

Financial Highlights for the 2nd Quarter FY2008

(April 1,2008~September 30,2008)

November 4, 2008

出光

Idemitsu Kosan Co., Ltd.



1. FY 2008 2nd Quarter Financials

(1) Overview

(2) Segment Information

2. FY2008 Initiatives

3. Recovery at Ensham Coal Mine

4. Outlook for FY2008 Full-year Performance

5. Reference Materials

1. FY 2008 2nd Quarter Financials

(1) Overview

1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	FY2007 2Q	FY2008 2Q	Change	
Crude Oil (DB FOB)	67.4	115.1	47.7	70.8%
Crude Oil (Brent)	63.3	109.1	45.8	72.4%
Naphtha Price (Customs)	684	1,039	355	51.9%
Exchange Rate (TTS)	120.3	107.1	(13.2)	(11.0%)

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

2) Consolidated Income Statement (Summary)

(Units: ¥100 million)

	FY2007 2Q	FY2008 2Q	Change	
Net Sales	16,980	22,804	5,824	34.3%
Operating Income	362	614	252	69.8%
<i>(before change in inventory evaluation period)</i>	—	337	—	—
Non-operating Income/Loss	60	(14)	(74)	—
Ordinary Income	421	600	179	42.4%
Extraordinary Gain/Loss	2	1	(1)	(63.9%)
Quarterly Net Income	138	189	51	37.2%

* LIFO method used for inventory valuation.

* Figures rounded to the nearest ¥100 million

(2) Segment Information



1) Net Sales

(Units: ¥100 million)

	FY2007 2Q	FY2008 2Q	Change	
Petroleum Products	12,286	17,473	5,187	42.2%
Petrochemical Products	3,502	3,807	306	8.7%
Oil Exploration and Production	509	750	241	47.5%
Other	684	774	90	13.1%
Total	16,980	22,804	5,824	+34.3%

<Reasons for Increase/Decrease>

Petroleum Products: Increase in crude oil prices, increased exports, etc. + ¥518.7 bn

Petrochemical Products: Improved product market conditions, etc. + ¥30.6 bn

Oil Exploration and Production: Increase in crude oil prices, etc. + ¥24.1 bn

Other: Increased sales price for coal, etc. + ¥9.0 bn

(2) Segment Information

2) Operating Income

(Units: ¥100 million)

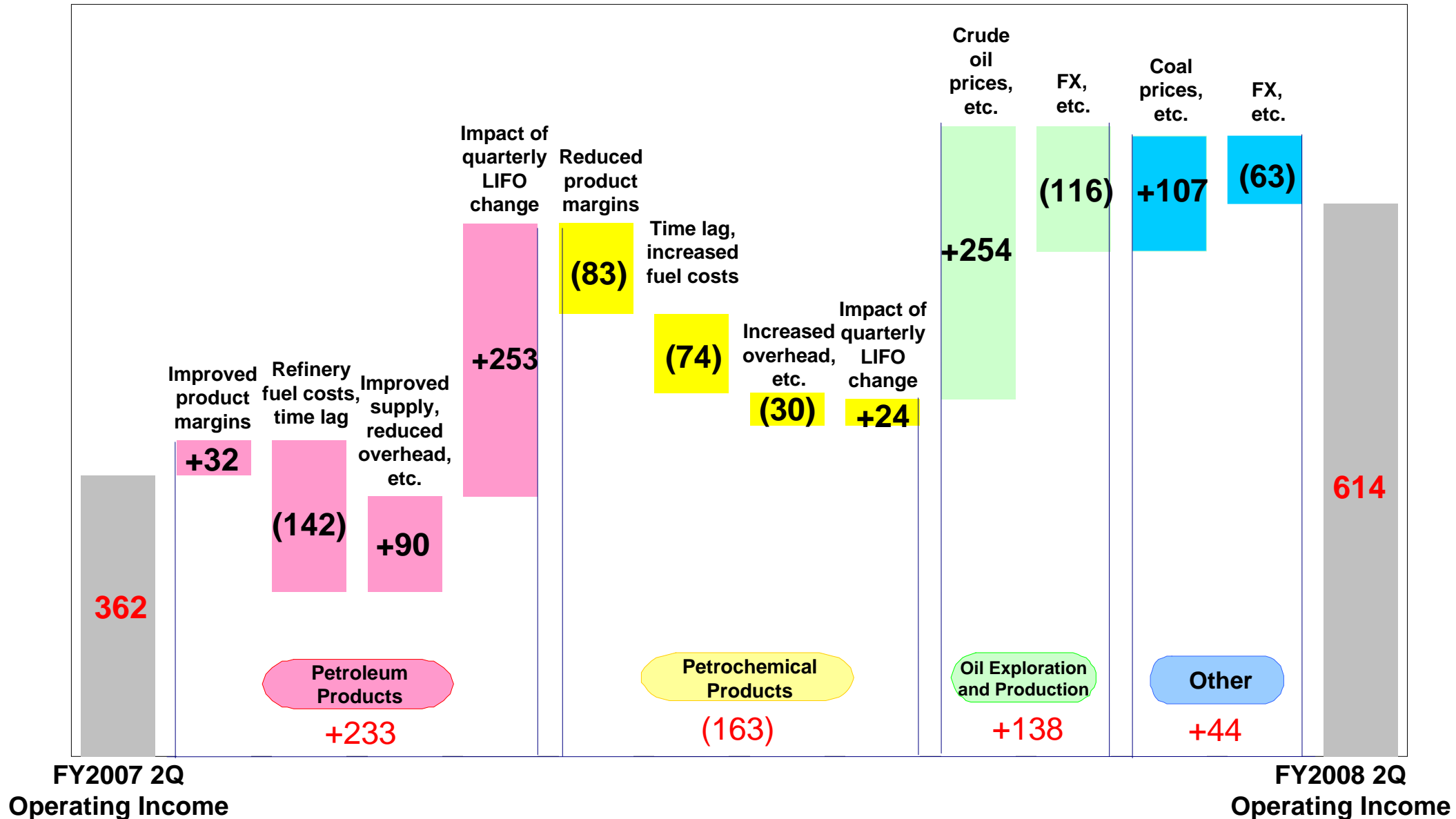
	FY2007 2Q	FY2008 2Q	Change	
Petroleum Products	22	255	233	1,073.5%
<i>(before change in inventory evaluation period)</i>	—	2	—	—
Petrochemical Products	133	(30)	(163)	—
<i>(before change in inventory evaluation period)</i>	—	(54)	—	—
Oil Exploration and Production	221	359	138	62.7%
Other	(14)	30	44	—
Total	362	614	252	69.8%
<i>(before change in inventory evaluation period)</i>	-	337	-	—

