



**Idemitsu
Integrated Report
2020**



The Ideas Inspiring Our Management Vision

The Root of Our Management Philosophy Our Shared Values

People-Centered Management Nurturing People Through Business

What Is People-Centered Management?

People are the core of Idemitsu. Highly ambitious employees constitute our greatest asset and strength. To ensure that the Company will remain sustainable, it is crucial to nurture a pool of individuals who can flexibly adapt to changes in any era. We are therefore committed to ensuring people remain at the center of management, a commitment we will continue to pass down, as we move forward.

Editorial policy

In order to deepen stakeholder understanding of the Idemitsu Group's management and corporate activities as a whole, information is provided through the "Idemitsu Integrated Report," "Idemitsu Sustainability Report" and the "Sustainability Website."

Idemitsu Integrated Report (Booklet version)

This report includes financial and non-financial information, the vision of the new integrated company, and an explanation of its business operations, all of which are aimed at helping people understand our group from a medium to long-term perspective.

Idemitsu Sustainability Report (Web version)

This report goes over the non-financial information in the Idemitsu Integrated Report in greater detail to help people understand our environmental, social, and governance initiatives for realizing a sustainable society.

Sustainability Website

We disclose information on a wide range of topics from the environmental, social, and governance perspectives. We also provide information on the results of our efforts in a timely manner.

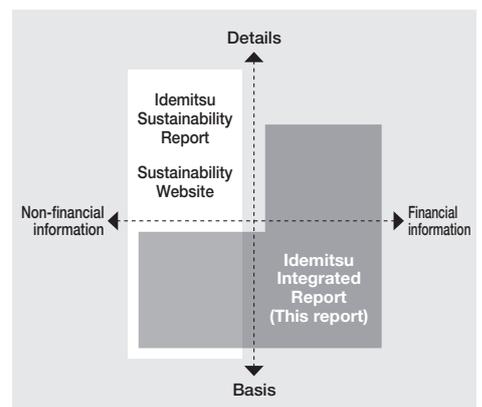
<https://sustainability.idemitsu.com/en>



Management Vision

We are an energy co-creation company that values diversity and inclusion, creates new values with customers and stakeholders, and seeks harmony with the environment and society.

- We will deliver various forms of energy and materials in a sustainable manner.
- We will expand and share our problem-solving capabilities with the world.
- We will grow stronger by anticipating change and responding flexibly.



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Scope of the reporting

As a general rule, this report covers Idemitsu Kosan Co.,Ltd. and its 242 group affiliates (major affiliates, general affiliates, subsidiaries, and equity-method affiliates) as of the end of September, 2020. When the scope differs, this fact is noted.

Reporting period

Results for FY2019 (April 1, 2019-March 31, 2020) are included in this report. When the applicable period differs, this fact is noted. Activities since April 2020 are also included.

Reference guidelines

In the compilation of this report, reference has been made to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC), the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and METI's Value Creation Guidance.

Publication information

Japanese version:

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English version:

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Contact point for inquiries about Idemitsu Integrated Report

Idemitsu Kosan Co.,Ltd.

Contact form on the official website:

<https://www.idemitsu.com/contact/flow/>





**To ensure better lives for people everywhere,
the Idemitsu Group will continue creating
new values through the stable supply
of energy and materials,
in harmony with the environment,
to realize a sustainable society.**

New brand design for our tanker trucks





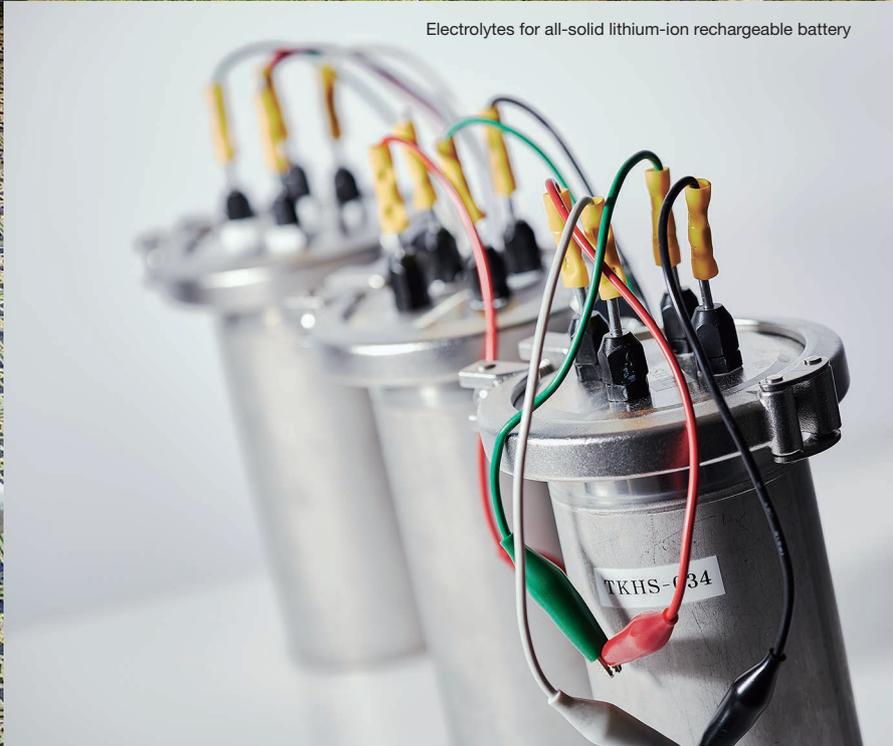
Megasolar Power Plant (California, U.S.)



Hokkaido Refinery



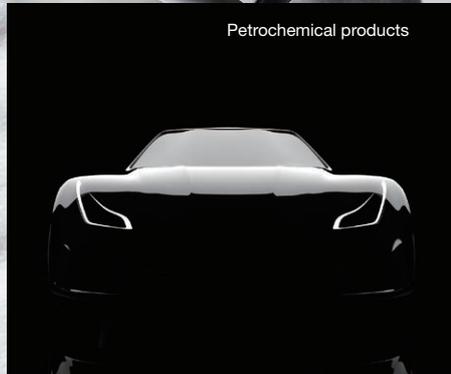
Next Forum



Electrolytes for all-solid lithium-ion rechargeable battery



Takigami Power Station(Oita Prefecture)



Petrochemical products



New Brand

Birth of the New Corporate Brand

We Are Heading to the Future That Apollo Sees Into.
It Is Symbolizing Our March Forward.

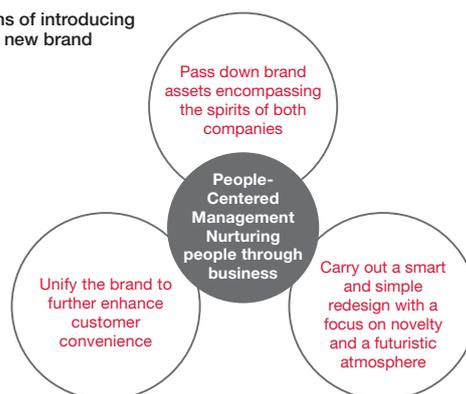
We introduced the new corporate brand from July 2020
and will introduce a new service station brand from April 2021
with the aim of creating a brand that can meet customer expectations.

Our New Corporate Brand



We want to be like Apollo, infusing the world with energy, to realize an ideal future. In line with that ideal, we positioned Apollo as more than a symbol or trademark. This inspiring icon serves as our role model. Focusing on the same goals together, each and every one of us will flexibly and unflinchingly take on challenges, with our eyes wide open on creating a better world. Apollo embodies that individuality and serves as a symbol of our determination to carry forward the new brand.

■ Aims of introducing the new brand



Brand Framework

- To effectively enhance our brand value, we aim to unify our brands and raise domestic and international awareness.
- We aim to enhance our corporate value by demonstrating the total capability of the Idemitsu Group and leveraging its strengths.

Business Area	Idemitsu Group (including affiliates)	Japan	Overseas
Fuel oils outside of service stations (industrial, jet fuel, etc.)			
Lubricants			
Oil exploration, resources, and coal			
Basic chemicals, Advanced materials & performance chemicals			
Electronic materials and High-performance asphalt			
Power and renewable energy, Agri-bio, etc.			
All businesses			
Service Station Business			



Introduced from July 2020



To be introduced from April 2021



Idemitsu Group by the Numbers



Net Sales
¥ 6.0 trillion



Employees
14,000 people

Petroleum



Crude oil processing capacity
945,000 barrels/day



Fuel oil sales volume in Japan
41 million kL/year



Number of service stations in Japan
6,400 locations



Number of oil tankers managed by the company and regularly chartered
21 ships



Number of oil depots
35 locations



Overseas petroleum trading volume
21 million kL/year

Basic Chemicals



Ethylene production capacity
1 million tons/year



BTX* production capacity
2.5 million tons/year

Resources



Crude oil production volume
21,000 barrels/day



Thermal coal production volume
12 million tons/year

*BTX refers to benzene, toluene, and xylene, which form the basis of chemical products

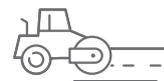
Functional Materials



Sales volume of engineering plastic
150,000 tons/year



Sales volume of lubricants
1.2 million kL/year



Sales volume of asphalt
380,000 tons/year



Adhesive material production capacity
75,000 tons/year



OLED material production capacity
10 tons/year



Sales volume of agri-bio products
13,000 tons/year

Power and Renewable Energy



Electric power generation capacity
1.2 GW
 Of which, renewable energy
 0.2GW



Electricity sales volume
2.9 thousand GWh



Solar module production capacity
0.9 GW/year

Overseas



Overseas bases
61 bases

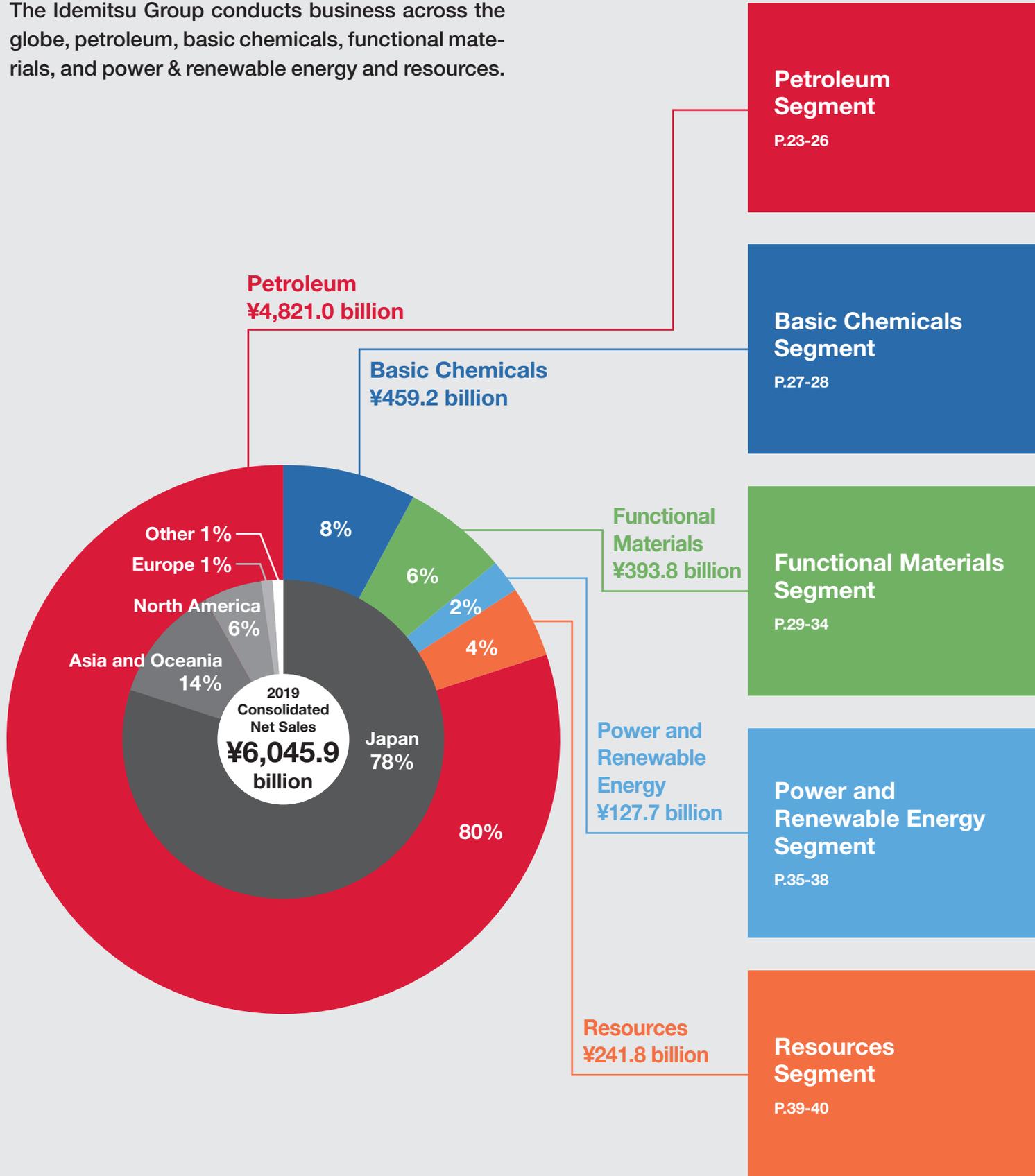


Overseas employees
2,700 people

Notes: Results for the period between April 2019 and March 2020 or data as of the end of March, 2020. (Figures for power and renewable energy alone are as of the end of October, 2020). The figures are estimates.

Review of Operations

The Idemitsu Group conducts business across the globe, petroleum, basic chemicals, functional materials, and power & renewable energy and resources.





- Procurement of crude oil and refining of petroleum products
- Sale of gasoline, diesel oil, kerosene, and automotive lubricants to service stations
- Sale of industrial kerosene, diesel oil, and heavy oil
- Sale of aviation and marine fuel
- Operation of hydrogen stations



- Manufacture and sale of olefins (ethylene, propylene, butadiene), aromatics (benzene, styrene monomer, mixed xylene, paraxylene), and other chemicals



- R&D, manufacture, and sale of automotive lubricants, industrial lubricants, marine lubricants, and grease
- R&D, manufacture, and sale of engineering plastic, adhesive materials, derivative products, and solvents
- R&D, manufacture, and sale of electronic materials such as OLED
- R&D, manufacture, and sale of high-performance asphalt (bitumen)
- R&D, manufacture, and sale of microbial pesticides, soil amendments, and livestock-related materials
- R&D of solid-state lithium-ion battery materials



- Operation of highly efficient thermal power plants
- Development and operation of renewable energy sources, including solar, wind, and biomass power plants
- Supply, wholesale, and retail of electric power in Japan
- R&D and manufacture of CIS thin-film solar modules and sale of solar power systems



- Exploration, development, and production of oil and gas
- Production and sale of coal
- Operation of geothermal power plants, supply and sale of electric power and steam
- Production and sale of uranium

Business History

Idemitsu and Showa Shell have been working to ensure a stable energy supply for over 100 years. We will continue to create new value together with all stakeholders based on our Management Vision and Action Mindset.

Idemitsu

1911



Idemitsu Shokai founded in Moji (Fukuoka Prefecture)
Oil sales business launched in Moji, Kitakyushu by Idemitsu Shokai

人間尊重

Respect for human beings designated as the corporate credo by Sazo Idemitsu

1919

Developed non-freezing axle oil for South Manchuria Railway in China



1940

Idemitsu Kosan Co.,Ltd. established

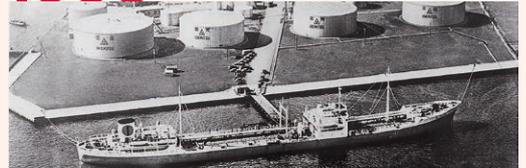
1945

Operations at home and abroad discontinued due to Japan's defeat in World War II

1947

Marking a return to the oil business, 29 Idemitsu outlets across Japan were named retailers for the Oil Distribution Public Corporation

1953



Nissho Maru Incident

Idemitsu became the world's first private company that imported petroleum products directly from Iran.

