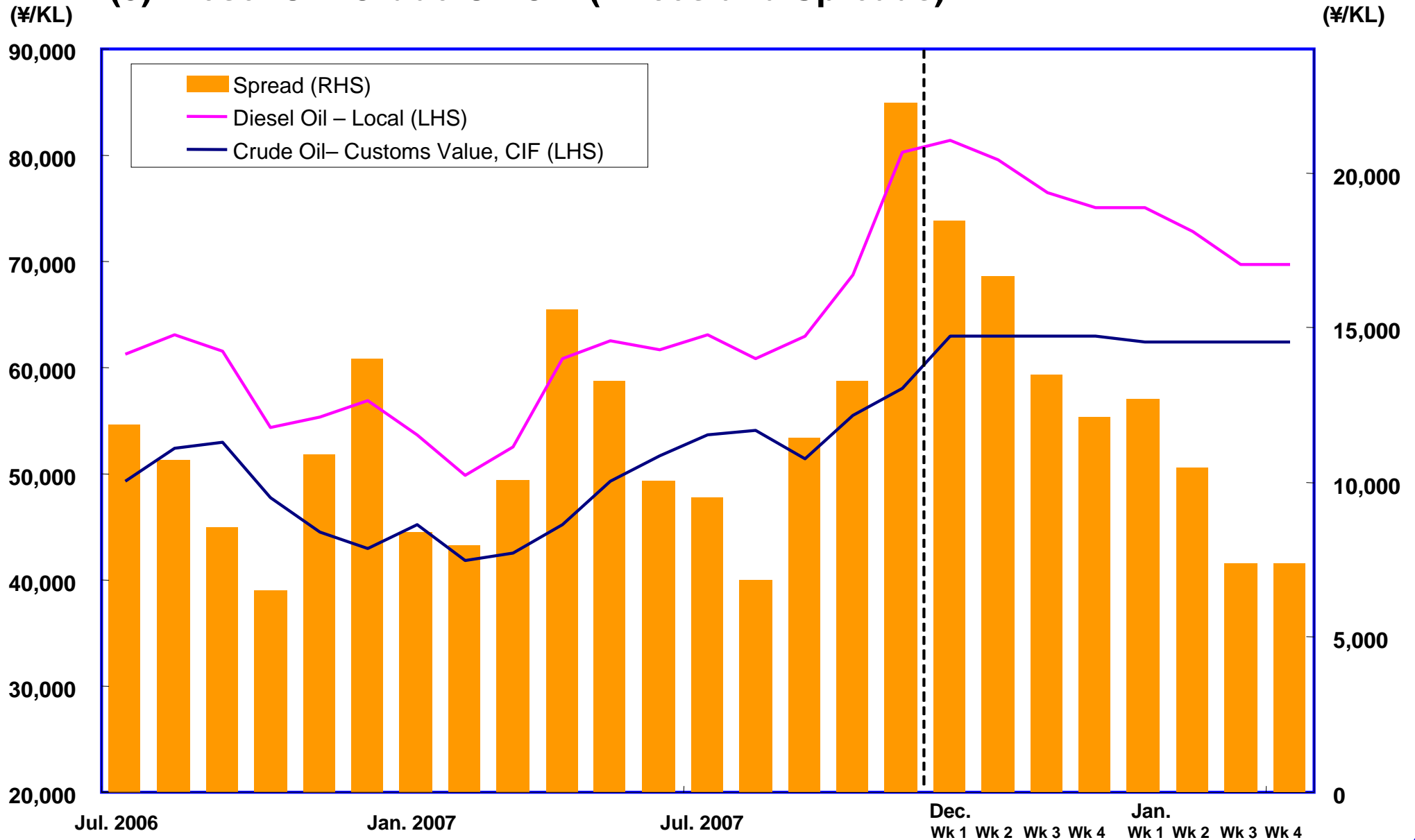
(2) Gasoline- Crude Oil CIF (Prices and Spreads)