(2) Segment Information



3) Factors Causing Changes in Operating Income (YoY)

(Units: ¥100 million)



2. FY2008 Initiatives



Business		Initiatives
Core Businesses	Fuel oil Basic chemicals	Apr Established Nghi Son Refinery & Petrochemical Limited (acquired investment license from the Vietnamese government)
		Jul 15% reduction in styrene monomer manufacturing devices due to decreased profitability as a result of a surge in naphtha prices Decided to renew Chiba Refinery FCC response tower for increased efficiency
		Sep Decided to export diesel oil to Mexico 25% reduction in paraxylene manufacturing devices due to decreased profitability as a result of decreased polyester demand
		Oct Changed method of revising wholesale prices for petroleum products (transition to prices linked to the commodities market) Reduced Oct.~Dec. crude oil production volume by a total of 1.2 million kℓ year-on-year at 4 refineries
High Value-added Businesses	Lubricants Performance chemicals Engineering plastics Electronic materials Other	May Established seedling nursery company Green Geo Co., Ltd. (promoting greenery through <i>Lippia nodiflora</i>) Achieved world's highest luminous efficiency in organic EL blue fluorescent devices in joint development with Sony Corporation
		Jun Constructed nanotechnology wing at Advanced Technology R&D Center Decided to construct compound factory for functional plastics in Nansha, Guangzhou, China Launch of 3 grades of new adamantine derivative as photo-resist materials for 45 nano semiconductor production
		Jul Decided to expand Chiba factory's SPS device capacity to 7,000 tons per year
		Aug Doubled production capacity at lubricant blending plant in Tianjin, China
Resource Businesses	Petroleum development Coal Uranium Geothermal energy	Apr Successful exploration well in mining area (PL293 "Afrodite" structure) at Norwegian Northern North Sea
		Aug Successful exploration well in mining area (PL373S "Jordbaer PL293" structure) at Norwegian Northern North Sea
		Oct Confirmed reserves in mining area (PL373S "Jordbaer PL293" structure) at Norwegian Northern North Sea

3. Recovery at Ensham Coal Mine



1. Progress in Restoration Efforts

- (1) Drainage:** Efforts to drain water to rivers, etc. are showing steady progress, and are expected to be completed at the beginning of the next fiscal year.
- (2) Repairs:** With respect to draglines, replacement of key components such as motors and electrical generators has been completed. Operations are expected to resume by year-end.
- (3) Production/shipments:** Recovered to approximately 60% of pre-flood levels.

2. Schedule Going Forward

- (1)** We will continue to drain water from flooded areas, remove sand and mud, repair heavy equipment, and engage in construction work to repair and reinforce the mines' infrastructure.
- (2)** As previously announced, we plan to achieve a recovery to pre-flood production levels during the first quarter of 2009 (January ~ March 2009).

4. Outlook for FY2008 Full-year Performance



Key Factors Affecting Performance

1) Crude Oil, Naphtha, FX

	7/31 Forecast
Crude Oil (DB FOB)	126.7
Crude Oil (Brent)	123.1
Naphtha Price (Customs)	1,102
Exchange Rate (TTS)	105.1

Petroleum Products

- Time lag arising from fluctuations in crude oil prices and changes in refinery fuel costs
- Decreased domestic demand for petroleum products and trends in product margins
- Wholesale prices based on market prices

Petrochemical Products

- Reduced demand in Asian markets, product margin trends
- Time lag arising from fluctuations in naphtha prices and changes in fuel costs

2) Consolidated P/L (Summary)

	7/31 Forecast
Net Sales	50,900
Operating Income <i>(before change in inventory evaluation period)</i>	1,075 567
Ordinary Income	1,000
Net Income	310