1957

Tokuyama Refinery completed

Constructed the refinery in just 10 months, harnessing the tremendous potential of human beings, while simultaneously establishing a greenbelt in consideration of the environment



1964

Broadcasting began for our sponsored music TV show "Daimei no Nai Ongaku-kai" ("Untitled Concert")
Contributed to the development of Japan's music culture

Showa Shell

1833

Marcus Samuel opened a shop in London selling oriental seashells, the origin of Shell's trademark

1893

Imported kerosene in bulk for the first time in Japan, popularizing kerosene

Contributed to the widespread use of kerosene by achieving high-volume, low-cost shipping

1900



Rising Sun Petroleum Co., Ltd. established

Contributed to people's daily life by importing paraffin wax to manufacture and sell candles while focusing on the sale of kerosene for lamps.

1924

Imported tanker trucks from England for the first time

Contributed to the widespread use of gasoline by working to enhance our supply capacity after the Great Kanto Earthquake



1951

Shell Group and Showa Oil Co., Ltd. entered into capital alliance

1956

Founded the Shell Art Award

Contributed to the development of the art world in Japan

1977

Commenced operation of the world's first heavy-oil thermalolysis equipment through TOA Oil Co., Ltd.

Conducted forward-looking investments anticipating a future shift toward refined petroleum products

Our Founding

Post-War Recovery

1985

Began developing OLED materials

2006

Stock listed on First Section of the Tokyo Stock Exchange

2011

Initiatives for the stable supply of petroleum products in response to the Great East Japan Earthquake

Restored the Shioyama Oil Depot six days after the earthquake to swiftly supply fuel to hospitals and other facilities

Embracing Renewable Energy

2011

Took a stake in Futamata Wind Development Co., Ltd.



Futamata Wind Power Station

2015 Tosa Power Plant of Tosa Green Power Co., Ltd. began operation

2018 The Minister of Economy, Trade and Industry Prize (the top prize) of the New Energy Awards received by Takigami Binary Power Plant

2018

Received the top prize, an Excellent Invention Award, at the Fiscal 2018 National Commendation for Invention Program for the invention of an OLED element

2018



Nghi Son Refinery in Vietnam began commercial operation

Constructed a second refinery in Vietnam, contributing to the economic development of the country, which depends on imports of gasoline, diesel oil, and other petroleum products

2019

Began pilot testing a Mobility as a Service (MaaS) business using ultra-small EVs

Offered regional services through our dealers network



2019



Newly integrated company launched

1978



Commenced research and development of solar technologies

Developed new energy as petroleum replacements

1985

Shell Sekiyu K.K. and Showa Oil Co., Ltd. merged to become Showa Shell Sekiyu K.K.

1994

Received the Excellent Contributing Company Award (Nippon Broadcasting System Award) at the Third Global Environment Awards

Received praise for our contribution to environmental conservation for using paper packaging for oil

2002

Established the Basic Diversity* Policy

*Later renamed the Basic Diversity & Inclusiveness Policy

2006

Completed the Miyazaki Plant, the first plant for CIS thin-film solar modules

2010

Began commercial operation of Ohgishima Power Station, a natural gas power station

Expanded the electric power business using former refinery sites

2011



Supported recovery efforts after the Great East Japan Earthquake

Focused on the steady supply of energy with distributors and partner companies

2015

Began commercial operation of Keihin Biomass Power Plant

2019

Completed a mega solar power plant in Vietnam

Developed the first large-scale solar power plant in Southeast Asia for the group



Energy Transition Period

Highly Competitive Era

Launch of Newly Integrated Company

Message from President



Through people-centered management, we will continue creating new value and helping realize a sustainable society.

Idemitsu Kosan Co.,Ltd.
President and
Representative Director

Shunichi Kito

Responding to the COVID-19 Pandemic

I would like to extend my sympathies to all those who have been affected by COVID-19, especially those who have lost friends and family members. And to all the healthcare workers giving their all to provide treatment on the frontlines, I would like to offer my most heartfelt thanks.

To fulfill Idemitsu Group's crucial social mission of protecting the stable supply of petroleum products and energy—an essential lifeline—even amid the COVID-19 pandemic, we established the task force in February 2020, which immediately acted by considering and implementing various measures. To prevent the spread of infection, we have been careful to ensure workers do not become infected while engaged in operations at refineries, plants, or other manufacturing locations. In all our business activities, we work hard to prevent outbreaks and have arranged a framework where, even if someone does by chance become infected, operations will not need to be suspended.

Shutdown maintenance was successfully completed at the Hokkaido Refinery between mid-June and early September 2020 without any infections. At service stations, where there are many opportunities to closely interact with customers, we confirm the health status of staff members every day, including through temperature checks, and ensure thorough handwashing and disinfection. Placing highest priority on our 6,400 service stations across Japan, we are striving to provide a stable supply of products and maintain the supply chain, from manufacturing to distribution and sales, with the cooperation of distribution and equipment maintenance companies.

Demand for petroleum products has sharply declined due to restrictions on travel around the world amid the pandemic. This is especially true for jet fuel, which had been holding steady at 80% below 2019 levels. Although domestic air routes are beginning to recover, the improvement in demand has been limited to around 40% of the previous year's level. Demand for gasoline, a commonly used product in day-to-day life, was impacted by people staying home during the major holidays in May and the holiday season in August, customarily times when many people return to their home towns. As a clear illustration of this point, service stations located on highways saw a 50% year-on-year drop in sales.

On the other hand, demand for diesel oil, which fuels many large trucks, has fallen only modestly compared with other types of fuel. This is mostly attributable to an increase in e-commerce and transportation for supermarkets amid a rise in at-home consumption despite a period of weaker demand when general economic activity ground to a halt.

However, due to a decrease in the number of automobiles manufactured and sold, as well as a decrease in demand for displays, there was a decline in demand for lubricants, functional chemicals, and electronic materials. In sum, the pandemic has caused the global economy to stagnate. To a significant degree, almost all of our businesses have been impacted.

Realizing that we are not yet at a point where we can foresee the containment of the pandemic and that the punishing business environment will persist going forward, we are focusing on what we can do ourselves, such as reforming our operational processes, promoting digitization, and enhancing our cost competitiveness.

Progress of the Medium-term Management Plan

The Medium-term Management Plan (FY2020–2022) announced in November 2019 has two main components: a business plan with specific quantitative goals and an overarching direction for structural business reforms with milestones set for 2030. Regarding the business plan, frankly, the drop in demand for petroleum and other products and the plunge in crude oil prices touched off by the pandemic made it very challenging to achieve our quantitative goals. In light of the changes to the business environment caused by the pandemic and the trajectory of Japan's Basic Energy Plan, we intend to revise the Medium-term Management Plan, which we will then disclose.

Even if we were to revise the quantitative goals for 2022 downward, we would not be able to significantly alter our strategies or the direction we are taking for 2030 in our current state. Instead, confronting the pandemic has reinforced my belief that we need to accelerate our steps toward structural business reform.

To realize a resilient business portfolio, which is one of the basic policies of the Medium-term Management Plan, we will undertake the following measures that I collectively refer to as a three-stage rocket: the structural reform of the core revenue-generating businesses, the expansion of growth businesses, and the creation of next-generation businesses. In this way, we will continue accelerating structural business reforms.

First, I would like to go over the structural reform of the core revenue-generating businesses. In the near future, as domestic demand continues to decline in the petroleum business, the reorganization of our refineries will become a pressing issue. We will be able to enhance our competitiveness on a non-consolidated basis focusing on reforming operational processes using AI and digital technologies, but the extent will depend on an approach that enhances international competitiveness by strengthening our alliances with neighboring refineries and petrochemical complexes. One example of this is a project, related to our refinery in Aichi Prefecture, announced in November 2020. In this way, we will work hard to stabilize the revenue base underpinning Group businesses. By the way, operations are going smoothly at the Nghi Son Refinery in Vietnam, despite complications to profitability brought about by market factors. Moreover, we are making steady progress on measures aimed at improving profitability.

Next, let's look at the expansion of growth businesses. We are making steady progress on the overseas expansion of operations involving products for which we expect to see demand rise going forward, in particular, we have started up our second lubricant plant in China (Huizhou) and an OLED material manufacturing plant (Chengdu). In addition, in the businesses related to environmental measures, we are installing new compact mass-production equipment for solid-state electrolytes for use in all-solid-state lithium ion batteries. Moreover, we began test cultivation of crops for fuel use in biomass power generation and for creating wood pellets. In these and other ways, the seeds we have sown are beginning to bear fruit, as can be seen in the faster commercialization of R&D the Group has undertaken over many years.

Finally, let's turn to the creation of next-generation businesses, that is, business that we plan to commercialize from 2030 onward. In this area, our intention is to commercialize solutions to anticipated social issues while leveraging the resources of existing businesses, rather than using core revenue-generating businesses or growth businesses as a jumping off point.

The first next-generation business theme is regional revitalization. As the population declines and ages and the birthrate falls, we aim to shift our network of 6,400 service stations from a specialized structure for selling petroleum products to a broader component of social infrastructure that supports the day-to-day life and mobility of the communities we serve. Given space constraints, I would like to

Message from President

illustrate with the example of ultra-compact EVs. Surprisingly, in 2019 alone, 600,000 seniors voluntarily surrendered their driving licenses. This includes many seniors who live in regional cities with poor public transportation, making it difficult for them to do their daily shopping or go to the hospital. For these people with few transport options, ultra-compact EVs provide a way for them to get where they want to go when they want to go.

We are currently conducting pilot tests of Auto Share, a car sharing service offering ultra-compact EVs, in Hida and Takayama, Gifu Prefecture as well as Tateyama, Chiba Prefecture. Moreover, when ultra-compact EVs and charging ports become more widely available, we expect to see expansion in businesses using solid-state electrolytes for lithium ion batteries that the Group helped develop and functional plastics under development for the bodies of EVs.

The second theme is contributing to a carbon-neutral society. We consider Prime Minister Suga's declaration of carbon neutrality by 2050 as a good opportunity for structural business reform and technological development. We will strive to further accelerate and promote such circular economy businesses as renewable energy development, storage battery-related businesses, carbon recycling, and solar panels.

In addition, under the guidance of the Digital Innovation Department established in January 2020, we will digitize the maintenance operations to make them more sophisticated and efficient, begin using digital marketing that leverages the customer base established by our service stations, and create new business, through our participation in the "SmartCityX" Project, which is supported by cooperation among several companies.

Second Year of the Integration —Expanding the Inclusion of Employees

When the newly integrated company was created, I released a message, both internally and externally, that was filled with the keywords *integration* and *harmony*. Recently, however, some people within the company have said that the words *original company* and *integration* are no longer necessary, that we are past the stage where we need to emphasize harmony among employees. In the morale survey conducted every year, visible signs of success have emerged, including a year-on-year increase in the percentage of employees who report that their work is rewarding. Going forward, we aim to roll out initiatives aimed at further expanding inclusion by encouraging employees to recognize their diverse individuality while fostering a greater sense of unity. I'm looking forward to this internal momentum growing as the whole Group works hard to overcome the pandemic, stably supply energy, and maintain infrastructure.

As a representative measure of the newly integrated company,

we took early action to revamp the corporate brand in July 2020 and, from April 2021, we will steadily unify the two companies' service station brands under the *apollostation* brand. The service station transformation will extend even further than the logo. We will gradually combine the POS systems and enable the mutual acceptance of station cards to help enhance customer convenience.

Practicing People-Centered Management and Diversity & Inclusion

One of the Group's most unique characteristics is its people-centered management. We do not subscribe to the idea that personnel development is merely a means to achieving maximum corporate value; rather, we believe that business management itself is developing personnel. In other words, the development of personnel who are respected by and useful to the world is the ultimate purpose of the Group, and business is a means to achieve that. Of course, to develop people, capital is needed, and if there is no income, the business cannot continue. However, nobody knows what the future holds, as exemplified by the global ramifications of the COVID-19 pandemic that unexpectedly erupted in 2020. We are, however, certain that if we develop personnel who are reliable during emergencies, they will be able to find new solutions and maintain a sustainable corporate structure no matter what situation arises. I regularly communicate these thoughts of mine to executive officers and the general managers of departments.

When looking to fully harness the tremendous potential of human beings, health management serves as the foundation. We must maintain and promote the health of employees. Therefore, with the pandemic remaining uncontained, we have prioritized ensuring the health and safety of not just employees but also customers and the workers at partner companies.

Furthermore, we aim to foster a workplace environment that respects human rights with no discrimination or harassment. In our Management Vision, we outlined diversity and inclusion that leverages diverse values, careers, and expertise regardless of disability, sex, or nationality, as we strive to create new value.

After the emergency declaration in April 2020, at most of our facilities, excluding some manufacturing sites such as refineries, 90% of our employees worked from home. I think we were able to switch to a work-from-home framework relatively smoothly due in part to our early efforts to prepare for the Tokyo Olympics set to be held in summer 2020. Currently, around half of our employees continue to work from home, and this has become very ordinary. Going forward, we will not backtrack to our previous working framework. We will make additional revisions to our internal rules, go paperless, change meeting methods and approval processes, and amend the rules of employment so that our diverse employees can choose



more flexible workstyles.

When working from home, most meetings take place online, but some outcomes can only be attained through face-to-face communication. I want each employee to realize new workstyles, while assessing the pros and cons of face-to-face and other forms of communication, then adeptly choosing the appropriate option. I also want each person to enhance their productivity and focus on working creatively, in addition to allocating their lessened commute time to chores, hobbies, and other activities that improve their quality of life.

Accelerating Environment, Society, and Governance (ESG) Initiatives

As a corporate group that operates an energy supply business, we are aware that harmony between the global environment and society is a theme we should address as a top priority. Everyday life would come to a halt without petroleum or petrochemicals. Nevertheless, energy companies that handle fossil fuels, including Idemitsu, still tend to have a negative reputation regarding the environment. Going forward, we will focus on stably supplying energy and maintain our tireless efforts to reduce CO₂.

As specific initiatives, we launched a research group to conduct development aimed at establishing a carbon recycling technology for recovering CO₂ from the petroleum product manufacturing process. This technology could be utilized in the production of fuel and chemicals, as well to establish a technology that combines industrial waste and CO₂ to manufacture carbonate, a raw material of concrete. In the area of coal, we launched a business to supply black pellets (wood biomass), which are half carbonized rubber tree material, with the aim of reducing CO₂ emissions through coal-fired biomass mixed combustion. In addition, we are rolling out various other measures aimed at biofuel production, such as cultivating crops suited to the production of biomass pellets on the sites of closed coal mines. In addition, we will continue to steadfastly work to reduce CO₂ emissions by actively participating in venture capital and government funds promoting renewable energy. Furthermore, we will establish specialized in-house organizations, such as the Next Generation Business Department and Innovation Strategy Planning Department. In these and other ways, we will leverage the Group's long-standing strength in dealing with CO₂ to roll out activities for contributing to a carbon neutral society, which we regard as a pillar of our next-generation businesses, as previously mentioned.

