

Medium-term Management Plan

Medium-term Management Plan Theme "Co-creation"

Idemitsu Group operates in 42 countries and regions. It is said that Japan's environmental and safety regulations and quality and service requirements are the most stringent in the world. Based on the technological capabilities, products and services, and business know-how that have been developed and accumulated in Japan through these efforts, we will create new values to many important and serious issues that we face both in Japan and overseas. For the issues which cannot be easily solved, we will use innovative and flexible ideas such as "Dat-tara Ko Shiyo (DTK)."

Collaboration with stakeholders is essential to creating new values. With all of its customers in Japan and overseas, members of the communities in which it operates, closely linked distributors and dealers, logistics and maintenance subcontracting companies, business partners in Japan and overseas, including oil-producing countries, and our employees with diverse backgrounds, we are taking on the challenge of creating those new values. "Co-creation" expresses our passion.

Long-term Energy Business Environment Scenario

The climate change issue will have a significant impact on the management and business continuity of Idemitsu group, whose core business is energy. We have therefore set 2050 as a long-term target based on the Paris Agreement, and has prepared a number of long-term energy business environment scenarios towards that year.

Scenario analysis identifies energy demand and the effects of climate change in the Asia-Pacific region and the business environment in 2050 is assumed. Four scenarios were prepared, including

a scenario in which the increase in energy demand exceeds the trend toward low-carbon emissions due to the high growth of the Asian economy, and a scenario in which the targets of the Paris Agreement are achieved. (Figure 1) We are drawing up the medium-term management plan and examining specific priority topics with a strong awareness of the "Prism" scenario (Cases where the power to seek environmental measures has increased and the government or companies have responded to such demands), in which the company is expected to take stronger environmental measures.

Figure1 Long-term Scenarios for Conditions of the Energy Business in the Run-up to 2050

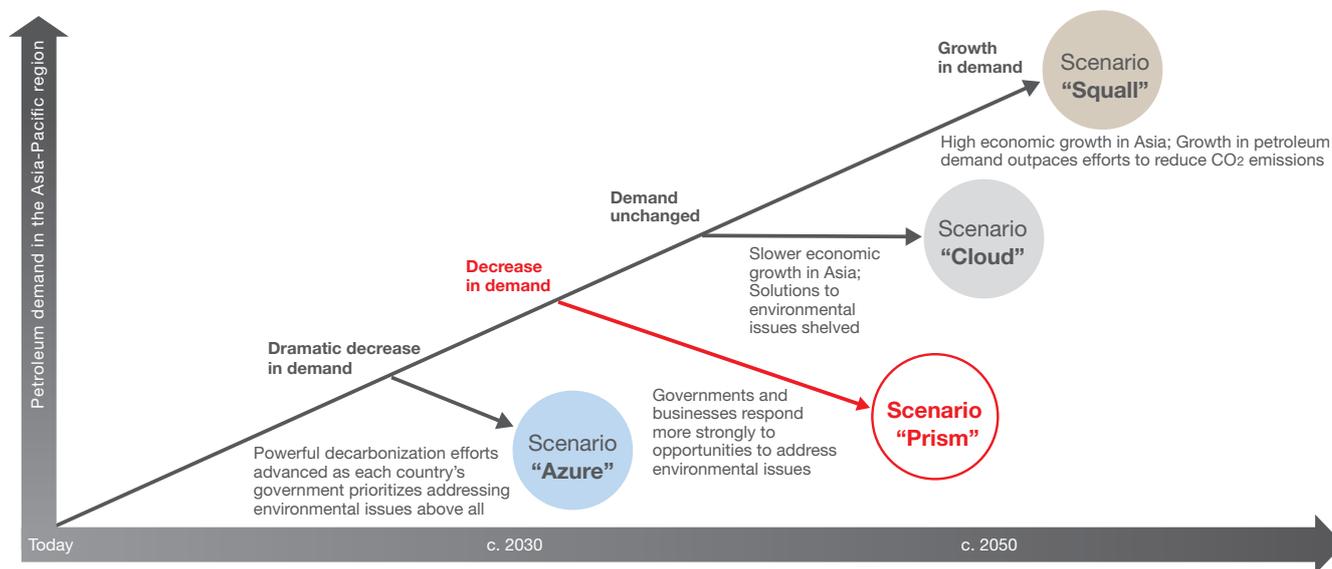
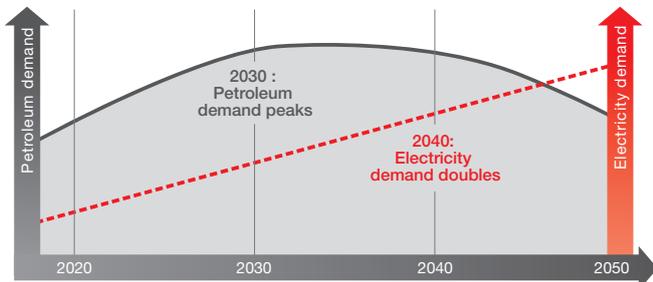