E & P

- Crude oil prices and foreign exchange rates

Other

- Foreign exchange rates

5. Reference Materials

Table of Contents



1. FY 2008 2nd Quarter Financials (vs. forecasts announced on 7/31)

2. Financial Reporting

(1) Extraordinary Gains/Losses

(2) Balance Sheet

(3) Statement of Cash Flows

3. Market Conditions

4. Sales

(1) Sales Volume

(2) Number of Service Stations

5. Production

(1) Production Volume

(2) Production Forecast

1. FY 2008 2nd Quarter Financials (vs. 7/31 Forecasts)



1) Crude Oil / Exchange Rates

(Units: \$/Bbl., \$/Ton, ¥/\$)

	7/31 Forecast	FY2008 2Q	Change	
Crude Oil (DB FOB)	123.5	115.1	(8.4)	(6.8%)
Crude Oil (Brent)	109.1	109.1	0.0	0.0%
Naphtha Price (Customs)	1,053	1,033	(20)	(1.9%)
Exchange Rate (TTS)	105.3	107.1	1.8	1.7%

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

2) Consolidated Income Statement (Summary)

(Units: ¥100 million)

	7/31 Forecast	FY2008 2Q	Change	
Net Sales	23,800	22,804	(996)	(4.2%)
Operating Income	465	614	149	32.1%
<i>(before change in inventory evaluation period)</i>	255	337	82	32.2%
Non-operating Income/Loss	(30)	(14)	16	—
Ordinary Income	435	600	165	37.8%
Extraordinary Gain/Loss	(10)	1	11	—
Quarterly Net Income	85	189	104	122.0%

* LIFO method used for inventory valuation.

* Figures rounded to the nearest ¥100 million

1. FY 2008 2nd Quarter Financials (vs. 7/31 Forecasts)



3) Operating Income by Segment

(Units: ¥100 million)

	7/31 Forecast	FY2008 2Q	Change	
Petroleum Products <i>(before change in inventory evaluation period)</i>	90	255	165	182.9%
	(111)	2	113	—
Petrochemical Products <i>(before change in inventory evaluation period)</i>	0	(30)	(30)	—
	(9)	(54)	(45)	—
Oil Exploration and Production	340	359	19	5.5%
Other	35	30	(5)	(13.2%)
Total <i>(before change in inventory evaluation period)</i>	465	614	149	32.1%
	255	337	82	32.2%

<Reasons for Increase/Decrease>

Petroleum Products:

Increase in export margins	+ ¥4.0 bn
Decrease in refining fuel costs / time lag	+ ¥2.0 bn
Impact from change in inventory evaluation period	+ ¥5.2 bn
Deferref overhead expenses, etc.	+ ¥5.3 bn

Petrochemical Products:

Decrease in product margins, etc.	- ¥3.0 bn
-----------------------------------	-----------

Oil Exploration and Production:

Decrease in exploration costs, etc.	+ ¥1.9 bn
-------------------------------------	-----------

2. Financial Reporting



(1) Extraordinary Gains/Losses

(Units: ¥100 million)

	FY2007 2Q	FY2008 2Q	Change
Gain on Sale of Fixed Assets	54	43	(11)
Other	3	11	8
Total Extraordinary Gains	57	54	(3)
Loss on Sale and Depletion of Fixed Assets	40	35	(6)
Impairment Loss on Fixed Assets	11	16	5
Other	4	2	(1)
Total Extraordinary Losses	55	53	(2)
Total Extraordinary Gains/Losses	2	1	(1)

2. Financial Reporting



(2) Balance Sheet

(Units: ¥100 million)

	3/31/08	9/30/08	Change		3/31/08	9/30/08	Change
Cash and Deposits	1,082	1,043	(39)	Payables	3,894	3,672	(222)
Receivables	3,975	4,431	456	Short-term Borrowings	3,652	5,237	1,585
Inventory	4,076	5,185	1,109	Other Current Liabilities	3,631	3,707	76
Other Current Assets	1,807	1,974	168	Total Current Liabilities	11,177	12,615	1,439
				Long-term Borrowings	4,931	4,956	24
				Other Fixed Liabilities	2,816	5,834	3,019
Total Current Assets	10,939	12,633	1,693	Total Fixed Liabilities	7,747	10,790	3,043
Tangible Fixed Assets	10,417	10,464	46	Total Liabilities	18,924	23,405	4,482
(Land)	6,219	6,217	(2)	Shareholders' Equity	3,623	3,752	129
(Other)	4,198	4,246	48	Valuation and Translation Adjustments	1,337	1,360	23
Other Fixed Assets	2,844	5,770	2,926	Minority Interests	316	349	32
Total Fixed Assets	13,261	16,234	2,972	Total Net Assets	5,277	5,461	184
Total Assets	24,201	28,866	4,666	Total Liabilities and Net Assets	24,201	28,866	4,666

Total Interest-bearing Debt	8,583	10,192	1,609
Equity Ratio	20.5%	17.7%	(2.8%)