We are also accelerating our broader social initiatives. We matched individual businesses with the targets of the sustainable development goals (SDGs) and identified priority topics (materiality) that the Group should diligently and directly address. As a provider of energy supply, it goes without saying that ensuring safety and

quality assurance are central issues for Idemitsu's continued co-existence with society. To maintain safe and stable operations at refineries and complexes, we will enhance our safety assurance, foster a culture of safety, and steadily work to build a robust energy supply chain. We continually strive to strengthen the supply foundation for petroleum, gas, and electric power, which are all indispensable to daily life and economic activity. Despite the high incidence of such natural disasters as typhoons, torrential rain, and earthquakes in recent years, we remain determined to continue fulfilling our role providing essential lifelines during emergencies.

Lastly, let's turn to governance. Comprised of members boasting diverse expertise and careers, the Board of Directors holds deliberations on the Medium-term Management Plan and other matters as well as discussions on long-term issues. To evaluate the effectiveness of governance, we began conducting a survey of all directors and Audit & Supervisory Board members in FY2019. The results are subsequently discussed by the Board of Directors to identify potential issues. Going forward, to further enhance the Group's corporate value, we will continue holding active discussions related to a variety of issues and initiatives.

Message to Stakeholders

The Group's primary social mission is to efficiently supply the energy people need at a low cost. This is not simply a matter of carrying on. Rather, we are working to enhance the resilience and sophistication of our operations to support energy security and protect lifelines, as well as to enhance our competitiveness, in ways that allow customers to use energy in a more beneficial manner. I believe these efforts have resulted in the strengthening of our revenue base.

Going forward, we aim to ensure Idemitsu is resilient and able to flexibly and deftly adapt to any kind of change in the business environment. As an energy co-creation company, we strive to create new value in partnership with all our stakeholders. We look forward to hearing your frank opinions and requests regarding the Group. Thank you very much for your continued understanding and support.

Value Creation Process

The Idemitsu Group will continue to contribute to energy security in countries and regions around the world and to the bright and affluent lives of people living there. As the business environment changes, we will leverage our strengths to solve social issues while contributing to the realization of a sustainable society.



Responsible dialogue with stakeholders

strengths

Technological capabilities to meet diverse customer needs

Intellectual capital

P.51-52

R&D expenses

¥ **19.4** billion

Number of patents

5,777 cases

Natural capital

P.55-56

Various types of renewable energy (Solar, geothermal, biomass, and wind power)

Business segments

Petroleum segment

P.23-26

Basic chemicals segment

P.27-28

Functional materials segment

P.29-34

Power and renewable energy segment

P.35-38

Resources segment

P.39-40



Value creation for company and society

Quantitative targets for 2030

Operating income + Equity in earnings of affiliated companies ¥ **300** billion

Operating income ratio of petroleum products, oil exploration and coal Less than **50%**

Operating income ratio of functional materials business **30%** or more

Cumulative total power development **5** GW or more

GHG reduction target (Compared to 2017 levels) **▲2** million t-CO₂

Medium-term Management Plan

(FY2020-2022) P.21-22

Value provided to stakeholders

Shareholders	Stable return of profits through sustainable growth
Customers	Contributing to a convenient and good living through the stable supply of diverse energy and materials
Society	Contributing to the development of local communities and the realization of a low-carbon, recycling-oriented society
Business partners	Realization of partnerships to create added value together
Employees	Realization of a rewarding work environment in which diversity is respected and each employee can demonstrate his or her abilities and grow

- Compliance P.67-69
- Risk management

Relevant SDGs



impacting Group operations

technological innovation

Changing lifestyles and demands from society

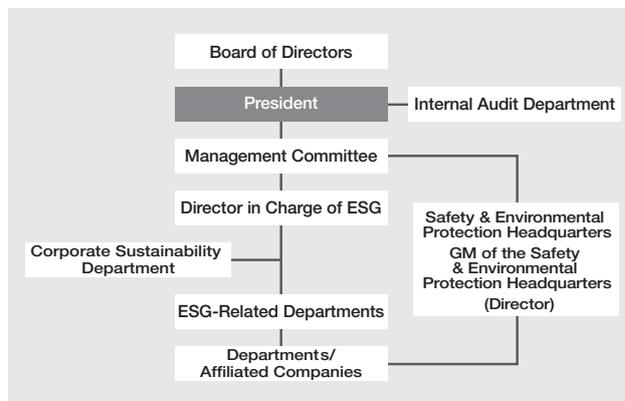
Idemitsu Group's Sustainability

Sustainability Promotion Structure

To conduct management from the perspective of sustainability, we established the Corporate Sustainability Department to coordinate and manage ESG issues across departments, including climate change and human rights.

Each ESG issue is overseen by a designated department, with its progress reported to the Management Committee by the director in charge of ESG. The Management Committee discusses important policies and measures related to sustainability, reporting the details to the President and, when needed, the Board of Directors.

Under this management structure, we are committed to solve environmental and social issues and strive to achieve sustainable growth.



Our Efforts to Promote Understanding of the SDGs

As we pursue sustainable growth together with society, the SDGs serve as a valuable reference since they reflect the views of experts from diverse fields, member countries, and stakeholders. We are confident that by raising awareness of social issues among all our employees through SDGs-related efforts, we will enhance awareness of the linkage between business activities and social issues, prompting the creation of measures to address these issues. Specif-

ically, we will promote the SDGs through internal communication to ensure that the key points of the SDGs are reflected in future corporate strategy and materiality. We will conduct educational activities so that our employees become fully aware that social issues also belong to them, and take initiative in solving them. Essentially, we will promote essential understanding of the SDGs through workshops and internal information media.

Dialogue with Stakeholders

The Group's Management Vision makes it clear that we continue to create new values together with stakeholders.

Through responsible dialogue with a wide range of stakeholders, we strive to sustainably improve our corporate value and contribute to social development through our business activities.

Stakeholders	Initiatives	
All	<ul style="list-style-type: none"> Information disclosure via website 	 Official website
Shareholders and Investors	<ul style="list-style-type: none"> Information disclosure to individual investors Information disclosure to analysts and institutional investors <i>The Idemitsu IR Newsletter</i> (Japanese only) 	 Investor Relations
Customers	<ul style="list-style-type: none"> Customer center counters in place PR activities involving advertising 	 Customer center counters
Corporate Customers	<ul style="list-style-type: none"> Holding customer seminars 	
Community	<ul style="list-style-type: none"> Holding community briefing sessions Implementation of environmental education Implementation of environmental protection activities 	
Employees	<ul style="list-style-type: none"> Next Forum ➔ P.48 Holding townhall meetings and dialogue with management Conducting an employee engagement survey ➔ P.48 	

Signing of the United Nations Global Compact and Accompanying Initiatives

In July 2019, we announced its support for the 10 principles of the United Nations Global Compact (UNGC) on human rights, labor, the environment, and anticorruption. In addition, we joined the Global Compact Network Japan (GCNJ). We support the UNGC's 10 principles, which relate to protecting human rights, eliminating unfair labor practices, protecting the environment, and preventing corrup-

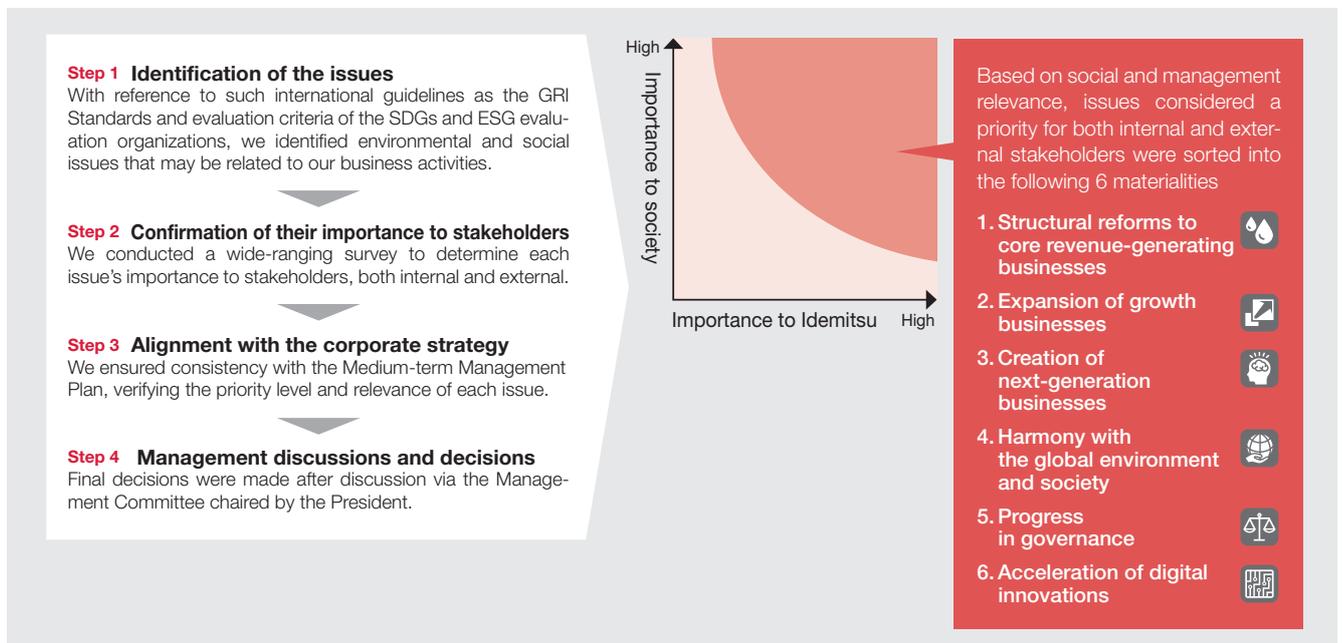
tion. Furthermore, we are working to raise awareness of social issues among all employees and will continue to contribute to the realization of a sustainable society through our business operations as a global energy co-creation company.



Materiality Identification Process

To ensure we are able to continue working with our diverse stakeholders to generate new value as an energy co-creation company, we have identified six materialities, taking into careful consideration its long-term priorities as well as environmental and social issues.

These materialities are closely linked to company-wide and departmental strategies as well as the materialities laid out in the materialities Management Plan.



Correlations between Materiality and the SDGs

When considering the effect on the SDGs of key initiatives that impact materiality, we took into account the fact that each SDGs is interconnected. Rather than being confined to one specific goal, the impact of any business activity targeting materiality will, to varying degrees, extend to all the SDGs. That said, we believe we can especially contribute to the achievement of the following three SDGs through our business activities.

SDGs where we make a larger difference



Our efforts to achieve these goals may lead to increased environmental burden in the form of higher resource consumption and GHG emissions. Recognizing that our business activities might impose a

burden in the following five areas and keep us from achieving the goals, we realize the necessity of making serious efforts to address this.

SDGs requiring attention due to risks arising from business activities



We are considering measures to minimize or eliminate the negative impact of our operations on these social issues. Specifically, we will set reduction targets for GHG emissions related to the use of petroleum resources and the risk of climate change, and will consider measures to achieve them. The entire group will also work together to promote the recycling of solar panels and petrochemicals, including plastics.

Idemitsu Group's Sustainability

At the Idemitsu Group, we value contributing to society through our business. Our mission is to continue supplying energy, which supports people's lifelines, while contributing to social development. In recent years, the environmental impact of energy use has become a major social issue, and we recognize that harmony with the global environment and society is a pressing issue. Accordingly, with a long-term perspective, we have identified materialities to prioritize

during the Medium-term Management Plan. The entire Group will work as one to resolve these, with the aim of achieving sustainable development with the global environment and society. We analyze the risks and opportunities when promoting our materialities from the perspective of the impact on the Group as well as on society as a whole.

Relationship Between Priority Topics (Materiality) and SDGs

Materiality	Major initiatives	Main relevant SDGs
<p>Structural reforms to core revenue-generating businesses </p> <p>Build a strong supply chain and further strengthen stability and competitiveness through collaboration with partners in the core revenue-generating businesses centered on petroleum products and chemicals.</p>	<ul style="list-style-type: none"> ■ Pursuing profits in the petroleum business (maximizing integration synergies, making refineries more reliable) ➔ P.23-26 ■ Enabling Nghi Son Refinery to contribute to profits ➔ P.23-24 ■ Utilizing the Pacific Rim supply chain to capture growing demand in Asia ➔ P.23-24 ■ Gas development in Southeast Asia ➔ P.39-40 	   
<p>Expansion of growth businesses </p> <p>Expand business scale and scope by strengthening R&D in growth fields such as functional materials and renewable energy, which are becoming increasingly necessary in the world.</p>	<ul style="list-style-type: none"> ■ 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 ➔ P.29-34 ■ Increasing total power generated from renewable energy overseas to 5GW by 2030 (of which, 4GW is renewable energy) ➔ P.36 ■ Transformation of solar-power business ➔ P.35-36 ■ Black pellet development (biomass fuel) ➔ P.40 ■ Strengthening development of functional materials utilizing open innovation ➔ P.51 	   
<p>Creation of next-generation businesses </p> <p>Accelerate technological innovation and innovation beyond organizational frameworks to create new businesses with an eye to the future.</p>	<ul style="list-style-type: none"> ■ Creating new businesses with an eye on social changes, diversifying customer needs, and lessening environmental impact ➔ P.25, 41-42 ■ Development of next-generation service stations business ➔ P.25, 42 ■ Distributed energy business ➔ P.35-36 ■ Circular business ➔ P.28, 38 	   
<p>Harmony with the global environment and society </p> <p>Promote measures to realize a low-carbon and circular economy in consideration of climate change risks, and promote diversity and inclusion in partnership with business partners, communities, and employees.</p>	<ul style="list-style-type: none"> ■ Efforts to reduce GHGs (2030: ▲2 million t-CO₂ compared to 2017) ➔ P.55-56 ■ Contributing to the areas where we operate business ➔ P.25, 36-38, 40 ■ Implementing diversity and inclusion initiatives ➔ P.46-47 ■ Making work more rewarding for employees ➔ P.48 ■ SDGs educational activities ➔ P.17 	   
<p>Progress in governance </p> <p>Strengthen governance functions to maintain the trust of shareholders and all other stakeholders.</p>	<ul style="list-style-type: none"> ■ Enhancing the roles and functions of the Board of Directors ➔ P.61-66 	
<p>Acceleration of digital innovations </p> <p>Capitalize on evolving digital technologies to transform existing business processes and management in response to the business environment and customer needs.</p>	<ul style="list-style-type: none"> ■ Utilizing digital technologies to create new value ➔ P.25-26, 41-42 	 

Risks and opportunities (●: Impact on society; ■: Impact on the Idemitsu Group)

- Risks**
- Increased use of resources (energy, water, materials and land) by businesses may lead to the consumption of natural capital
 - Stagnant energy demand and lower resource prices due to greater energy conservation and economic deceleration caused by, for example, U.S.-China trade tensions
 - Unforeseeable events, such as large-scale disasters or pandemics, impacting the supply chain
 - Lower profitability due to higher social demand for climate change action

- Opportunities**
- Reduced GHG emissions through the development and promotion of renewable energy
 - Contribution to local communities through the stable supply of energy and the job creation on a global scale
 - Increasing energy demand in Asia region backed by population growth and economic development
 - Higher demand for petrochemical products due to lifestyle changes in Japan and expansion of new markets
 - Enhanced competitiveness and realization of stable energy supply through the business integration

- Risks**
- Consumption of food and plant resources due to development and promotion of biofuels derived from edible sources
 - Delayed development of renewable energy due to changes in government policies and programs in Japan and overseas
 - Delayed adaptation to changes in the demand structure due mainly to technological advancements and the emergence of new products

- Opportunities**
- Changes in consumption reflecting the creation of high-performance and environmentally friendly products attributable to government policy incentives and technological innovation
 - Growing need for energy-efficient products against the backdrop of climate change
 - Growing demand for functional materials geared toward EVs, electronic components, AI, and IoT devices