Figure2 Long-term Changes in Conditions of the Energy Business (Asia-Pacific region)

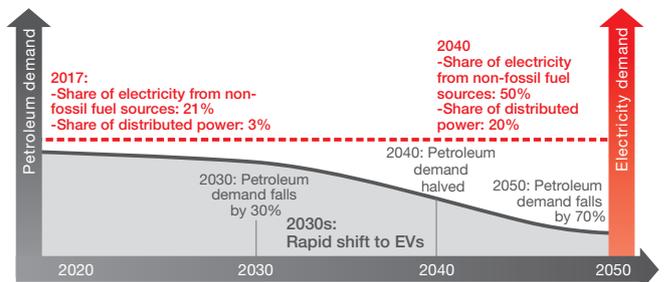


In the "Prism" scenario, energy demand in the Asia-Pacific region and Japan was estimated.

Figure 2 shows the outlook for demand for oil and electricity in the Asia-Pacific region. Although demand for oil will peak in 2030 and will be on a downward trend thereafter, demand is expected to remain almost unchanged in 2050. Electricity demand will double in 2040 and will continue to rise thereafter.

On the other hand, Figure 3, which shows the outlook for domestic demand for oil and electricity, shows that demand for oil is expected to decline by 30% in 2030, and then by 70% in 2050 as

Figure3 Long-term Changes in Conditions of the Energy Business (Japan)



the population declines and the shift to EVs progresses. Although demand for electricity is expected to remain stable, the ratio of non-fossil power sources is expected to increase to 50% and the ratio of distributed power sources to 20% in 2040, indicating significant progress in the shift to renewable energy and the diversification of power sources.

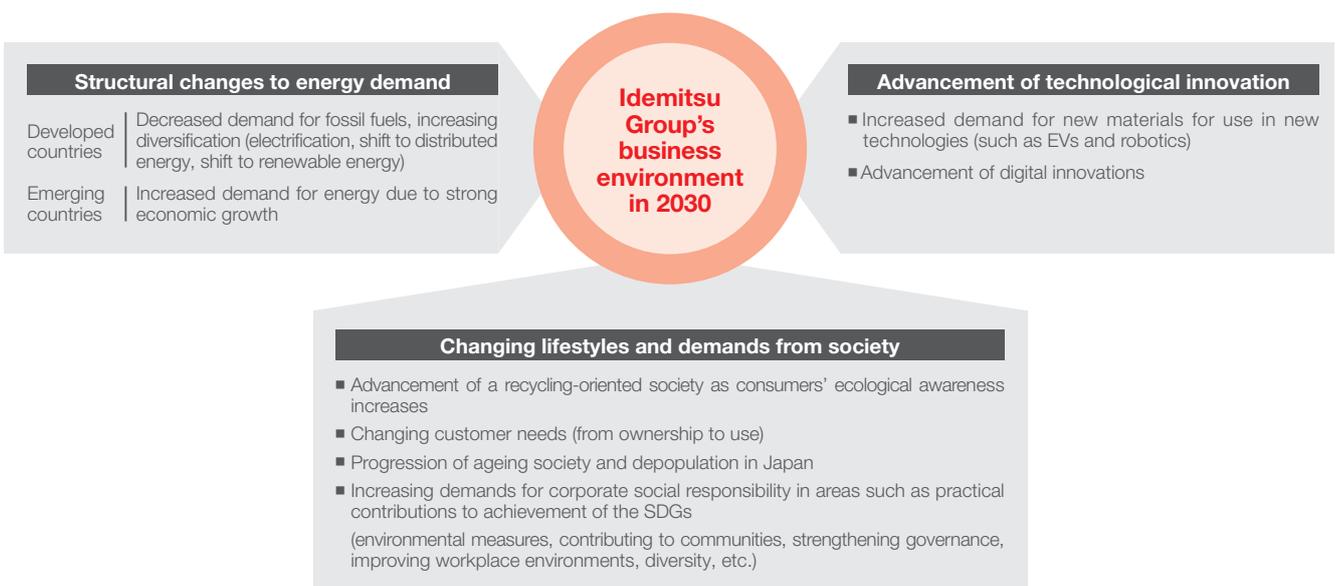
Based on these projections, we recognize that the threats we face as an energy supplier coexist with opportunities for business expansion into 2050. Based on this recognition, we have formulated the medium-term management plan.