2. Financial Reporting



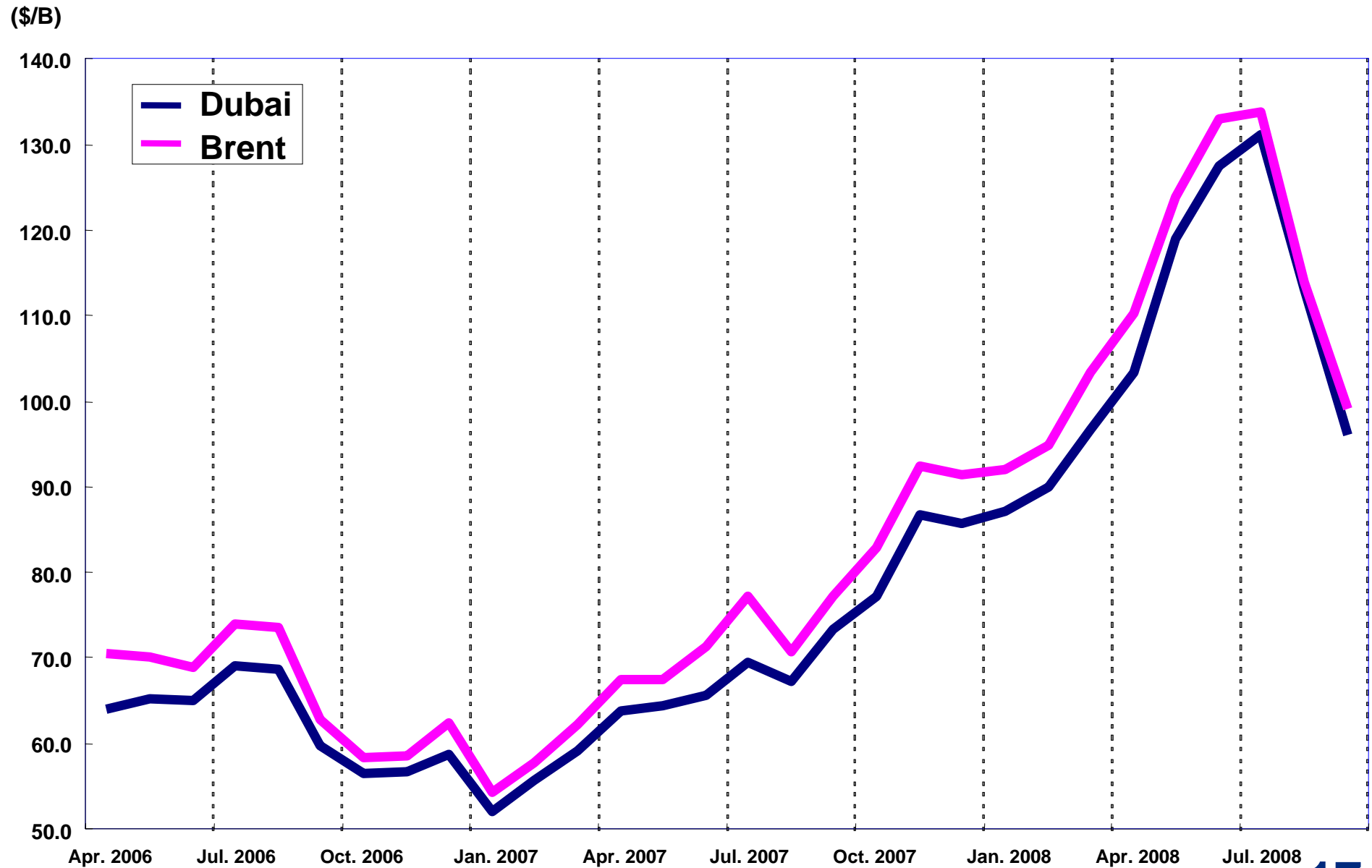
(3) Statement of Cash Flows

(Units: ¥100 million)

	FY2007 2Q	FY2008 2Q	Change
CF from Operating Activities	114	(1,059)	(1,174)
Net Income before Tax Adjustments	423	601	177
Depreciation Expense	358	391	33
Increase in Sales Receivables and Inventory	(683)	(1,458)	(775)
Other	16	(592)	(608)
CF from Investing Activities	(373)	(398)	(25)
Purchase of Tangible Fixed Assets	(376)	(359)	16
Other	2	(39)	(42)
CF from Financing Activities	242	1,449	1,207
Increase in Borrowings	309	1,595	1,285
Other	(67)	(145)	(78)
Cash and Cash Equivalents - Ending Balance	1,226	1,139	(87)