- Risks**
- Delayed action on social issues due to increasing difficulty of market entry by changes in government policy and programs in Japan and overseas
 - Potential inability to contribute to industrial and social transformation due to delayed action on technological development and open innovation
 - Deterioration in value of new investments due to rapid changes in the business environment

- Opportunities**
- Solutions to social issues through new products and services created through revolutionary R&D and innovation
 - Launch of regional revitalization activities leveraging the growing social need for distributed energy, such as a more resilient energy supply in Japan, local production for local consumption, and home energy generation and consumption
 - New business development at service stations in Japan that serve as local hubs for day-to-day life
 - Ensuring employee growth and job opportunities

- Risks**
- Delayed response to drastically stronger environmental regulations, including on GHG reduction
 - Possible difficulty in ensuring a stable supply of energy due to supply chain disruptions caused by large-scale disasters
 - Delayed environmental action due to stalled international cooperation and the increased cost of addressing social division
 - Impact of increasingly competitive labor market on challenges the Company faces in hiring and retaining employees

- Opportunities**
- Promoting solutions to social issues by advancing the SDGs
 - Creating businesses and contributing to solutions through cooperation with local communities
 - Expanding business opportunities due to social demand for low carbonization
 - Seizing business opportunities by acquiring excellent personnel who support the Group's vision and policies

- Risks**
- Potential reputational damage if efforts to introduce appropriate governance functions are abandoned

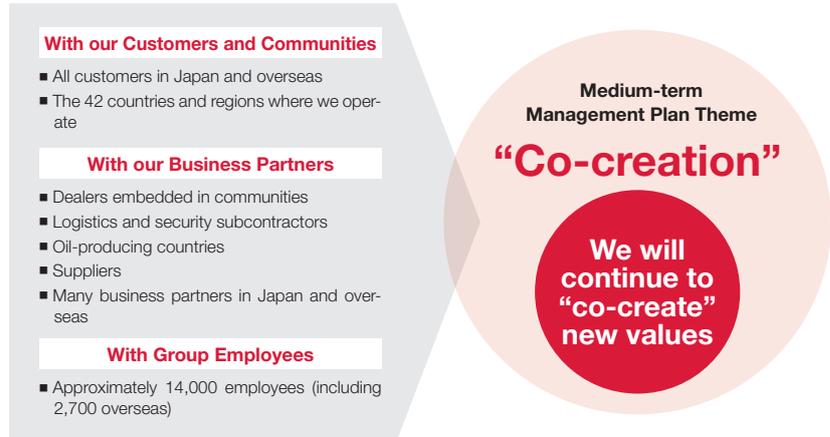
- Opportunities**
- Enhanced corporate value through highly transparent and fair management
 - Business expansion enabled by swift business execution seizing various opportunities
 - Appropriate promotion of sustainable growth and the medium-term management plan

- Risks**
- Growing risk of data leaks due mainly to computer viruses and hacking
 - Rising initial investment costs due to the introduction of new systems and troubles during the transition

- Opportunities**
- Solutions to social issues through technological innovation
 - Lower costs through more efficient operations and higher added value by freeing up time

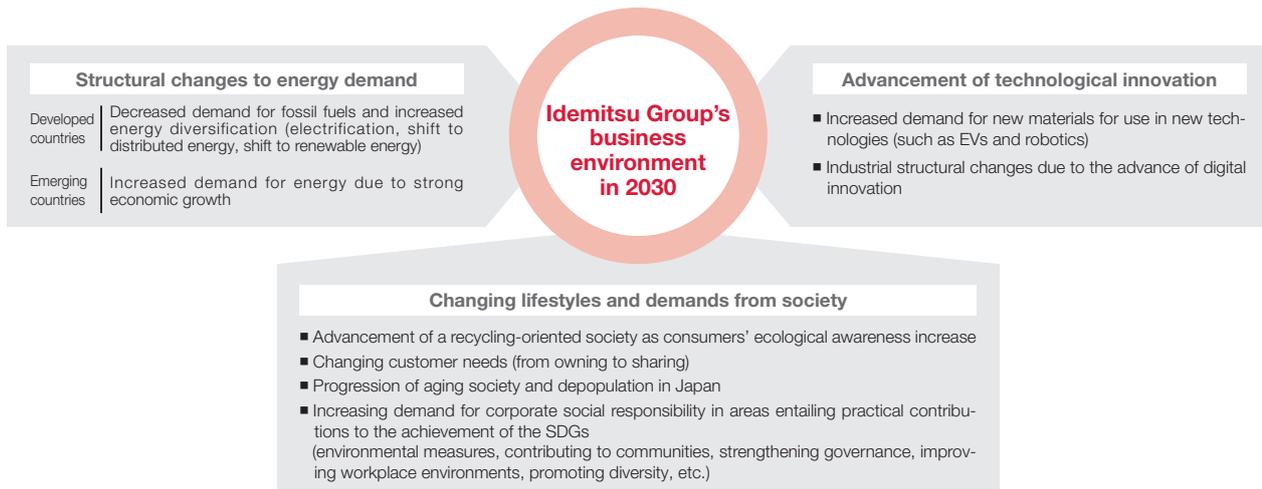
Medium-term Management Plan

Idemitsu Group unveiled its Medium-term Management Plan (FY2020-2022) in November 2019. We are taking on the challenge of creating new values. We are doing this together with all of our customers in Japan and overseas, members of the communities in which we operate, closely linked dealers, logistics and maintenance subcontracting companies, business partners in Japan and overseas, including oil-producing countries, and our employees with diverse backgrounds. This is what we mean by “Co-creation.”



Based on the long-term energy business environment scenarios we created ourselves, we envisioned the Group’s business environment in 2030 from the following three perspectives.

In light of the current business environment, we also established two basic policies geared toward 2030 to guide both our promotion of business activities and efforts to solve social issues.



Basic Policies for 2030

Realizing a resilient business portfolio

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 overseas 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, and lessening environmental impact

Building a business platform suited to the needs of society

Priority Topics and Main Initiatives

Harmony with the global environment and society

- Efforts to reduce GHGs(2030: ▲2 million t-CO₂ compared to 2017)

Progress in governance

- Enhancing the roles and functions of the Board of Directors

Acceleration of digital innovations

- Utilizing digital technologies to create new values

Management Targets for the Medium-term Management Plan Period (FY2020-2022)

At present, we established the following quantitative targets for the period of the medium-term management plan and for 2030. However, we intend to make revisions and disclose new targets in light of

changes in the business environment brought about by the COVID-19 pandemic and developments in Japan's basic energy plan.

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

Quantitative Targets for 2030

	FY2030
Operating income + equity earnings of affiliated companies	¥300 billion
Operating income ratio of 3 businesses (petroleum, exploration, coal)	Less than 50%
Operating income ratio of functional materials business	30% or more
Cumulative total power development (of which, overseas)	5GW or more (4GW or more)

Highlights of Our Progress

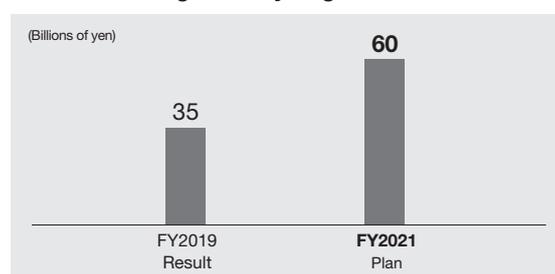
 Structural reforms to core revenue-generating businesses
  Expansion of growth businesses
 Creation of next-generation businesses
  Harmony with the global environment and society

<p>Revamping the Service Station Brand</p> <p>→ P.24</p>		<p>Initiatives to Make Our Refineries More Competitive</p> <p>→ P.26</p>	
<p>Starting Production at Our Lubricant Manufacturing Plant in Huizhou, China</p> <p>→ P.30</p>		<p>Working Toward the Commercialization of Black Pellets</p> <p>→ P.40</p>	

Creating Integration Synergies

Our goal is to realize synergies of ¥60 billion by FY2021. In FY2019, we achieved synergies of ¥35 billion in the areas of supply and demand, manufacturing, logistics, procurement, and corporate affairs. From FY2020 onward, we will work to integrate our brand policies, revise our sales strategies, optimize refining costs, and improve operational efficiency through our company-wide DTK (Datara Ko Shiyo) Project (=Business Process Redesign) with the aim of creating further synergies while achieving the ¥60 billion goal by FY2021.

■ Business Integration Synergies



Petroleum Segment

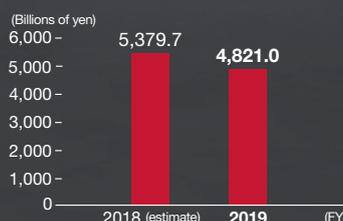
Review of Operations

The Idemitsu Group's six refineries in Japan refine crude oil, which is imported mainly from Middle Eastern oil-producing countries, producing various petroleum products. Through our marine and inland logistics network, we distribute these products safely and reliably across Japan and for export overseas.

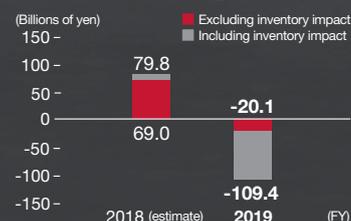
Our service stations sell gasoline and diesel oil as automotive fuel and kerosene as heating fuel. We also sell industrial-use fuel, including jet fuel, heavy fuel oil A, and heavy fuel oil C, to such corporate customers as electric power companies, general companies, airlines, and shipping companies. Overseas, we are working to strengthen our sales network, especially in Asia and the Pacific Rim, with such bases as the Nghi Son Refinery in Vietnam and a local subsidiary in Singapore.



■ Net sales



■ Operating income + Equity earnings



Social Issues

- Responding to demands to address climate change via greenhouse gas emission reduction
- Ensuring energy security in Japan despite its low energy self-sufficiency
- Meeting increasing energy demand in overseas where population growth is expected

Risks

- Structural changes in demand due to the COVID-19 pandemic
- Deterioration in the supply-demand balance due to continued decline in domestic fuel oil demand
- Changes in international affairs involving oil-producing countries where crude oil is sourced

Strengths

- Group refineries (six sites) and a network of oil depots positioned in key areas around Japan
- Unified measures at our approximately 6,400 service stations, which boast the second largest market share in Japan
- Cooperative framework with dealers whose businesses are embedded in the local communities
- Accumulation of experience and technologies cultivated since the Company's founding and the overseas expansion of the value chain

Opportunities

- Growing demand for petroleum products centered on the Asia-Pacific region
- New business expansion through domestic service stations, which act as regional hubs for day-to-day life
- Harnessing business integration synergies, such higher efficiency and lower costs
- Cultivation of new needs by taking measures that make use of digital transformation (DX)

Business Environment

Due to the stagnation of economic activities caused by the COVID-19 pandemic in early 2020, energy demand fell sharply and crude oil prices subsequently plunged. In mid-2020, major oil-producing countries began decreasing production while economic activities picked up in China, Europe, and some areas of the United States, setting crude oil prices on a path to recovery. Nevertheless, demand remains sluggish for petroleum products, especially jet fuel, and we expect the impact on supply and demand to persist.

Over the medium to long term, we expect domestic petroleum demand to decline 1.6%* annually by FY2022, compared with the FY2018 level, against a backdrop of population decline and the broader adoption of eco cars. The rate is also expected to continue declining thereafter. However, demand for petroleum in the Asia-Pacific region is forecasted to grow until 2030 mainly due to population growth.

*The domestic demand forecast is calculated based on the figures of the FY2019 petroleum products demand estimation review committee of the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry.

Medium-term Management Plan

By enhancing the international competitiveness of refineries, ensuring their safe and stable operation, and building a robust supply chain, we will stably provide the energy that Japan needs for its economic activities and daily life. We aim to realize a strong revenue base by implementing sales strategies based on customer needs.

In oil refining, we aim to realize refineries that have an international competitive advantage in the Asia-Pacific region as well as top-level operational reliability in Japan and will continue to pursue strategic investment to this end. Furthermore, we will foster greater cooperation among the refineries and businesses that have expanded through the integration and will continue enhancing the competitiveness of our supply chain.

As for sales of petroleum products, we will roll out a new brand for our service stations from April 2021. In addition, going forward, we will collaborate with dealers who conduct business rooted in their communities to provide higher-value-added services by, in

part, working to integrate products and services. In tandem, we will continue working to build a new business model that, for example, offers EV charging and daily life services at service stations.

We are also working to undertake a digital transformation (DX) across our entire business. Specifically, we will enhance the sophistication of refinery security, optimize logistics systems, and introduce marketing strategies to enhance convenience and efficiency while addressing the labor shortage.

Regarding the overseas expansion of the petroleum business, we are expanding the trading business in the Asia-Pacific region, the wholesale business in North America, the wholesale and retail business in Australia, and the retail business in Vietnam. We will continue working to expand business in regions where demand is expected to grow over the medium to long term. At the Nghi Son Refinery in Vietnam, we are supporting NSRP to maintain stable operations and take measures to improve competitiveness in the refinery.

HIGHLIGHTS

Promoting Sales Strategies and Creating Next-Generation Businesses at Service Stations

Revamping the Service Station Brand

We will unify our service station brands from April 2021 and begin rolling out the apollostation brand.

This new brand is more than a logo. As a brand icon, Apollo embodies the ideal role that Idemitsu aspires to fulfill, as evidenced by its people-centered management. Apollo manifests in each and every employee and symbolizes our efforts to strengthen the brand. We decided on the new brand in line with our aspiration to create futuristic stations that fulfill diversifying customer needs. They will do this by providing joy and added value while supporting the overall mobile experience of customers and building on the proud legacy of customer trust that both companies have earned.

To raise awareness of the new service station brand, we will also release a credit card (dubbed the apollostation card), apollostation oil, and other products.

In addition, as a new initiative, we will provide services that leverage digital technology. We will consolidate such existing

digital services as *PIT in plus*, which enables customers to reserve automotive services at stations online, and release an integrated app to enable collaboration with retailers that have alternative formats or are in different industries. Through these and other measures, we will greatly increase engagement with customers through the strength of our digital outreach and strive to provide services in line with the needs of every customer. In addition, in the near term, we aim to provide services rooted in communities that fulfill their specific needs, in part, by providing parking spaces that have Wi-Fi as well as compact EV services for people with few transportation options.

Under the new brand, we aim to create service stations that are truly future oriented. As a life partner, we will support each customer's mobility and daily life as part of the community, going beyond our existing services of fueling automobiles and providing car care products.



New brand design for our tanker trucks

Pilot Test Launch of Japan's First Carwash App "AND WASH"



From April 2020, we began a pilot test of Japan's first carwash app "AND WASH," which enables users to choose and pay for carwash options on their smartphone.

The app was developed with careful consideration of the customer perspective and based in part on interviews with customers who use carwashes. After downloading the app and registering, the user can select a carwash course in advance. When the user arrives at an AND WASH location in the designated vehicle, an on-site camera recognizes the vehicle and the carwash automatically activates as the user drives in.

This eliminates the usual process of using a machine to select, adjust, and pay for a course as well as options. Even customers using a carwash for the first time can easily avail themselves of this service.

Going forward, we will analyze usage patterns to further evolve the service while making appropriate improvements. Ultimately, we will strive to expand the number of customers using the AND WASH service, for example, by rolling it out to our service stations based on the know-how gained from the pilot test.