Business Environment Recognition (Assumptions for 2030)

The environment surrounding Idemitsu group, including the energy situation, is complex and diverse, making it difficult to accurately forecast the 2050 year future. However, every scenario is expected to follow a similar trajectory through 2030. We have set 2030 as a relatively reliable milestone, aiming to become a company that is

flexible and resilient no matter what future comes.

Based on these scenarios, we see the business environment in 2030 from 3 perspectives: "Structural changes to energy demand," "Advancement of technological innovation" and "Changing lifestyles and demands from society."



Medium-term Management Plan

Basic Policies and Priority Topics for 2030

Based on the recognition of the business environment given on page 12, Idemitsu group established 2 basic policies toward 2030: "Realizing a resilient business portfolio" and "Building a business

platform suited to the needs of society." In addition to promoting business activities based on them, we will also work to resolve social issues.

Basic Policy

Realizing a resilient business portfolio

Over the next 10 years, we will steadily secure cash flow in the petroleum business, which is our revenue base. With this cashflow, we will use M&As in growth fields such as functional materials businesses to expand our business scale and scope. At the same time, with a view to responding to changes in society, diversifying customer needs, and reducing environmental impact, we are working to create next-generation businesses, including the development of next-generation service stations, the development of decentralized energy businesses, and the creation of circular businesses.

Priority Topics and Main Initiatives

[Structural reforms to core revenue-generating businesses]

- Pursuing profits in the petroleum business (maximizing integration synergies, making refineries more reliable)
- Enabling Nghi Son Refinery to contribute to profits

[Expansion of growth businesses]

- Expansion of business scale and domains (M&As on a scale of ¥100 billion during the medium-term management plan period)
- Increasing the share of functional materials business to 30% by 2030
- Increasing total power generated from renewable energy to 5GW by 2030 (of which, 4GW is renewable energy)
- Transformation of solar-power business

[Creation of next-generation businesses]

- Creating new businesses with an eye on societal changes, diversifying customer needs, lessening environmental impact, etc.

Building a business platform suited to the needs of society

As specific targets for the harmony with the global environment, we have set quantitative reduction targets for GHG (Greenhouse Gas) and our own monitoring indicators. In particular, we will give top priority to reducing CO₂ emissions, which account for more than 90% of GHG emissions in Japan. In order to be a company that can earn the trust and expectations of shareholders and all other stakeholders, we will not only strengthen our governance functions, but also use digital technology to enhance our operations and create new values for our customers. We are also working to create an environment in which every employee can continue to work and grow according to his or her life stage.

Priority Topics and Main Initiatives

[Harmony with the global environment and society]

- Efforts to reduce GHGs (2030: Down 2 million t-CO₂ vs. 2017(down 15%))

[Progress in governance]

- Enhancing roles and functions of the Board of Directors

[Acceleration of digital innovations]

- Utilizing digital technologies to create new values

Quantitative Targets for 2030

Operating income and equity in earnings of affiliates for FY2030 are set at ¥300 billion, and we are transforming our business portfolio from a comprehensive perspective, including growth potential, stable earnings, and reduced environmental impact. As a result,