3. Market Conditions

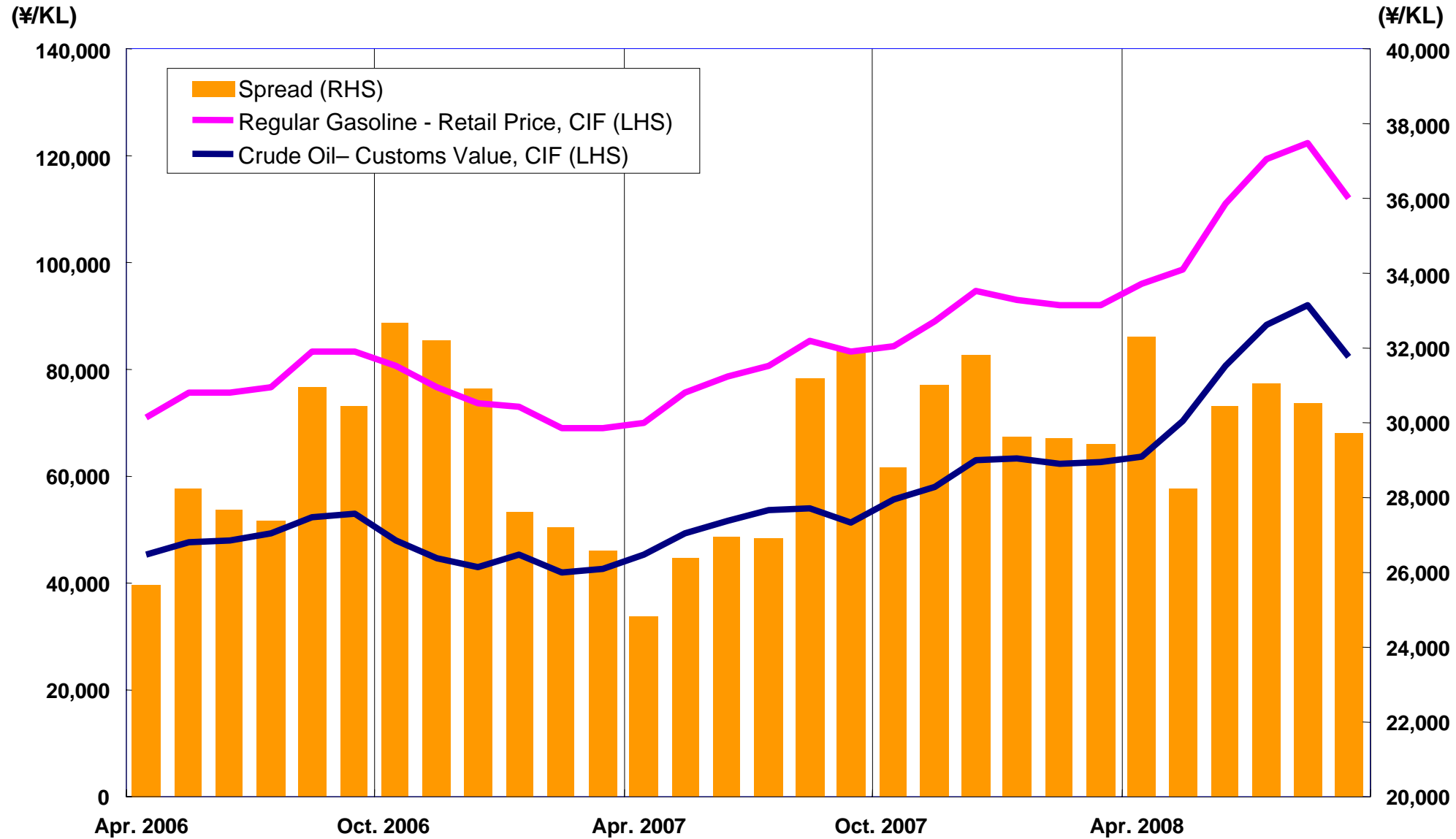
(1) Crude Oil Prices (Dubai and Brent)



3. Market Conditions



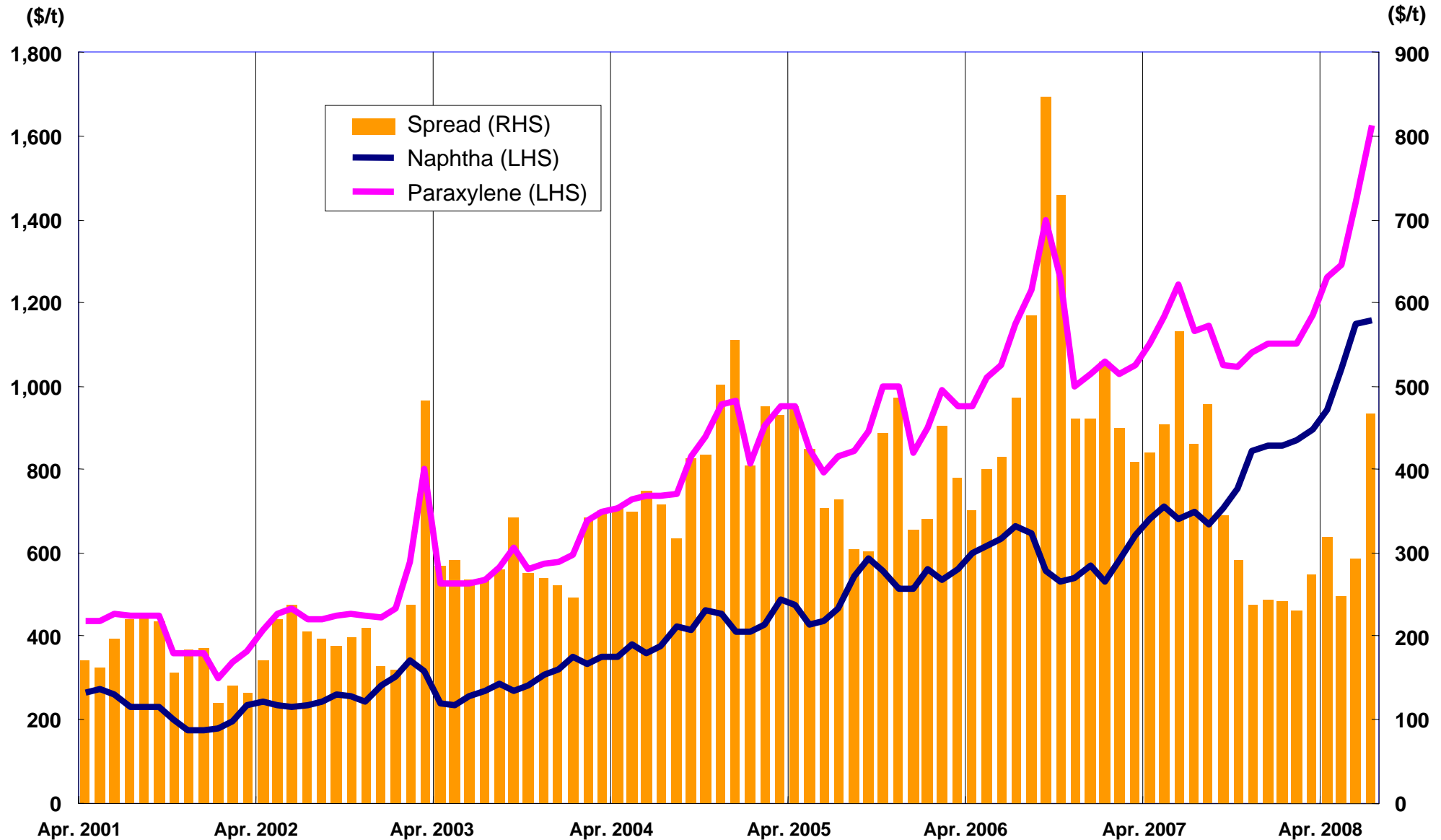
(2) Gasoline, Crude Oil CIF (Prices and Spreads)