An AND WASH carwash location

Pilot Test Launch of Next-Generation Car Services



From April 2020 in Tateyama, Chiba Prefecture, we began a second pilot test of Auto Share, an EV car sharing business. We conducted the first pilot test in Hida and Takayama, Gifu Prefecture in August 2019. For the second test, we are using ultra-compact EVs that are charged by lightweight CIS thin-film solar modules and will conduct assessments with the aim of

realizing a next-generation mobility society in regions with limited transportation options.

In August 2020, we began a pilot test of Park & Charge, a multipurpose EV charging station service. We will assess the need for and profitability of EV charging services by offering combinations of EV charging, parking, and cafes.



A carport equipped with lightweight CIS thin-film solar module used in the Auto Share pilot test



The parking garage of a Park & Charge test store, Delta EV Charging Station (Yokohama)

Initiatives to Make Our Refineries More Competitive

Promoting Capital Investment at the Chiba Complex



As an investment aimed at enhancing long-term cost competitiveness and swiftly responding to regulations set by the International Maritime Organization (IMO) on bunker fuel sulfur content, we modified the Chiba Complex's heavy fuel oil direct desulfurization unit to raise its efficiency and commenced operations from May 2020. Going forward, this will enable us to reduce high-sulfur heavy fuel oil C production by 600,000 kL annually and increase production of low-sulfur heavy fuel oil C by 500,000 kL annually. In addition, we will invest in enhancing the heavy fuel oil cracking ability of our fluid catalytic cracking units, turning them into residue fluid catalytic cracking (RFCC) units as we strive to enhance our cost competitiveness by boosting capital investment.



Chiba Complex

Strengthening Cooperation among Refineries(Tokyo Bay Cooperation)



With the aim of reducing heavy fuel oil C, we realized an off-site alliance to enable the asphalt by-product of the Chiba Complex to be processed by the cracking units of refineries in the Keihin-Keiyo area. This commenced operations from FY2020.

Going forward, we will implement area-specific strategies for each refinery, expand use of fuel oil fractions for petrochemicals, boost export capacity, and pursue other business strategies while promoting initiatives to expand integration synergies.

Introducing AI to Enhance Supply Chain Sophistication

Introducing AI to Forecast Shipments for Oil Depots



In early 2020, at 28 locations of oil depots and joint oil depots, we introduced AI to forecast shipments, thereby strengthening petroleum product inventory management. Inventory management systems also predict shipments based on data learning that takes into account such conditions as shipment track records, markets, and weather data. By visualizing the data, we are enhancing the accuracy and operational efficiency of inventory management operations that previously had largely relied on the experience of veterans. In 2020, we plan to introduce AI to 46 locations.



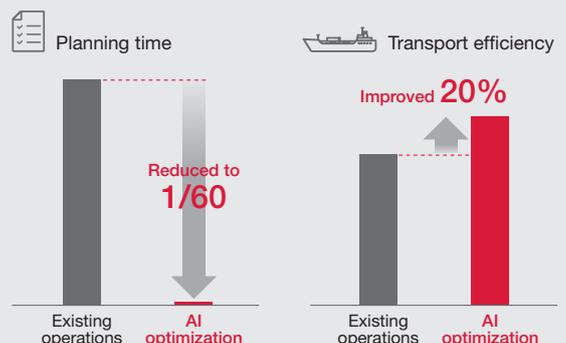
Teizan Shiogama Oil Depot

Using AI in Formulating Ship Allocation Plans



Regarding ship allocation plans, which traditionally are formulated relying on the experience and skills of veteran managers, we completed the first pilot test for automating operations and improving transport efficiency in June 2020.

In the test, we were able to formulate monthly ship allocations in periods of 1.5 to 5 minutes each, a time equivalent to one-sixtieth of that taken using previous methods. The resulting ship allocation plans successfully improved transport efficiency by up to around 20% while realizing stable supply. Going forward, we will begin considering system designs and assessing business models that further increase the number of refineries, oil depots, and ships, with the aim of commencing operations in 2021.



Basic Chemicals Segment

Review of Operations

The Idemitsu Group uses naphtha, either acquired from crude oil refining processes at our refineries or imported, as the feedstock to manufacture and sell various petrochemicals, including olefins (such as ethylene and propylene) and aromatics (such as benzene, styrene monomers, mixed xylene, and paraxylene). We supply naphtha to companies based in the Chiba and Tokuyama Complexes in Japan as well as to companies overseas. In addition, we maintain Group manufacturing bases in Malaysia and Vietnam as we expand business globally.



Social Issues

- Stable supply of basic feedstock for petrochemicals indispensable to daily life
- Shift to a sustainable business that helps reduce plastic waste and GHGs

Risks

- Flood of low-cost ethylene derivatives made from North American shale gas and oil into the Asian market
- Economic slowdown and lower demand due mainly to prolonged U.S.-China trade tensions and effects of the COVID-19 pandemic
- Lower demand for and tougher regulations on general-purpose plastics due to the marine plastic problem

Strengths

- Business development leveraged by integrated oil refining and petrochemical manufacturing
- Top-level ethylene production capacity in Japan and a supply network serving customers located in petrochemical complexes

Opportunities

- Growing demand for petrochemicals amid economic development and population growth in Asia regions
- Potential to use highly cost-competitive overseas feedstocks, such as North American shale oil and gas
- Creation of markets due mainly to changing lifestyles in Japan and growing demand for functional plastics

Business Environment

In recent years, it is installed new petrochemical production equipment, mainly in China, and continue to progress with the installation of a new cracker for North American shale oil. The supply and demand balance has deteriorated due mainly to economic stagnation caused by the COVID-19 pandemic, which began in early 2020. Although some regions are seeing signs of recovery, the effects are expected to persist going forward. Over the medium to long term,

due to population growth and an expanding middle class in emerging countries and Asian regions, we expect global demand for basic chemicals, including ethylene, to continue growing.

Plastic, however, is one petrochemical end-product. Amid increasing concern over the impact of plastic waste on ecosystems and marine pollution, governments and industrial groups are being called on to work together to minimize and reuse waste.

Medium-term Management Plan

To further stabilize the revenue base of our domestic business, which is underpinned in part by the Basic Chemicals Segment, we are working to restructure our existing businesses, appropriately respond to business risks, and globally develop new businesses.

We are promoting operations that are integrated with those of the petroleum and basic chemical businesses. To this end, we will continue considering and implementing specific measures to help stabilize the business base and expand revenue, such as further promoting effective production at refineries and complexes across Japan and adjusting the transfer of oil fractions, while carefully assessing the external environment, including assumptions that petroleum demand will decline and chemical demand will remain firm due to the pandemic. At the same time, we are continuing to maximize integration synergies, for example, by optimizing logistics functions through the rationalization of supply bases and sales channels for propylene, aromatics, and solvents and the establish-

ment of a new distribution center.

To help enhance the competitiveness of our petrochemical complexes, we are systematically promoting investment with plans to finish construction and upgrade to highly efficient naphtha crackers at the Tokuyama Complex in FY2020. When the crackers come on line, we expect to realize a 30% improvement in energy savings.

In conjunction with the aforementioned structural reforms, going forward we will continue strengthening our alliances with other companies at the Chiba and Shunan petrochemical complexes, as well as enhancing our cost competitiveness by diversifying our feedstocks (producing chemicals from gas and other sources rather than naphtha, our main feedstock). Overseas, we will continue considering the potential of new businesses, such as partnerships with other companies, based on expected supply and demand in North America and Asia and the needs of each country.

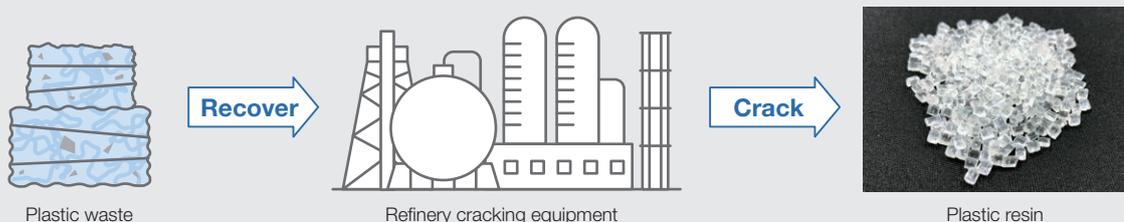
Recycling Plastic Waste



In FY2019, we launched the Material Circular Economy Working Group as an in-house organization. The working group has been promoting specific company-wide initiatives to solve problems. One example is considering and implementing measures to collect data from the industrial groups we have joined and to spur collaboration between government and industry.

Addressing the plastic waste problem, we are working to

realize a circular business that uses our oil refining cracking equipment to revert waste plastic into chemical feedstock. We have been testing experimental equipment since FY2019 with the aim of starting commercial operations in FY2022. Once operations begin, we expect to be able to process 10,000 tons of plastic waste per year.



HIGHLIGHTS

Addressing the Marine Plastic Problem

The marine plastic problem affects all companies in the supply chain, and we have joined two industry groups and begun shar-

ing and searching for data. In addition, we are working to raise awareness of the marine plastic problem in-house.

■ Japan Initiative for Marine Environment (JaIME)

This initiative was established by five groups in Japan's chemicals industry: the Japan Chemical Industry Association, the Japan Plastics Industry Federation, the Plastic Waste Management Institute, the Japan Petrochemical Industry Association, and the Vinyl Environmental Council.

■ Japan Clean Ocean Material Alliance (CLOMA)

361 companies and groups from the plastic supply chain have joined this alliance as of August 27, 2020.

HIGHLIGHTS

Functional Materials Segment

Review of Operations

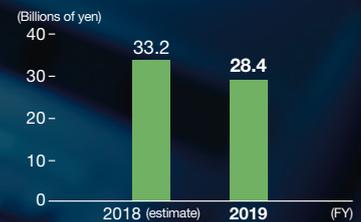
This segment encompasses the development, manufacture, and sale of lubricants, advanced materials & performance chemicals, electronic materials, bitumen, agri-bio products, and lithium-ion battery materials based on core technologies cultivated in petroleum refining and petrochemistry.

The lubricants business leverages its R&D capabilities to globally manufacture and sell a wide range of products that meet customer needs, including automotive engines and transmissions, actuators for construction equipment, wind turbine brakes, and cutting oil for metalworking. The advanced materials & performance chemicals business develops, manufactures, and sells engineering plastics, adhesive materials, electronic materials, derivatives, solvents, and other products. The electronic materials business manufactures and sells OLED materials and develops next-generation materials. The bitumen business develops, manufactures, and sells high-performance asphalt with excellent environmental effects as well as other products that meet customer needs. The agri-bio business develops and sells such materials as biological pesticides that contribute to the production of agricultural products. The lithium-ion battery materials business develops next-generation lithium-ion battery materials for electric vehicles (EVs) and other applications.

■ Net sales



■ Operating income + Equity earnings



Social Issues

- Responding to demand for addressing climate change via greenhouse gas emission reduction
- Need for technological innovation facilitating the widespread adoption of EVs in order to realize a low-carbon society
- Development of materials for EVs, high-speed telecommunications, AI, and IoT
- Increase in food demand in line with population growth, especially overseas in other Asian regions and emerging countries

Lubricants

Strengths

- A lubricant business with a global manufacturing, selling, and R&D network spanning 26 countries
- A product development and technical assistance framework for lubricants that address customers' frontline issues and needs

Risks

- Economic slowdown and lower demand due mainly to prolonged U.S.-China trade tensions and COVID-19 pandemic effects
- Slowing demand for motor oil and other internal combustion engine oil due to the wider spread of EVs
- Stagnant prices due to intensifying competition in the general-purpose product market

Opportunities

- Growing demand for functional materials amid economic development and population growth in Asian regions
- Growing need for energy-efficient products and EV-related products amid the climate change crisis
- Increased logistics demand due to changing consumer trends caused mainly by the COVID-19 pandemic

Business Environment

The COVID-19 pandemic has had an impact on supply and demand. For example, despite stagnant demand for lubricants in the first half of 2020 due mainly to reduced plant operations, we expect growing demand for automotive lubricants and other products in step with an upturn in logistics and transport demand caused by changing consumer trends. As vehicle sales in Japan have leveled off, both car and automotive parts manufacturers are moving overseas, and the market for automotive motor oil is shifting to emerging countries

in Asia and elsewhere. As for our medium- to long-term forecast, we expect an increase in new demand for the lubricants used in EVs and other automobiles amid the global trend toward realizing a decarbonized society. Regarding industrial lubricants, such as hydraulic and gear oil for industrial machinery, we expect a global increase in demand for environmentally friendly, high-performance products that meet the need for energy and resource conservation.

Medium-term Management Plan

In the field of automotive lubricants, we make full use of advanced tribology to provide OEM products (to be branded by our partners) that meet customer needs and support their business development. Overseas, we are expanding our production and sales bases, especially in China and emerging Asian countries, where demand is expected to grow. In November 2019, Idemitsu Lube Pakistan opened the Group's 40th lubricant sales location overseas. In addition, in the market for EVs, which are being promoted to help realize a decarbonized society, we are working to develop products suited to electric-powered units and grease that meets the need for higher

heat resistance associated with lower noise motors.

As for industrial lubricants, such as hydraulic and gear oil for industrial machinery, we are developing high-performance environmentally friendly products that meet the energy and resource conservation needs in line with heightened interest in environmental issues. In September 2020, our work on developing lubricants for wind power stations was chosen as a subsidized business of the New Energy and Industrial Technology Development Organization (NEDO), a national R&D organization.

New Development of Axle Fluid for EV Motor Units

In December 2019, we developed IDEMITSU E AXLE FLUID, a fluid specially designed for the E AXLE driving unit used in EVs and hybrid cars (HEVs) that features excellent brake lubrication, clutch performance, and motor cooling properties. The E AXLE is essentially a driving unit that integrates a motor, an inverter, and brakes. It can turn a gas-powered car into a hybrid with minimal design changes and can also be used in EVs. For these reasons, it is being widely used, especially by automotive manufacturers in Europe and China. As an OEM product, IDEMITSU E AXLE FLUID has been rolled out to over 28 countries worldwide from our lubricant sales bases, and we are considering selling it as an Idemitsu brand product.



IDEMITSU E AXLE FLUID

HIGHLIGHTS

Starting Production at Our Lubricant Manufacturing Plant in Huizhou, China

In July 2020, we began operations and production at the Huizhou Plant through Huizhou Idemitsu Lube Co., Ltd., our second directly operated lubricant plant in China. With an eye to increasing supply capacity, the plant was constructed to meet growing demand for high-performance lubricants in China, and has brought the Group's current total lubricant supply capacity in China to 290,000 kL per year. We will continue striving to enhance our stable supply and sales system across Mainland China, which has the world's highest demand for lubricants, with the aim of strengthening and expanding our business as a global supplier of lubricants.



Huizhou Idemitsu Lube Co., Ltd., Huizhou Plant

HIGHLIGHTS

Advanced Materials & Performance Chemicals

Strengths

- Accumulation of technological development capabilities and expertise related to functional materials needed for cutting-edge products
- Positioning of global business bases for various functional chemicals

Risks

- Economic slowdown and lower demand due mainly to prolonged U.S.-China trade tensions and COVID-19 pandemic effects
- Price stagnation and deterioration in supply and demand due to market entry of other companies and intensifying competition to develop new technologies
- Structural changes in demand due mainly to technological innovation and emergence of new products

Opportunities

- Growing demand for functional materials amid economic development and population growth in Asian regions
- Increase in new demand accompanying technological innovations, including for automotive and electronic parts and telecommunication devices

Business Environment

Due to economic sluggishness in the wake of the pandemic, functional materials have seen demand decline for some products, such as engineering plastic, which has suffered amid stagnation in the automotive industry; however, demand grew for other products, including PLALOC™ zipper tape for food packaging and low molecular low modulus polypropylene (LMPP), a nonwoven fabric product used for facemasks and other items.