2. Market Conditions



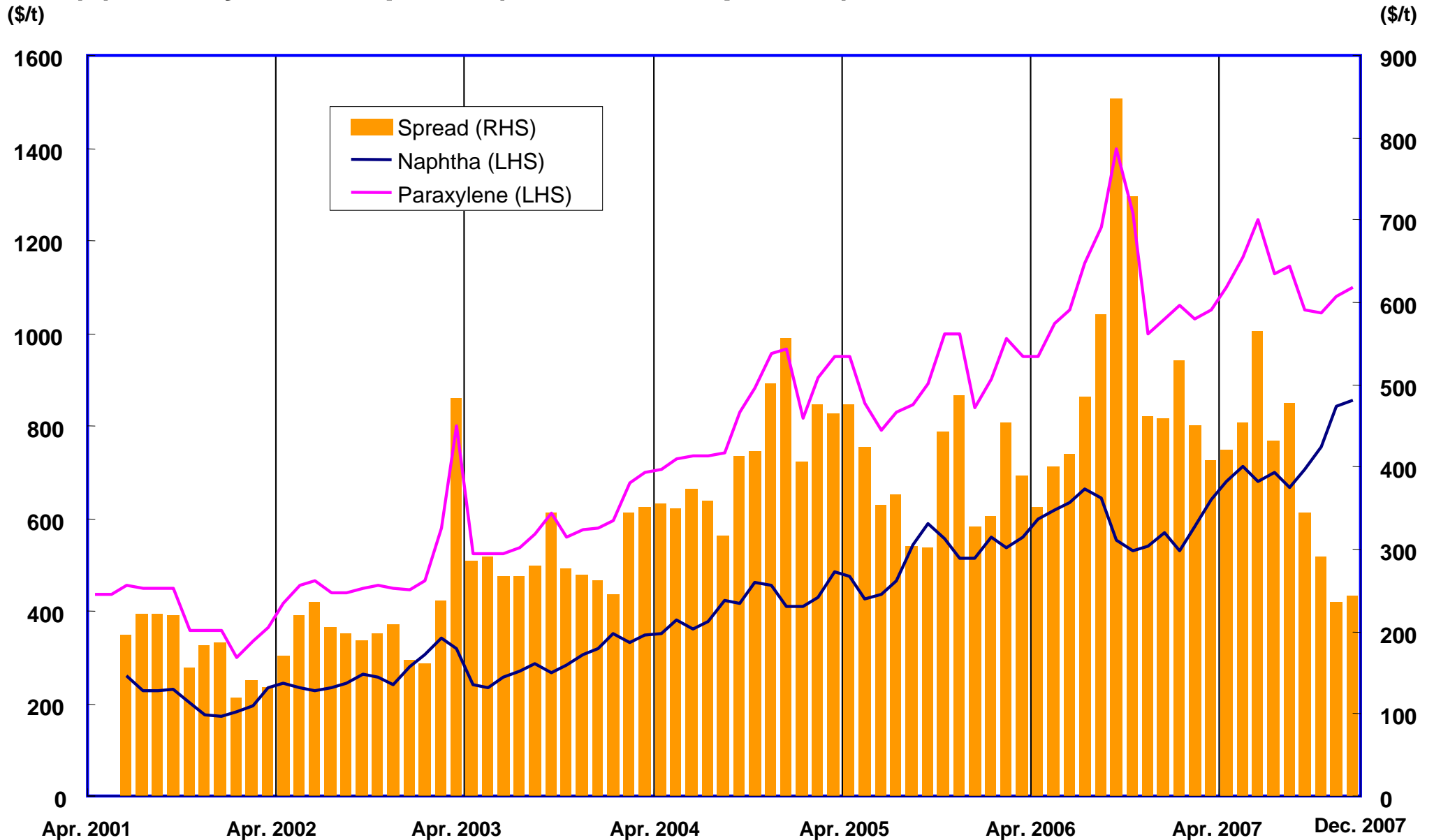
(3) Diesel Oil- Crude Oil CIF (Prices and Spreads)