3. Market Conditions



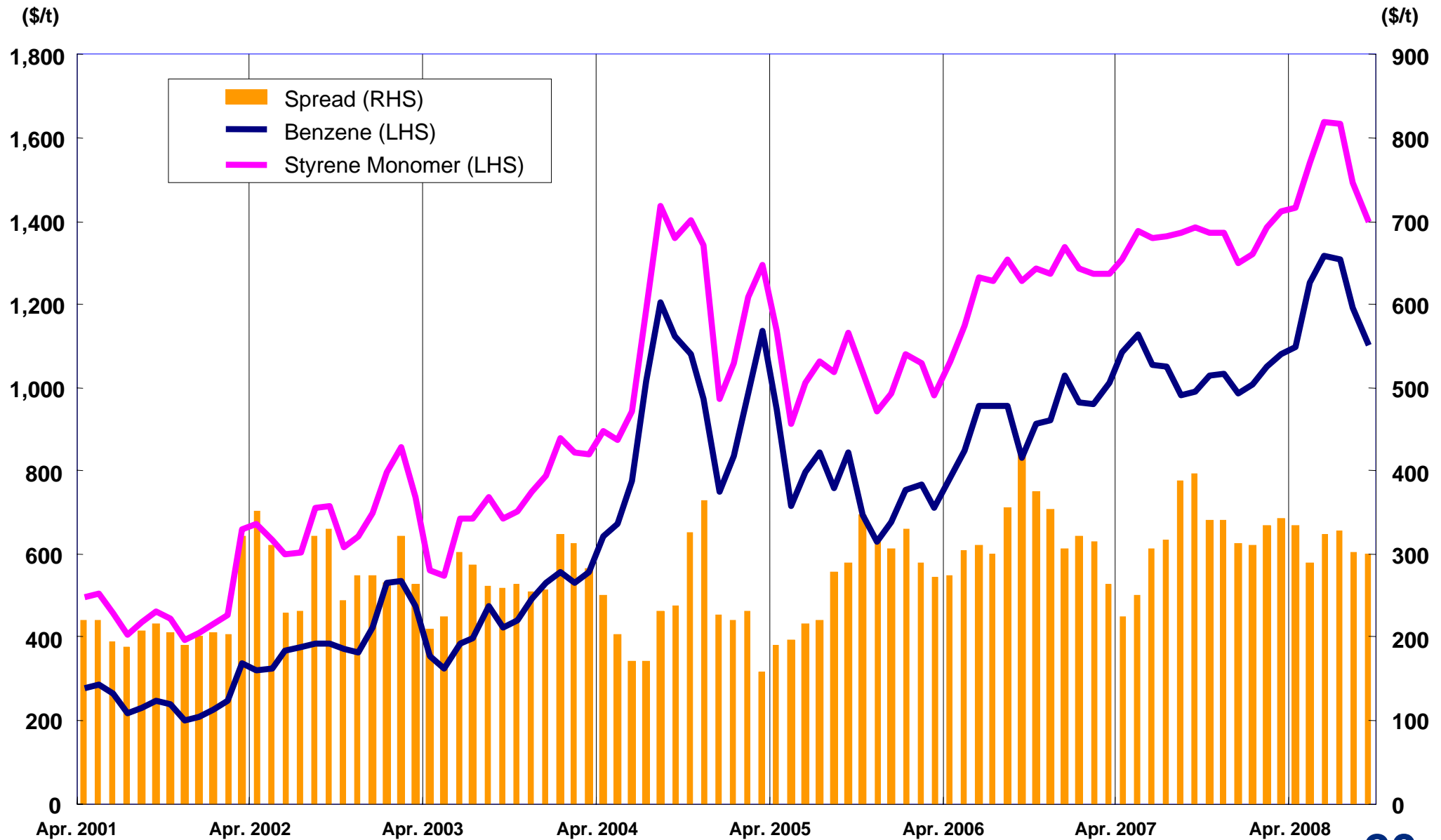
(3) Paraxylene, Naphtha (Prices and Spreads)



3. Market Conditions



(4) Styrene Monomer, Benzene (Prices and Spreads)



4. Sales



(1) – 1. Sales Volume (Domestic Fuel Oil Sales Volume: Non-consolidated) (Thousand KL, %)