Technological innovation is rapidly advancing in such fields as

EVs and high-speed telecommunications, where advanced materials are used, and the standard of living is continuing to rise in emerging countries due to increasing incomes. For these reasons, our medium- to long-term forecast is that demand for automobiles, home appliances, and daily commodities will grow, especially in Asia. However, factors that could negatively impact supply and demand conditions include an expansion in new functional materials manufacturing facilities established by Chinese or other interests.

Medium-term Management Plan

In the advanced materials and performance chemicals business, we handle high-performance products with unique technologies. These include engineering plastic (for use in automotive and electronic parts and telecommunications devices) as well as hydrogenated petroleum resin (for use as an adhesive for disposable diapers and other hygiene products). To make this business a pillar of the functional materials segment, in line with the policy of expanding our business scale and scope, we are working to expand production facilities in Japan and overseas, especially in Asian regions where demand is expected to grow.

More specifically, Malaysia is the site where we are constructing our second manufacturing facility for syndiotactic polystyrene (SPS), which is used in high-speed telecommunication devices and other sophisticated devices. To this end, we have established Idemitsu Advanced Materials (Malaysia) Sdn. Bhd.. Commercial operations are slated to begin in the second half of 2022, which will double our current production capacity, and we will continue working to strengthen our sales and research framework.

Demand is growing in China and Southeast Asia for our proprietary hydrogenated petroleum resin (product name: I-MARV™),

which has excellent performance as an adhesive for hygiene products. Against this backdrop, we established Idemitsu Formosa Specialty Chemicals Corporation jointly with Formosa Petrochemical Corporation in Taiwan, which is situated near areas of high demand. The two companies are moving ahead with the construction of manufacturing facilities, with commercial operations set to begin in FY2020.

Going forward, we will continue accelerating business growth, partly via efforts to acquire resources through external collaboration and M&A.



Car parts made from SPS resin (product name: XAREC™)

Electronic Materials

Strengths

- Accumulation of technological development capabilities and expertise related to OLED materials
- Possession of patents for materials that have an advantage in the area of blue-light emission, an area of special technical difficulty, for OLED panels
- Global supply framework for OLED materials

Risks

- Lower display-related demand due to economic stagnation caused by prolonged U.S.-China trade tensions and COVID-19 pandemic effects
- Price stagnation and decline in market share due to market entry of other companies and intensifying competition to develop new technologies
- Structural changes in demand, such as sluggish adoption of OLED TVs due to technological innovation and the emergence of new products

Opportunities

- Growing demand for products using displays amid economic development and population growth in Asian regions
- Progressing shift from liquid crystal to OLEDs for such varied displays as those for smartphones, PCs, tablets, and vehicles

Business Environment

Due to economic sluggishness in the wake of the pandemic, we expect a decline in demand for electronic products and parts, including smartphones and TVs. That will, in turn, impact sales of electronic materials in the short term.

On the other hand, over the medium term, with South Korean and Chinese display manufacturers aggressively investing in OLED

display manufacturing facilities, we expect the shift from conventional LCDs to OLED displays to continue for smartphones, large-screen TVs and many other products. In addition, demand is expected to grow in line with the expanding market, such as the launch of foldable smartphones that make use of the flexibility of OLEDs.

Medium-term Management Plan

As our business centered on OLED materials and oxide semiconductors expands, we will promote the development of new businesses and applications. Regarding OLED materials, we completed construction of a new OLED materials plant in Chengdu, Sichuan Province, China. The Company's third such plant, complementing those operating in Japan and South Korea, began commercial operations from July 2020. In tandem with this overseas business expansion, we will continue to deepen our relationships with display manufacturers and other development partners as we work to develop high-performance next-generation materials that

help displays save energy and last longer, including our superior blue light-emitting materials.



OLED materials

Achieved World Record Technological Development in Next-Generation OLEDs



In our joint efforts with Toray Industries, Inc., we achieved the world's highest luminous efficacy, with a near practical range and a long life span, in an OLED device that uses thermally activated delayed fluorescence (TADF). We expect this will become a next-generation technology. In November 2019, Idemitsu and Toray released joint press releases about the technology and gave a joint presentation at an international workshop. By

adopting technology that uses TADF materials instead of the currently dominant phosphorescent materials, we expect to help create OLED displays that are lower cost, save more energy, and offer a wider range of colors. We will continue to pursue development aimed at quickly achieving the practical application of this technology for smartphones, TVs, and more.

HIGHLIGHTS

Bitumen (High Performance Asphalt)

Strengths

- Accumulation of technologies and know-how as Japan's only comprehensive asphalt manufacturer
- A resilient sales network with dealers
- Technological alliances with the national government and road construction companies (including joint research)

Risks

- Declining domestic population and depopulation in rural areas
- Labor shortages, especially in construction and transport industries

Opportunities

- Growing demand for reductions in environmental impact and CO₂ emissions
- Growing need for longer lasting pavement and asphalt recycling
- Expanding demand for asphalt products in Asia and the Middle East

Business Environment

In line with the government's policy to strengthen its national resilience for infrastructure and the economic and social system, the domestic road-related budget remains at a high level, and demand for functional asphalt is expected to remain firm. As environmental awareness increases and the population structure changes due to

the declining birthrate and aging population, there is growing interest in asphalt paving technology that contributes to CO₂ reduction, asphalt recycling technology, and extended-life pavement technology. In Asia and the Middle East, demand for functional asphalt for both paving and waterproofing is expected to increase as local economies grow.

Medium-term Management Plan

As a "comprehensive asphalt manufacturer" that supplies asphalt for a wide range of applications, for roads, waterproofing materials for housing and industrial materials, we will fulfill our social mission of supporting infrastructure in Japan. Specifically, we are contributing to the reduction of CO₂ emissions from road construction and the reduction of road life-cycle costs through the development of

various asphalt products, including technology for improving workability by greatly reducing the allowable paving temperature, technology for recycling high-quality pavement, and technology for longer-life pavement and improved durability.

We will also expand technologies developed in Japan to build infrastructure in Asia and the Middle East.

Agri-bio Products

Strengths

- Expertise in developing, manufacturing, and selling biological pesticides and feed additives, for which demand is expected to grow, especially in Europe and the United States

Risks

- Stagnation of the pesticide market in Japan due to declining population and farming area
- Widening gap in business size due to the integration and reorganization of competing overseas companies

Opportunities

- Expanding pesticide market in line with growing global population and food demand
- Shift in demand from chemical to biological pesticides due to tightening environmental regulations, especially in Europe
- Growing need for natural materials that can enhance agricultural productivity

Business Environment

Although there has not been a significant change in existing demand in the short term amid the pandemic, going forward it is possible that the gain in new demand may be sluggish.

Over the medium term, as global population increases and food demand increases, there are concerns that regions with agricultural production will experience a decrease in available arable land, an increase in feed grain consumption due to rising meat demand, and

an increase in serious damage to agricultural products caused by drought and other abnormal weather conditions. As a result, demand is increasing for agricultural materials that support efficient food production. At the same time, the need for such naturally-derived materials as biological pesticides continues to increase due to the tightening of regulations on the use of certain chemical pesticides and antibiotics, mainly in Europe.

Medium-term Management Plan

Through our microbe- and plant-derived biological pesticides and feed additives, we are promoting the development and sale of agricultural materials in line with needs on the production frontlines and contributing to enhanced food safety and agricultural productivity. To expand the scale of our business in the biological pesticide field, we have concluded agreements with multiple companies, academic organizations, and other groups and are now considering new collaborations. In the field of feed additives, we entered into collaborations with partners with the aim of overseas expansion. In these and other ways, we will continue promoting initiatives aimed at expanding into new markets.

In addition, we will continue to develop products that meet the increasingly stringent regulations for chemical pesticides, antibiotics, and other products, especially in Europe. A specific new development is that in May 2020 we began sales of *Swirmite*, a biological control agent safe for both the environment and people that uses phytoseids, which are a natural predator of vegetable pests.



Biological control agent *Swirmite*

Lithium-ion Battery Materials

Strengths

- High-performance sulfide-based solid electrolyte materials and mass-production process technology
- Competitive proprietary manufacturing technology for solid electrolytes raw material (lithium sulfide)
- Ability to procure some solid electrolytes raw material from our own refineries

Risks

- Potential market entry of other companies and intensifying competition to develop new technologies
- Progress in development of next-generation batteries through technological innovation to lower the cost and improve the performance of existing liquid lithium batteries

Opportunities

- Growing demand for all-solid-state lithium-ion batteries that meet the increasing need for long driving range, safety (flame resistance), and convenience (short charging times).
- Growing demand for batteries and battery materials due to the promotion of EVs amid global warming and other issues

Business Environment

Lithium-ion batteries boast higher capacity than primary batteries and their market has expanded alongside their growing use in smartphones, laptops, and other products as rechargeable secondary batteries. They are also finding wider use as batteries for EVs and hybrid cars, which have become more commonplace in recent years. Going forward, the market for these batteries is expected to

expand for residential use, industrial use, and such consumer applications as 5G devices. Regarding electrolytes, which are a main component of lithium-ion batteries, technological innovation is accelerating from the currently dominant liquid type to a solid-state type. All-solid-state lithium-ion batteries are expected to be commercialized in the mid 2020s.

Medium-term Management Plan

By creating solid electrolytes for lithium-ion batteries, we have significantly shortened charging times and improved storage capacity and safety performance, and all-solid-state batteries are expected to be used more widely in EVs in particular. We have developed sulfide-based solid electrolytes and can procure the main raw materials from its own refinery facilities. This type of electrolyte is characteristically high-performance (highly conductive) with consistent quality that can be stably produced. We are accelerating development of solid electrolytes and constructing compact demonstration equipment within the Chiba Complex for mass production with the aim of commencing operations at the beginning of FY2021.

Going forward, we are aiming for the commercialization of solid electrolytes. We are striving to further enhance quality and pare costs while building an integrated production and stable supply framework that effectively spans raw materials through finished products.

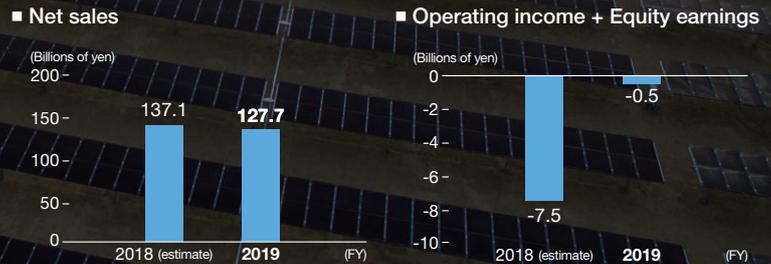
Over the medium to long term, we are working to realize a smart society in part by developing businesses related to battery life cycles, from raw materials to waste batteries, and developing other materials that seize on the trend in all-solid-state battery development.

Power and Renewable Energy Segment

Review of Operations

In the electric power business, we generate thermal power using highly efficient, environmentally friendly natural gas as well as byproduct gases and residues from oil refining conducted at our refineries. In addition, we operate renewable energy businesses, including solar, wind, and biomass power, in Japan and overseas. Furthermore, leveraging such in-house power sources, Idemitsu is involved in the electric power retail business in Japan, offering a wide range of electric power products and services to meet diversifying customer needs.

In the solar cell business, we are engaged in the R&D, production, and sale of CIS thin-film solar panels in collaboration with group company Solar Frontier K.K.



Social Issues

- Energy security for Japan, which has a low energy self-sufficiency rate
- Global warming caused by increases in greenhouse gases from the consumption of fossil fuels
- Changes in the electric power supply and demand structure due to population decline, regional depopulation, and the growing use of renewable energy
- Increasing electric power demand in countries expected to see population growth
- Mass disposal of used solar modules expected from 2030 onward

Risks

- Decline in business profitability due to policy and institutional changes in Japan and overseas
- Increasing competition in the domestic retail business
- Construction delays and rising connection costs due to high demand for transmission lines in regions suited to power source development
- Falling sales prices due to intensifying competition in the solar panel market
- Procurement risk arising from the globalization of supply chains for solar modules and their materials

Strengths

- Power source mix comprising diverse Company-owned power plants, including renewables, and accumulated operational know-how
- Accumulated solar power plant development expertise and know-how
- Integrated supply chain spanning from power generation to retail
- Diverse electric power retail products and services that meet the needs of both corporate and individual customers
- Accumulated R&D expertise and production know-how related to solar panels, including CIS thin-film solar cells

Opportunities

- Growing needs for renewable energy and high-efficiency power generation reflecting responses to climate change
- Transition to renewable energy being facilitated by lower adoption costs due to technological innovation and government support
- Growing social needs for decentralized energy supply related to such areas as strengthening domestic energy supply, local production for local consumption, and in-house consumption
- Greater business opportunities created by changes in systems related to the domestic electric power business
- Growing electric power demand, mainly in emerging countries and Asia
- Growing recycling needs in line with the shift toward an advanced recycling-oriented society

Business Environment

In Japan, the business environment going forward is expected to be affected by government policy and the development of decarbonization and other technologies. Specifically, changes will include the formation of new markets, the shift toward renewables as primary power sources, and revisions to the feed-in tariff (FIT) for renewable energy. At the same time, intensifying competition related to solar panels due to the market entry of Chinese manufacturers remains a cause for concern.

Because of the decline in economic activity caused by the global spread of COVID-19 in early 2020, factory and office utiliza-

tion fell, leading to a significant temporary decrease in electric power demand. While economic activity has recovered somewhat, going forward, some changes in patterns of such activity as well as in lifestyles and work styles are expected to be permanent, resulting in changes to the electric power demand structure.

Overseas, the further adoption of renewable energy and the economic development of emerging nations are expected to drive increases in electric power demand. However, as in Japan, the impacts of the COVID-19 pandemic are forecast to continue for some time.

Medium-term Management Plan

The Power and Renewable Energy Segment has designated as its mission meeting diversifying energy needs by developing and providing electric power solutions that only Idemitsu can in order to contribute to the creation of a sustainable society in and outside Japan. Our business is based on this mission.

In Japan, we will maintain the safe and stable operation of our power plants while leveraging the strength provided by our diverse holdings in renewable energy plants to meet the various needs of customers in Japan as well as accelerating calls for decarbonization. Furthermore, leveraging distributed energy resources (such as in-house power generation facilities, renewable energy, storage batteries, and electric vehicles), we will build up our expertise and know-how through pilot testing and co-creation with municipalities and other companies with an eye to business development related to promising new business models, such as virtual power plants (VPPs) and peer-to-peer (P2P) power trading.

Overseas, by promoting the North American gas-fired thermal

power generation business, we will not only secure revenue, but gain know-how in power plant operations and business in liberalized markets that we can then use to enhance the competitiveness of our domestic electric power business. Furthermore, mainly in North America and Southeast Asia, which offer favorable sunlight conditions and policy environments, we will advance the development of new solar power plants, aiming to expand our renewable energy sources and thereby bolster revenue.

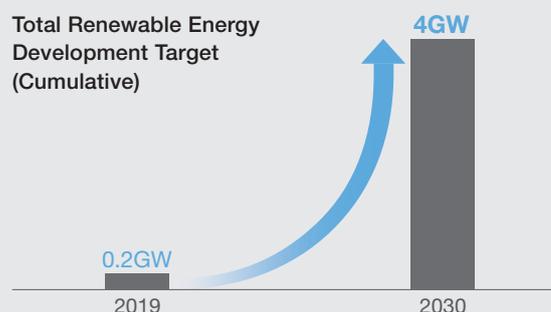
In terms of solar cell manufacturing and development, we will advance cutting-edge research into CIS thin-film solar cell technologies. At the same time, in sales, we will shift from sales of panels to package sales of power plants, aiming to grow our business while meeting needs for solar power plants in and outside Japan. Furthermore, we will advance R&D into recycling technologies to address the social issue of the mass disposal of solar panels, including crystalline silicon modules, expected from 2030 onward.