2. Market Conditions



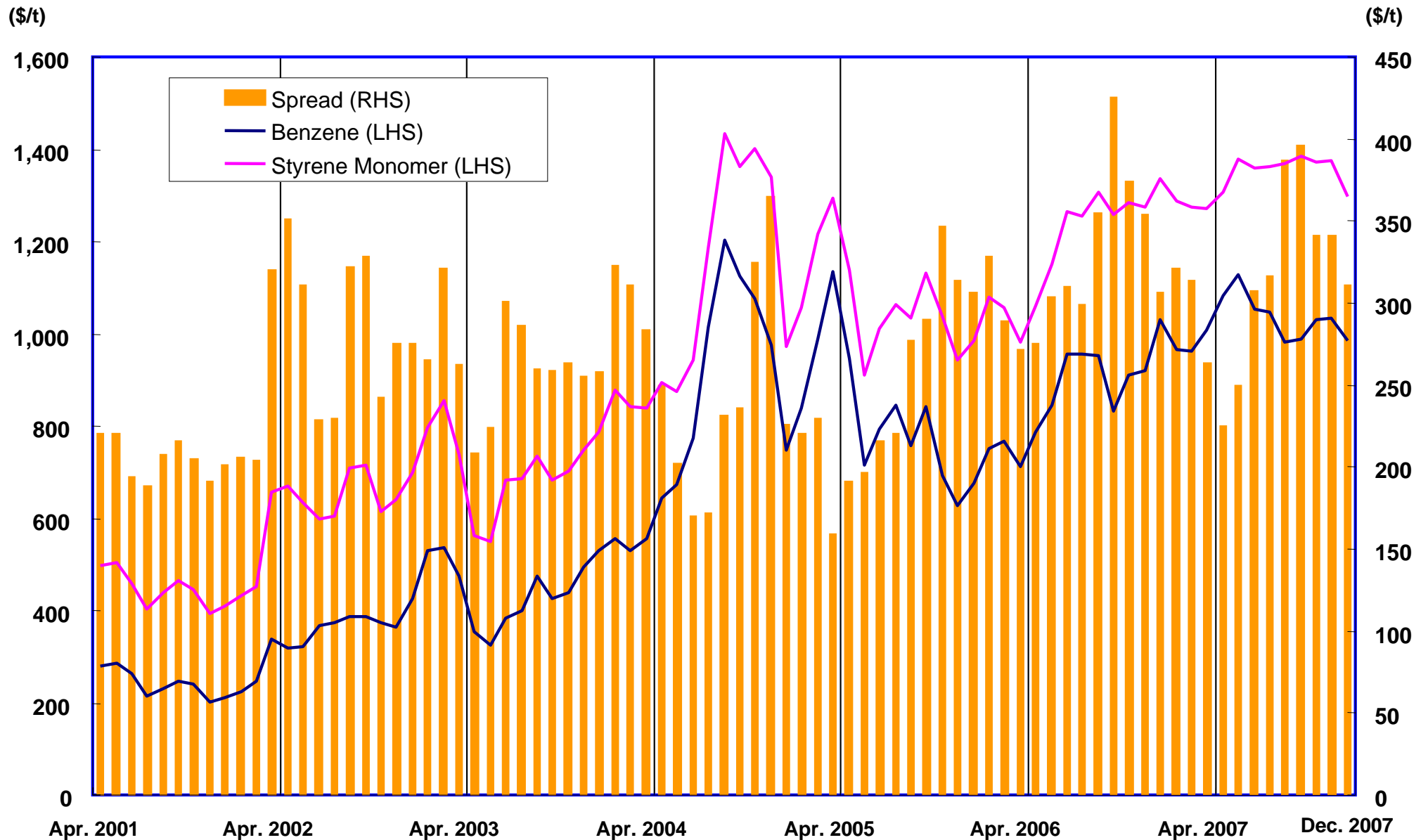
(4) Paraxylene- Naphtha (Prices and Spreads)