	FY2007 2Q	FY2008 2Q	Change	Growth Rate
Gasoline	4,460	4,376	(84)	98.1
(Super-Unleaded)	679	601	(78)	88.5
(Regular-Unleaded)	3,780	3,774	(6)	99.8
Naphtha	198	248	49	125.0
Jet Fuel	877	876	(1)	99.8
Kerosene	883	822	(61)	93.1
Diesel Oil	3,025	3,044	18	100.6
Heavy Fuel Oil A	1,486	1,431	(54)	96.4
Heavy Fuel Oil C	1,284	1,219	(65)	94.9
Total Domestic Sales Volume	12,214	12,016	(198)	98.4
Exported Fuel Oil	1,373	1,979	606	144.1
Total Sales Volume	13,587	13,995	408	103.0

4. Sales



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

(Units: Thousand tons, %)

	FY2007 2Q	FY2008 2Q	Change	Growth Rate
Petrochemical Products-Total	1,753	1,675	(77)	95.6
(Basic Chemicals)	1,494	1,447	(46)	96.9
(Performance Chemicals)	259	228	(31)	88.1

(1) – 3. Sales Volume (Lubricants)

(Units: Thousand tons, %)

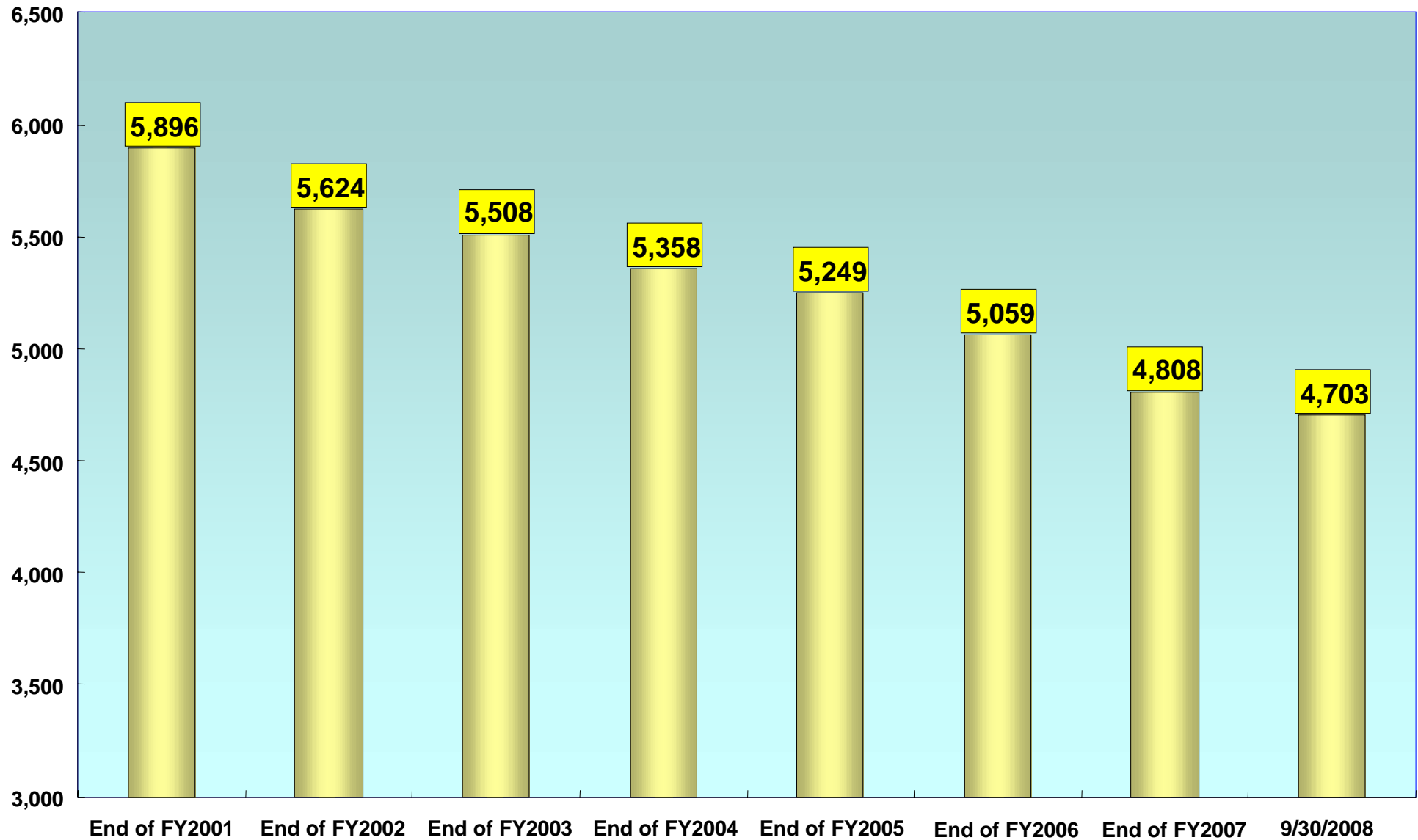
	FY2007 2Q	FY2008 2Q	Change	Growth Rate
Lubricants	488	510	22	104.5

4. Sales



(3) – 1. Total Number of Service Stations

(Locations)