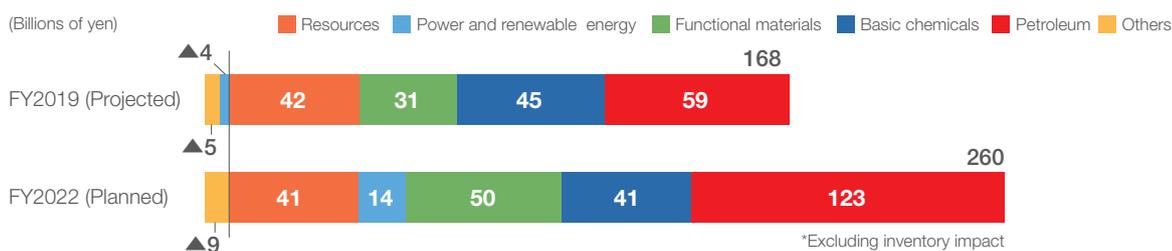
we will reduce our excessive dependence on the fossil fuel business. The GHG reduction target was set at 2 million t-CO₂ (15%) compared to FY2017. (GHG reduction target P.44)

	FY2019(Projected)		FY2030		vs. FY2019
Operating income+equity earnings of affiliated companies	¥168 billion (Excluding inventory impact)	↗	¥300 billion		+ ¥132 billion
Operating income ratio of 3 businesses (petroleum, exploration, coal)	60%	↘	Less than 50%		▲10%
Operating income ratio of functional materials business	18%	↗	30% or more		+ 12%
Cumulative total power development (overseas)	1.0GW (0.2GW)	↗	5GW or more (4GW)		+ 4GW

Management Targets for the Medium-term Management Plan Period (FY2020 - FY2022)

	FY2022 (Final year of medium-term management plan)	Three-year cumulative total
Net income	¥175 billion	¥480 billion
Operating income+equity earnings of affiliated companies	¥260 billion	¥720 billion
ROE (Return on equity)	10% or higher	
FCF (Free cash flow)	¥400 billion	

Operating Income + Equity Earnings of Affiliated Companies, by Segment

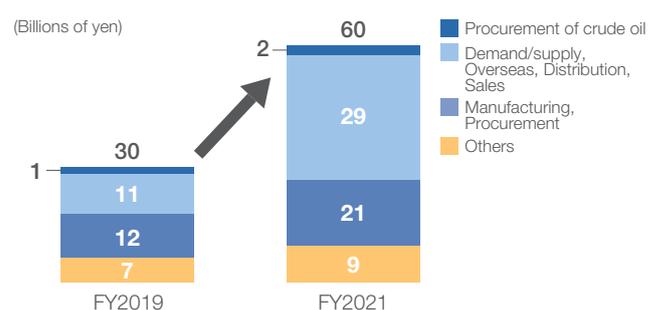


Main factors behind changes vs. 2019

Petroleum +64	<ul style="list-style-type: none"> Maximization of integration synergies Expansion of overseas sales Improving earnings of Nghi Son Refinery
Basic chemicals ▲4	<ul style="list-style-type: none"> Downturn in product markets (aroma, etc.)
Functional materials +19	<ul style="list-style-type: none"> Expansion of domains of lubricants/advanced materials & performance chemicals businesses, etc. Strengthening the electronic materials
Power and renewable energy +18	<ul style="list-style-type: none"> Expansion of power development from renewable energy sources overseas Expansion of the domestic electricity business
Resources ▲1	<ul style="list-style-type: none"> Commencement of production at Vietnam gas field Downturn in coal market
Others ▲4	<ul style="list-style-type: none"> Increase in costs of new business development, etc.

Maximizing Integration Synergies

Our goal is to realize synergies of ¥60 billion by FY2021. Of this amount, ¥30 billion is expected to be achieved by FY2019 through initiatives launched in May 2017. The remaining ¥30 billion will be achieved by FY2021 through integration of brand policies, review of sales strategies, optimization of refining costs, and improvement of operational efficiency through DTK(Dattara Ko Shiyo) Project(=Business Process Redesign), with the aim of creating further synergies.



Return to Shareholders

FY2019 - FY2021	Return to shareholders with a total return ratio of at least 50%	<ul style="list-style-type: none"> At least 10% of the amount to be returned to shareholders will be allocated to repurchase treasury stock, with a minimum dividend of ¥160 per share. Planned retirement of treasury stock acquired
From FY2022	Consider further shareholder returns, such as increasing dividends in accordance with earnings levels and flexibly acquiring treasury stock, with a minimum dividend of ¥160 per share.	<ul style="list-style-type: none"> The final policy will be decided in FY2021, taking into account the overall cash balance, such as strategic investment for growth and strengthening the financial structure.