2. Market Conditions



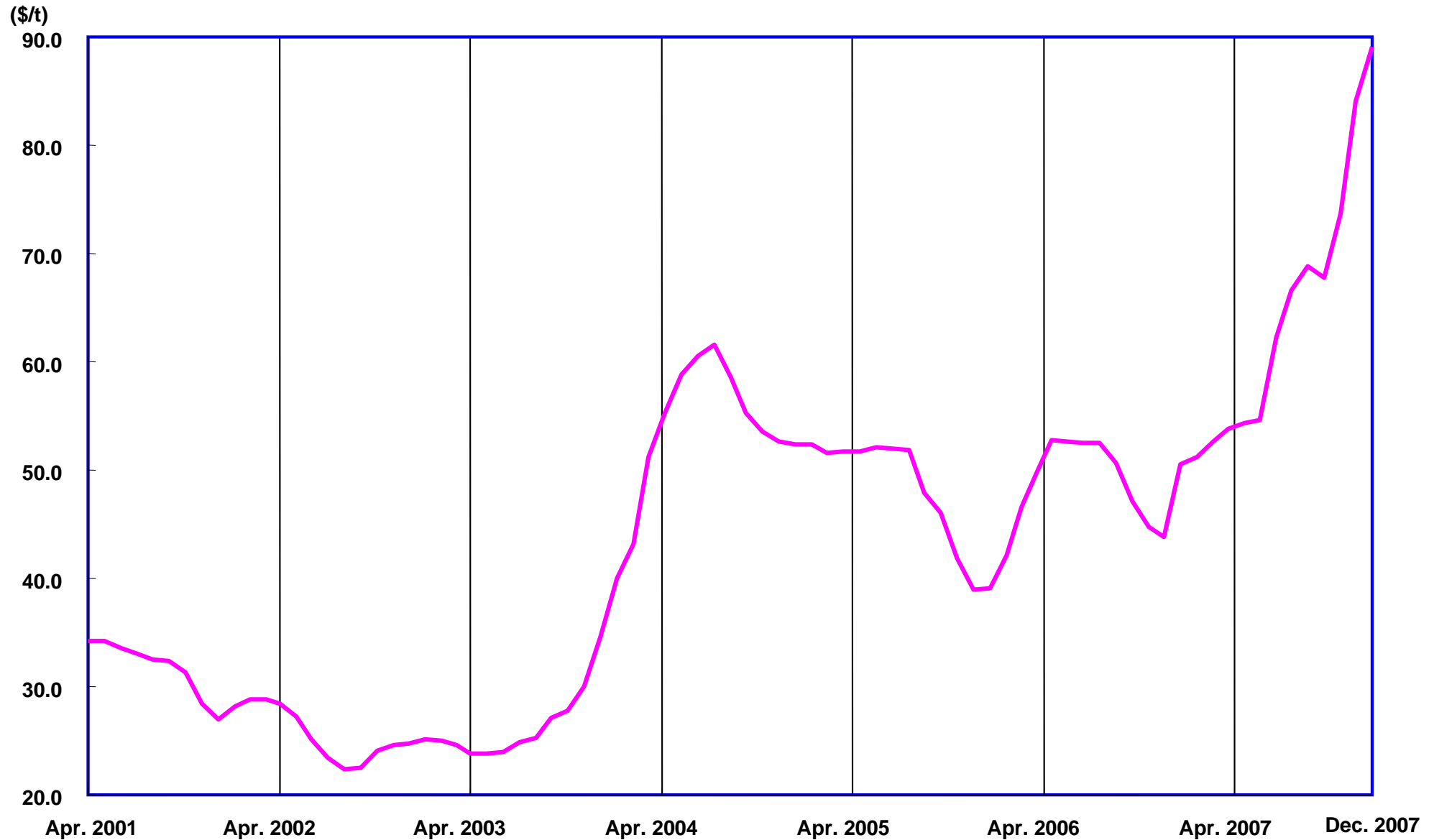
(5) Styrene Monomer- Benzene (Prices and Spreads)



2. Market Conditions

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(6) Coal Prices (Australian Spot Prices)



3. Sales



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

(Thousand KL, %)

	FY2006 3Q	FY2007 3Q	Change	Growth Rate
Gasoline	6,572	6,668	96	101.5
(Super-Unleaded)	1,028	1,000	(28)	97.2
(Regular-Unleaded)	5,544	5,668	124	102.2
Naphtha	416	314	(102)	75.4
Jet Fuel	1,363	1,310	(53)	96.1
Kerosene	2,131	1,978	(153)	92.8
Diesel Oil	4,636	4,734	99	102.1
Heavy Fuel Oil A	2,715	2,507	(208)	92.3
Heavy Fuel Oil C	2,151	1,950	(200)	90.7
Total Domestic Sales Volume	19,984	19,461	(523)	97.4
Exported Fuel Oil	2,030	2,320	290	114.3
Total Sales Volume	22,014	21,782	(232)	98.9

3. Sales



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

(Units: Thousand tons, %)

	FY2006 3Q	FY2007 3Q	Change	Growth Rate
Petrochemical Products-Total	2,638	2,662	24	100.9
(Basic Chemicals)	2,274	2,268	(6)	99.7
(Performance Chemicals)	364	394	30	108.2

(1) – 3. Sales Volume (Lubricants)

(Units: Thousand KL, %)