Promoting Renewable Energy Development



We operate a diverse mix of power plants in and outside Japan with a total capacity of approximately 1.2 GW, of which approximately 0.2 GW is renewable energy. Going forward, we will continue to develop the power generation business worldwide. In renewables, specifically, we aim to reach 4 GW in cumulative total energy development by 2030, mainly through overseas solar power plants, an area of strength for the Company. By doing so, we will help reduce CO₂ emissions and contribute to communities.

Total Renewable Energy Development Target (Cumulative)



FY2020 Renewable Energy Development Plans

- Completion of solar power plant construction (California, United States) 210 MW
- Completion of solar power plant construction (California, United States) 50 MW
- Completion of solar power plant construction (Colorado, United States) 100 MW
- Beginning of biomass power plant construction (Tokuyama Complex, to begin operation in FY2022) 50 MW

HIGHLIGHTS

■ Idemitsu Group's Power Generation Capacity (As of the end of October, 2020)

Power generation capacity*1	GW
Domestic solar power	0.11
Overseas solar power	0.05
Solar power (subtotal)*2	0.16
Biomass power	0.05
Wind power	0.02
Geothermal power*3	0.01
Renewable energy (subtotal)	0.24
Domestic thermal power	0.83
Overseas thermal power	0.11
Thermal power (subtotal)	0.94
Power generation capacity (total)	1.18

*1 Totals of Idemitsu's owned capacity

*2 Excludes the build-own-transfer (BOT) business (sales of power sources developed by Idemitsu)

*3 The geothermal power business is part of the Resources Segment

Cutting-edge CIS Solar Cell R&D



HIGHLIGHTS

We are engaged in the R&D, production, and sale of CIS thin-film solar cells. These solar cells are produced based on proprietary technology in which copper, indium, and selenium ("CIS") replace silicon as the key materials. We boast one of the largest CIS solar panel plants in the world, with an annual production capacity capable of producing enough cells to generate 0.9 GW.

In our CIS thin-film solar cell R&D, in addition to efforts to increase conversion efficiency and otherwise enhance our existing technologies, we are also actively working to develop new CIS thin-film solar cell and recycling technologies.

● Building-integrated Solar Cells

Aiming to expand the use of our CIS thin-film solar cells in the Chinese market, in November 2019 we formed a memorandum of understanding with Triumph Science and Technology Group—a Chinese company with advanced technologies and significant market share in the fields of solar power and glass—regarding the development of building-integrated solar cells. We are currently advancing research related to product development.



Image of a building integrated panels

● Ultra-lightweight Film Modules and Solar Cells for Vehicles

We were selected by the New Energy and Industrial Technology Development Organization (NEDO) for a joint research project related to ultra-lightweight film modules and solar cells for vehicles over the five years from FY2020 to FY2024.

Ultra-lightweight film modules enable the installation of solar panels on rooftops and other structures where conventional panels are unusable due to weight restrictions. Accordingly, as the use of solar cells spreads going forward, the creation and expansion of markets for such modules is expected. Solar cells for vehicles are being developed with the goal of installing solar cells on electric vehicles, with an eye to widespread use by 2050.



Ultra-lightweight film modules prototype

• **Establishing Solar Panel Recycling Technologies**

We were selected by NEDO for a joint research project related to establishing solar panel recycling technologies over the four years from FY2020 to FY2023. The mass disposal of solar cell modules is expected from 2030 onward. To address this, we are developing CIS thin-film solar panel recycling technologies. Using these technologies, we have successfully separated the individual materials, recovering more than 90% of the rare

metals (such as indium and selenium) contained in the solar cells. We are also applying this technology to the recycling of crystalline silicon solar panels. Solar Frontier K.K. is building a test plant within its solar cell factory with plans to perform testing aimed at realizing the continuous operation of these recycling technologies by FY2023.

Developing Natural Gas Thermal Power Plants in North America



We are taking part in power generation projects in North America in order to gain insight into power plant operations and market trading in the United States, a leader in electric power market liberalization, and applying such insight to its businesses in Japan.

One such project in the United States is the Cricket Valley Natural Gas Thermal Power Plant (generation capacity: 1,100 MW; owned capacity: 110 MW). We hold a 10% stake in the operating company of the plant, which began commercial operation in April 2020. This high-efficiency, low-environmental impact gas-fired thermal power plant is one of the few large-scale, high-efficiency power sources in New York State, a mass consumption area. The power that the plant generates is sold through the state's wholesale energy market (NYISO), contributing to a stable power supply.

In the United States, construction is also advancing on a natural gas-fired thermal power plant (generation capacity: 1,182 MW; owned capacity: 160 MW) in Ohio. Operations are planned to start in 2021.

HIGHLIGHTS



Cricket Valley Natural Gas Thermal Power Plant (generation capacity: 1,100 MW)

Selected to Provide 100% Renewable Energy as the First Supplier for the "Tocho Electric Power Plan"



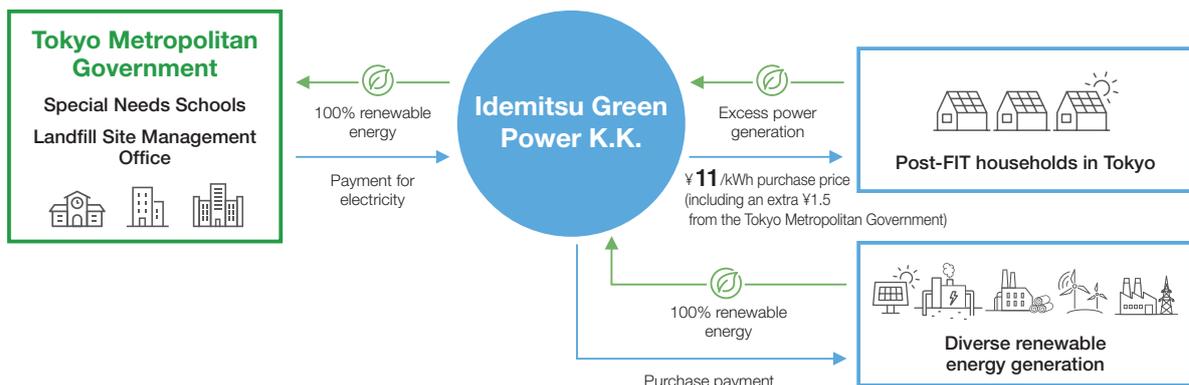
Our wholly owned subsidiary Idemitsu Green Power K.K. has been selected as the first power supplier for the Tocho Electric Power Plan which is being implemented by the Tokyo Metropolitan Government. Under this plan, Idemitsu Green Power will supply 100% renewable energy* to some facilities owned by the Tokyo Metropolitan Government. This renewable energy will include post-FIT power purchased from households in Tokyo in a scheme designed to prevent a decrease in the use of renew-

able energy after the FIT purchase period ends.

We will continue to contribute to the spread of renewable energy by leveraging its expertise in the sale of home-use power as well as its diverse range of power sources, including wind, geothermal, biomass, solar, and hydroelectric power.

* Power that will effectively be 100% renewable energy, comprising a combination of renewable energy, including that from the feed-in tariff (FIT) system, with non-fossil fuel energy certificates (from renewable energy) and post-FIT power

HIGHLIGHTS



Resources Segment

Review of Operations

The Idemitsu Group is promoting oil and natural gas exploration, development, and production projects in Norway and Southeast Asia, particularly in Vietnam. We are also operating coal mines in Australia and Indonesia to provide a stable supply of coal to customers in Japan and other Asian countries.

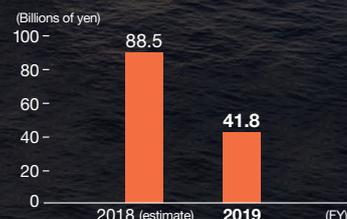
We also develop geothermal resources in Japan, operating a power station in Oita Prefecture.



■ Net sales



■ Operating income + Equity earnings



Social Issues

- Demands to reduce greenhouse gas emissions in response to climate change
- Growing energy demand in emerging countries where population and economic growth is forecast

Risks

- Economic stagnation and ensuing decreases in demand and resource prices due to the COVID-19 pandemic
- Decrease in coal demand due to response to climate change
- Possible changes in political and economic conditions or tightening of regulations

Strengths

- More than 30 years of project experience, mainly in Norway, and relationships of trust with oil-producing countries and partner companies
- Human resources with a wealth of experience in oil and gas field development
- Integrated value chain spanning from coal production to sales and the accumulated knowledge of our specialized coal research institute

Opportunities

- Growing demand for oil and natural gas reflecting economic development and population growth in Asia
- Expansion in oil and natural gas development via exploration in regions where we hold interests
- Growing low-carbon solution needs of coal customers
- Support for geothermal power development through the FIT (Feed-in Tariff Program)

Business Environment

Due to the global spread of COVID-19 in early 2020, energy demand fell sharply, while inventory levels were persistently high, leading to a major temporary drop in crude oil and other resource prices. Reflecting production cuts in oil-producing countries and the restart of economic activities in some regions, resource prices have been recovering, but demand is expected to remain stagnant going forward.

Nevertheless, firm demand is forecast over the medium to long term, and in Europe, a key area for oil exploration, we believe that low-sulfur Norwegian crude oil will continue to be important. In Asia,

where we are advancing gas field development, demand for natural gas for power generation is expected to increase, reflecting growing electricity demand driven by economic development and population growth.

Coal is expected to remain a key fuel for industrial and power generation applications due to its cost advantage. However, as coal has the drawback of producing higher CO₂ emissions than other energy sources, there are needs for efforts to increase the efficiency and reduce the CO₂ emissions of coal energy both in and outside Japan.

Medium-term Management Plan

In light of global energy demand growth, we will maintain and enhance the value of our existing oil and coal resource assets and work to develop gas fields in Asia.

Our oil exploration and production business is producing approximately 20,000 barrels of crude oil per day. Going forward, we will continue to secure revenue from stable production in existing oil fields in which we have interests in the Norwegian Northern North Sea (Snorre, Fram, and Knarr) while advancing development and production following successful exploration in the Northern North Sea and the Barents Sea. Having successfully test drilled at the Dugong structure in August 2020, we will conduct detailed assessments and considerations aimed at development.

In the natural gas development business, aiming to develop natural gas based on a model of local production for local consumption in Asia over the medium term, we are also working to develop sales businesses. In the offshore block project in southern Vietnam, we are developing the gas field discovered in 2010 as the sole operator and plan to begin production by the end of FY2020.

In the coal business, our coal mines in Australia (Muswellbrook,

Ensham, and Boggabri) and in Indonesia (Malinau) are producing approximately 12 million tons of coal per year. Going forward, we will continue to leverage the strength of our value chain, which integrates production, distribution, and sales, while implementing measures to reinforce competitiveness, such as introducing remote controlled automated mining and other new technologies at our existing mines, as we strive to provide a stable supply of high-quality products to our customers. At the same time, through the development of high-efficiency combustion technologies and black pellets at our research institute specializing in coal, we will provide low-carbon solutions, an area in which customer needs have been growing in recent years.

In geothermal power development, we will strive to maintain the safe operation of our existing power stations while advancing new business development in multiple regions of Japan as well as activities aimed at expansion overseas. In particular, we are conducting environmental assessments of the geothermal power development project in the Oyasu district of Akita Prefecture with an eye to commercialization in 2024.

Working Toward the Commercialization of Black Pellets



HIGHLIGHTS

We are developing black pellets, a biomass fuel that can be co-fired with coal at coal-fired power stations to reduce CO₂ emissions. Black pellets are made by pulverizing, drying, and roasting, and semi-carbonizing wood and can be handled in the same way as coal. As such, it is possible to reduce coal usage and increase renewable energy usage simply by replacing coal with black pellets.

The Tokuyama Complex has achieved the use of 20% black pellets in trial combustion in its coal boilers.

In 2020, in addition to the existing demonstration plant in Thailand, we built a sample production plant in Vietnam. Going forward, we will advance preparations to commence commercial production.

Furthermore, unused land at the Ensham Mine in Australia, we have begun plant growing test of the plant "Sorghum" and test production of black pellets using said plant. Going forward, we plan to advance demonstration testing aimed at the commercial export of biomass fuels leveraging our mine infrastructure.



Plant growing test at Ensham coal mine Plant species "Sorghum"



Black pellets

Special Feature Digital Transformation Initiatives

Transforming Entire Business Processes with Digital Technologies to Create New Customer Value and Improve Employee Experiences

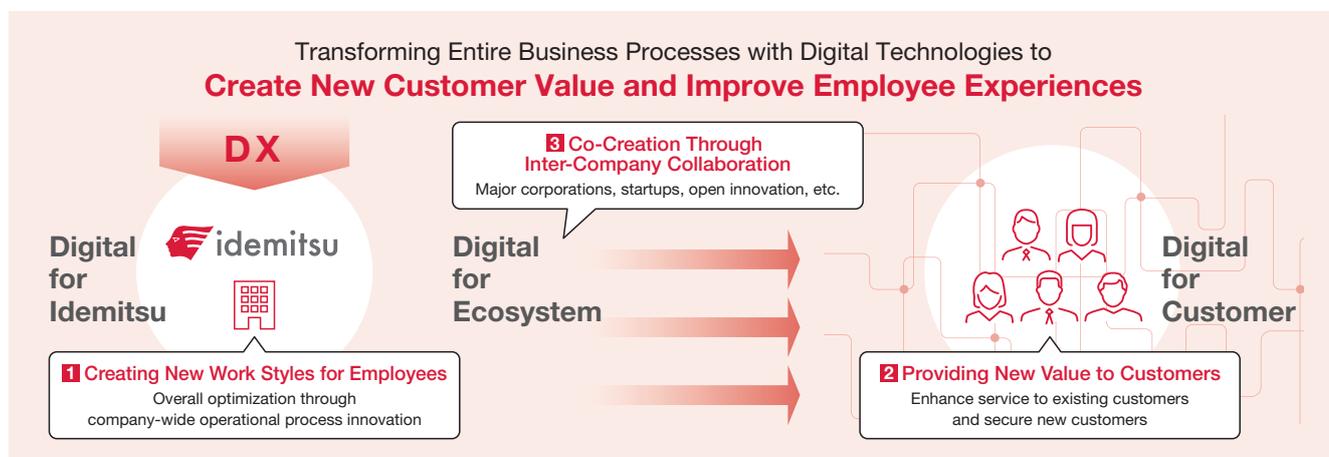
The business environment of the energy industry is forecast to undergo major changes going forward. For Idemitsu to continue to grow, proactively applying digital transformation (DX) to all business processes, enhancing operational sophistication, and continuously providing services that meet new needs will be essential.

Based on this understanding, we have made the acceleration of digital innovations a priority topic of its Medium-term Management

Plan and is advancing initiatives in the three areas listed below.

Positioning 2020 as a year for reinforcing our foundations, we established the Digital Innovation Department in January, have implemented multiple on-site pilot tests with an eye to formulating company-wide digital strategy, and are advancing internal awareness raising aimed at developing our corporate culture.

Idemitsu's DX Initiatives



1 Creating New Work Styles for Employees (Digital for Idemitsu)

In order to advance company-wide operational process innovation, in April 2020 we began on-site pilot tests that will help generate synergies between business departments and realize overall optimization. After confirming the results of these efforts, we began steadily moving forward with small starts and other steps.