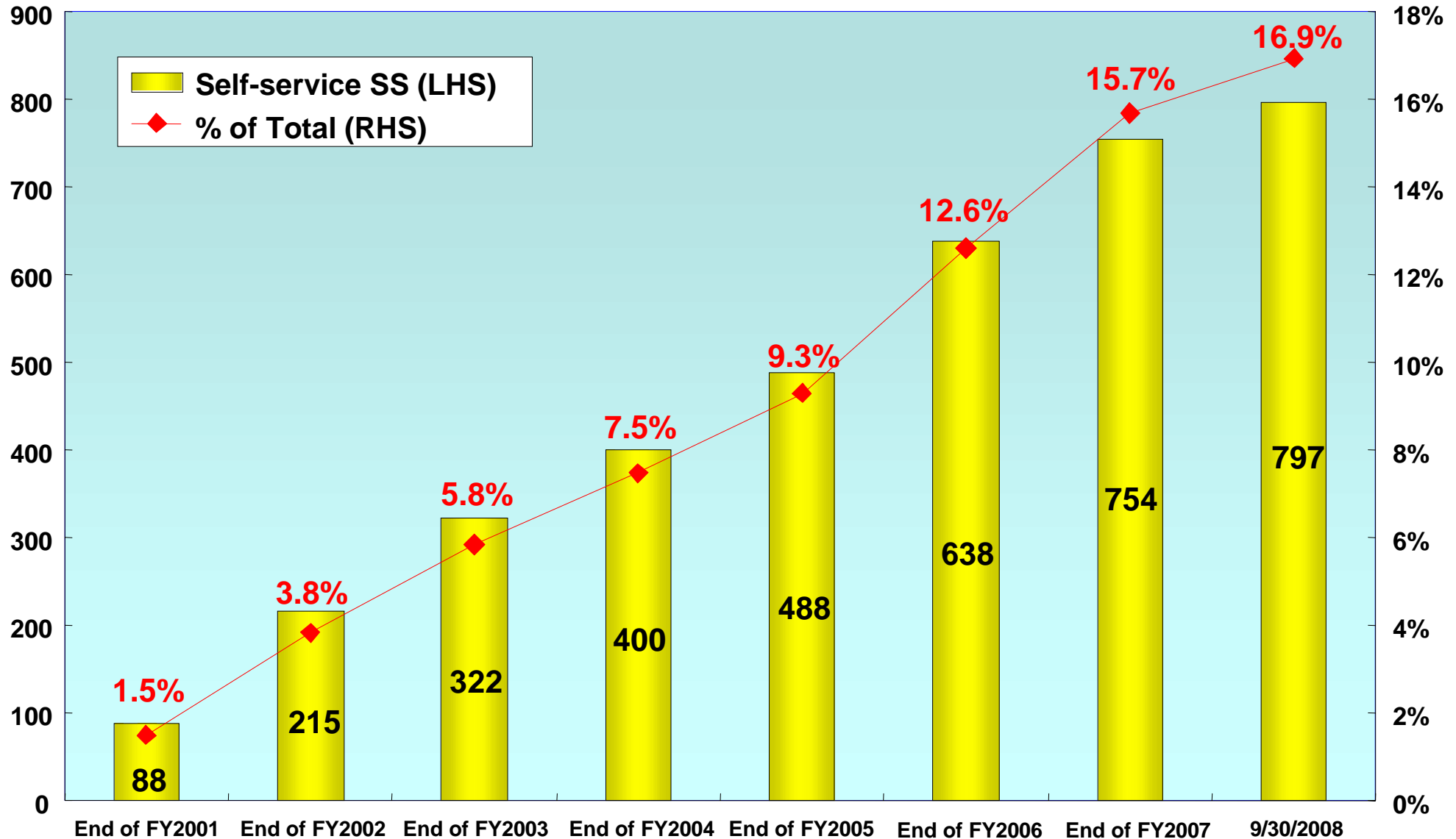


4. Sales



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

(Locations)



5. Production



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

	FY2007 2Q	FY2008 2Q	Change	
Production ('000 BD)	32.6	32.3	(0.3)	(0.9%)
Volume ('000 BBL)	5,898	5,886	(12)	(0.2%)

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

(1) – 2. Coal - Production Volume, Growth Rate

	FY2007 2Q	FY2008 2Q	Change	
Ensham (85%)	3,042	1,454	(1,588)	(52.2%)
Muswellbrook	588	723	135	23.0%
Boggabri	763	632	(131)	(17.2%)
Tarawonga (30%)	95	201	106	111.6%
Total Production Volume	4,488	3,010	(1,478)	(32.9%)

* Figures based on interests owned by the Idemitsu Group

5. Production



(2) – 1. Oil Exploration and Development - Production Volume, Growth Forecasts (Units: Thousand tons)

	Previous Forecast	Current Forecast	Change	
Production ('000 BD)	30.2	30.9	0.7	2.3%
Volume ('000 BBL)	11,031	11,300	269	2.4%

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

(2) – 2. Coal - Production Volume, Growth Forecasts (Units: Thousand tons)

	Previous Forecast	Current Forecast	Change	
Ensham (85%)	4,000~5,000	4,300	—	—
Muswellbrook	1,229	1,230	1	0.1%
Boggabri	1,500	1,430	(70)	(4.7%)
Tarawonga (30%)	332	440	108	32.5%
Total Production Volume	7,128~8,128	7,400	—	—

* Figures based on interests owned by the Idemitsu Group

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.

出 洗