	FY2006 3Q	FY2007 3Q	Change	Growth Rate
Lubricants	722	746	25	103.4

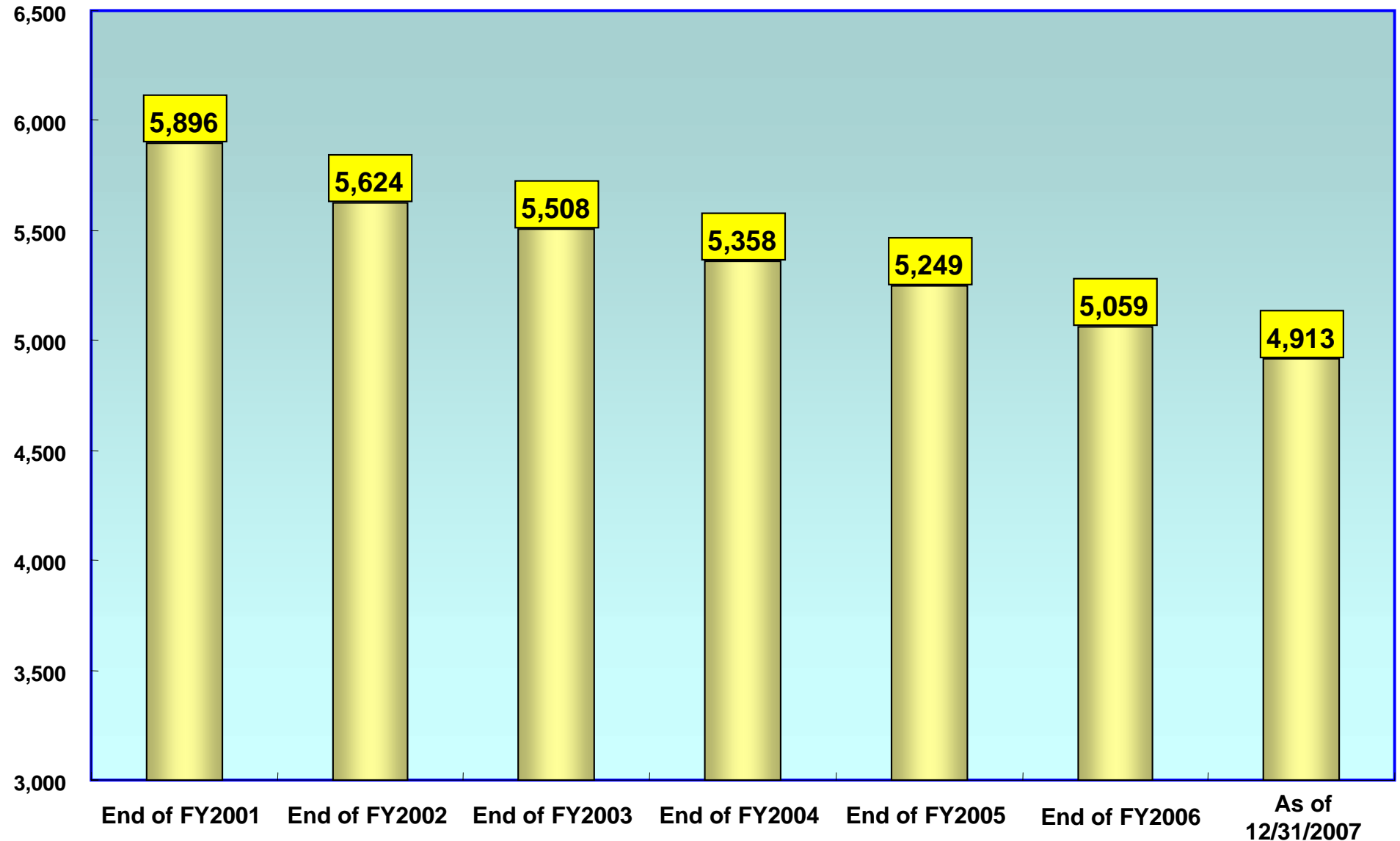
* Includes sales of overseas licenses

3. Sales



(2) – 1. Total Number of Service Stations

(Locations)

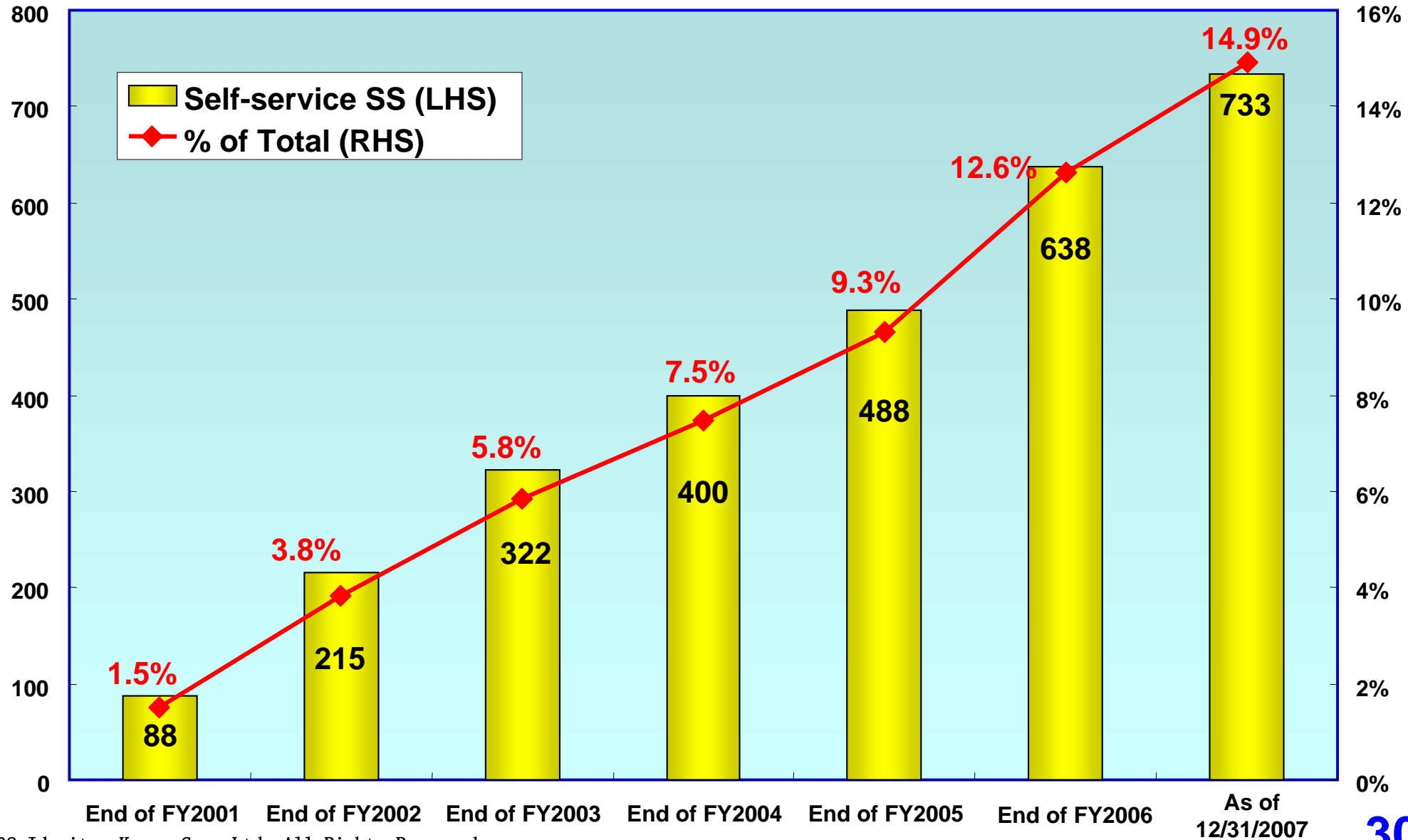


3. Sales



(2) – 2. Number of Self-service Service Stations

(Locations)



4. Production



(1) Oil Exploration and Development - Production Volume, Growth Rate

	FY2006 3Q	FY2007 3Q	Change	
Production (Thousand BD)	27.3	30.7	3.4	12.3%
Volume (Thousand BBL)	7,455	8,373	918	12.3%

* Figures based on interest owned in Idemitsu Petroleum Norge, Idemitsu's consolidated subsidiary

(2) Coal - Production Volume, Growth Rate

(Units: Thousand tons)

	FY2006 3Q	FY2007 3Q	Change	
Ensham (85%)	4,825	4,473	(352)	(7.3%)
Muswellbrook	948	955	7	0.7%
Boggabri	106	1,124	1,018	960.4%
Tarawonga (30%)	—	217	217	—
Total Production Volume	5,879	6,769	890	15.1%

* Figures based on interests owned by the Idemitsu Group

5. Topics



- October: Acquisition of 100% stake in IS Electrode Materials Co., Ltd.**
- November: Equity participation in Japan Wind Development Co., Ltd.
Real-time operational management system “XHQ” awarded the
“General IT Award”**
- December: Expanded scope of collaboration with UDC (US) on the
development of OLED materials**
- January: Declaration of commercial discovery in Block 09-3, offshore
South Vietnam
Successful exploratory well in Fram Area PL090 “C-East” in
the Norwegian North Sea
Flooding of Ensham Coal Mine (Australia) due to strong rainfall
100,000 KL reduction in refining volume in February**

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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