In addition, following the April 2020 declaration of a state of emergency in Japan, more than 90% of our employees (excluding manufacturing divisions) moved to a work-from-home setup. While circumstances in our business environment were extremely harsh, in

terms of DX, the resulting advances in the use of online meetings, paperless technologies, and digital approval systems have helped foster an awareness in employees that it is possible to significantly change existing modes of working. We held online seminars for employees aimed at developing corporate culture in June and October, explaining the need and goals for DX at the Company, providing examples from within the company, and holding panel discussions with outside experts. By thus using a wide range of content, we are advancing initiatives aimed at company-wide innovation.

Enhancing the Sophistication of Refinery Maintenance Operations and Reinforcing Safety through DX

In the petroleum business, one of our core businesses, we have built robust production sites and supply chains. However, in light of forecast declines in oil demand, in order to win out over the competition going forward, we must further enhance productivity and efficiency. At the same time, we face numerous issues, such as rising costs related to the aging and maintenance of facilities in Japan and the retirement of veteran technicians who have long been vital to production site operations. Digital technologies offer useful tools to address such issues. We have made innovating maintenance operations a DX project, and, using different, new approaches (Agile and Design thinking*), have revised existing operational methods while verifying the effects of changes. As a result, we were able to identify oppor-

tunities for reinforcing competitiveness by reducing maintenance costs and improving operational efficiency. Accordingly, we have set up a framework for promoting DX within refineries, made a small start in introducing ongoing operational process improvement, and begun considerations aimed at expanding the scope of such innovations. We aim to apply the insights gleaned from these pilot tests at other plants to generate synergies across our businesses.



* Agile: A method of lean, fast, and adaptive software development
 Design thinking: A method of thinking about the design of products and services by designating goals from the perspective of customer value

• Introducing AI to Enhance Supply Chain Sophistication ➡ P.26

2 Providing New Value to Customers (Digital for Customer)

New initiatives that make maximum use of our assets are essential to creating new customer value in existing businesses. For example, rather than passively waiting for customers to come to refuel at our service stations, we must proactively put out information and trans-

form our service stations to offer new experiences. In order to provide optimized service with optimal timing to meet diverse customer needs, we will leverage accumulated data to realize individually personalized service.

Digital Marketing Leveraging our Service Station Customer Base

We are advancing initiatives to create new customer value through DX leveraging our network of approximately 6,400 service stations nationwide.

One such initiative is the use of PIT in plus, through which customers can reserve car services at a service station in advance online. This allows us to understand the services required by customers ahead of time and reduce waiting time, thereby both improving the work efficiency of service station staff and enhancing customer satisfaction. In particular, during the COVID-19 pandemic, customers want more than ever to avoid waiting, which has helped drive an increase in reserva-

tions. As of August 2020, we have rolled out this system at 1,566 service stations (up 430 service stations from March 31).

We are also advancing pilot testing of a variety of other new services, such as a carwash reservation app, a coin laundromat business, and compact EV sharing. In doing so, we are advancing DX to realize service stations that support local living and mobility by, for example, using algorithmic digital technologies and combining new services with existing businesses to provide new solutions.

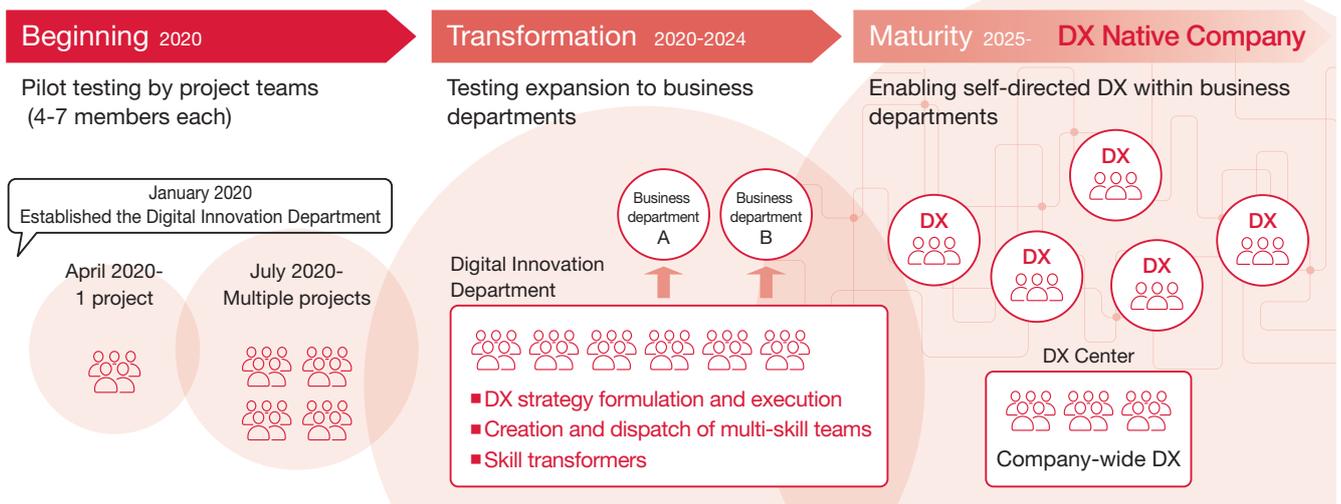
- Pilot Test Launch of Japan's First Carwash App "AND WASH" → P.25

3 Co-Creation Through Inter-Company Collaboration (Digital for Ecosystem)

Our third category of digital innovation initiatives is creating entirely new businesses that contribute to local communities. This, however, is something that we cannot do alone. We therefore plan to advance initiatives in collaboration with companies that have strengths in a

wide range of fields, such as healthcare, housing, food, and education. In 2020, we took part in "SmartCityX", a project focused on designing smart cities through inter-company collaboration.

Idemitsu's DX Roadmap



As a result of the COVID-19 pandemic, the development of a culture of working online has rapidly accelerated, and values are changing significantly across society. To ensure that we can continue to provide irreplaceable value suited to each of our increasingly diverse stakeholders over the long term, every Idemitsu employee will ambitiously strive to advance innovation. DX is the powerful foundation supporting the efforts of the entire company to take on new challenges.

Idemitsu Kosan Co.,Ltd.
Executive Officer, General Manager of Digital Innovation Department
Yukio Saegusa



Financial Capital

Message from Chief Financial Officer



In the face of a rapidly evolving business environment, we are acutely aware of the ongoing importance of ensuring stable financial management. Therefore, we will strive to maintain and augment our financial base, which supports our ability to execute the Medium-term Management Plan.

Idemitsu Kosan Co.,Ltd.
Senior Executive Officer
Chief Financial Officer
Noriaki Sakai

Overview of Operating Results for FY2019 (April 2019 to March 2020)

In FY2019, the business environment was affected by an ongoing sense of uncertainty due to fallout from U.S-China trade tensions and the deceleration of China's economic growth. Moreover, global economic conditions deteriorated rapidly following the emergence of the COVID-19 pandemic in January 2020. Specifically, domestic and overseas demand for petroleum and other products became more sluggish than ever before due to the enforcement of travel restrictions and the resulting stagnation in economic activities. Furthermore, crude oil prices plunged at the end of the fiscal year as OPEC Plus failed to strike a deal regarding production cuts.

Against this backdrop, we nevertheless made steady progress in our initiatives in the fuel oil segment, striving to improve the profit margin via the use of a profitability-oriented sales approach while rallying our comprehensive strengths to create synergies. However, segment earnings were significantly undermined by losses on inventory valuation due to the plunging crude oil prices as well as a sharp drop in product prices that outpaced a decrease in the cost of sales (a phenomenon called the "negative time lag"). In the basic chemicals segment, earnings were down compared with the previous fiscal year due to spending on facility expansion in Asia and elsewhere as well as deteriorating market conditions influenced by the COVID-19 pandemic. In the resource segment, earnings were similarly down year on year as prices for crude oil and coal plunged.

Reflecting these and other factors, net loss for FY2019

amounted to 22.9 billion yen, down 117.5 billion yen from the previous fiscal year as net income. Given these circumstances, we temporarily raised the volume of cash on hand with liquidity at the end of the fiscal year in an effort to secure financial stability in preparation for the risk of financial market turmoil under the influence of the COVID-19 pandemic.

Operating Results Forecasts for FY2020 (April 2020 to March 2021)

As the state of emergency was lifted in Japan in May 2020, demand for gasoline and diesel oil for automobile fuel use was reinstated on a recovery track. On the other hand, demand for jet fuel remains far lower than the level seen in the previous fiscal year due to the ongoing enforcement of international travel restrictions. Moreover, we expect that recovery in demand for basic chemicals and functional materials, the latter of which include lubricants, will take some time.

In addition, although crude oil prices have somewhat recovered, prices are nevertheless expected to remain low due to an unfavorable environment attributable to worldwide economic stagnation.

Taking these factors into account, we expect operating results for FY2020 to be as harsh as those recorded for FY2019. Nevertheless, we will strive to secure earnings by, for example, reducing expenses. We will also work to improve the balance of cash flows via the use of a strictly selective investment approach.

Progress under the Medium-term Management Plan (FY2020 – 2022)

In line with the Medium-term Management Plan, we are striving to achieve sustainable growth toward 2030 and, to this end, executing the basic policies of “realizing a resilient business portfolio” and “building a business platform suited to the needs of society.” However, in the face of the rapidly deteriorating business environment, we need to revise our profit planning. On the other hand, we deem it essential to shift our business portfolio as we aim to grow sustainably. Therefore, we must steadily implement necessary investments aimed at strengthening our operational foundation and expanding growth businesses.

With this in mind, the Finance Department will keep an even tighter grip on expense management while aiding in the across-the-board integration of duplicate operations and overall streamlining of operations with the aim of supporting cost reductions. With regard to investment, we will take a prudent and selective approach in terms of the scope, size and timing of investments. Moreover, we will push ahead with the divestment of assets. In these and other ways, we will secure robust preparedness, backed by financial stability, against the risk of prolonged business uncertainty due to the COVID-19 pandemic.

In addition, we consider shoring up the financial positions of the entire Group, including its overseas subsidiaries, to be a matter of importance. Such endeavors will be key to the success of our future growth strategies on a global basis. Therefore, we will consider the further diversification of fundraising methods with the objective of reducing financial risks. Simultaneously, we will utilize an overseas subsidiary as a financial headquarters to ensure the effective utilization of group funds via integrated fund management while strengthening governance.

Currently, we intend to revise the Medium-term Management Plan in light of fallout from the COVID-19 pandemic and the resulting changes in the business environment as well as the latest government policies vis-à-vis its Basic Energy Plan. We will swiftly announce the revised plan as soon as its content is determined. With regard to finance, we will continue pushing ahead with initiatives discussed above, thereby maintaining and augmenting our financial base, an essential component supporting our ability to execute the Medium-term Management Plan.

■ Rating Information

Rating agency	Long-term rating	Short-term rating
Rating and Investment Information, Inc. (R&I)	A (Direction: stable)	a-1
Japan Credit Rating Agency, Ltd. (JCR)	A+ (Outlook: stable)	J-1

Shareholder Returns

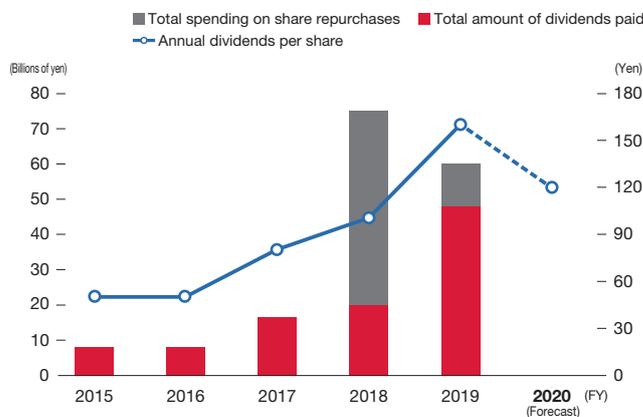
Idemitsu believes that the return of profits to shareholders constitutes an important management issue. As for dividend forecasts for FY2020, we have set an annual dividend forecast of 120 yen per share, taking into account the financial impact of drastic changes in the business environment.

Looking ahead, we will strive to maintain a stable stream of cash dividends in a way that gives comprehensive consideration to the balance of cash flows, including funds to be spent for strategic investments aimed at strengthening existing operations and supporting future business development, while endeavoring to improve our financial condition.

Dialogue with Shareholders and Investors

We recognize that it is important to maintain dialogue with shareholders and investors via the timely and appropriate disclosure of our management policies, operating results and other corporate information. These activities are deemed essential as we aim to reflect their inputs in business management. In particular, as a company tasked with energy supply, we are determined to enhance the content of non-financial information being disclosed in connection with such matters as our response to climate change while maintaining the disclosure of financial information. Looking ahead, we ask for the ongoing support of shareholders and investors.

■ Shareholder returns



FY	2015	2016	2017	2018	2019	2020 Forecast
■ Total spending on share repurchases (Billions of yen)				55.0	12.0	
■ Total amount of dividends paid (Billions of yen)	8.0	8.0	16.6	20.0	48.0	
○ Annual dividends per share (Yen)	50	50	80	100	160	120
Total shareholder return ratio (%)	18	12	12	97	154	
*Excluding inventory impact						

■ Financial Highlights ➡ P.73

■ Primary Financial Data ➡ P.75-76

Organization and Human Capital

Human Resources Policy

Action Mindset

In order to realize the Management Vision, the Idemitsu Group has established the Action Mindset, which is the basis for all employees' attitudes and actions to be taken. Believing in the limitless possibilities of human beings, we strive to grow by constantly increasing each other's potential and abide by the following five pillars: "Independent & autonomy," "Innovation," "Co-creation," "Health & safety," and "Integrity."

All employees shall strive to deepen understanding of the Management Vision, Action Mindset, and various policies, take pride in being a member of the Group, be aware of their responsibilities, and conduct fair and transparent corporate activities.



Human Rights Policy

Respecting human rights is at the core of everything we do and fundamental to our business. This policy applies to all executive officers and employees of our group. We expect all business partners, including our suppliers, to understand and comply with this policy.

We respect internationally recognized human rights as set out in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, as we conduct business both in Japan and worldwide. We also support the United Nations Guiding Principles on Business and Human Rights, the Voluntary Principles on Security and Human Rights, and the United Nations Global Compact. In addition, we comply with the laws of the countries and regions in which we operate, and, if local laws contradict internationally recognized human rights standards, we will seek ways to honor the principles of international human rights without violating local laws.

Human Rights Priority Issues

- (1) Promotion of Diversity
- (2) Prohibition of Forced Labor
- (3) Prohibition of Child Labor
- (4) Prohibition of Discrimination
- (5) Prohibition of Harassment
- (6) Freedom of Association and Recognition of the Right to Collective Bargaining
- (7) Maintaining our Working Environment
- (8) Land, Water and the Use of Natural Resources
- (9) Respect for the Rights of Indigenous Peoples

Initiatives Related to Human Rights

FY2020 Initiatives

1. Conducting human rights due diligence

We are in the process of scoring all of our 241 affiliates in Japan and overseas using around 80 ESG-related queries. These are based on various international standards formulated to identify human rights risks (set to finish in December 2020). Based on the results of our risk identification, we will take countermeasures, mainly in high-risk businesses.

2. Instilling our basic human rights policy in executives and employees

In 2021, we plan to conduct e-learning sessions on basic knowledge of human rights, guiding principles related to business and human rights, cases of human rights abuses, the Company's priority human rights issues, and other similar topics.

*Idemitsu Group Human Rights Policy

➡ <https://sustainability.idemitsu.com/en/themes/201>



Human Rights Due Diligence Process

- | | | | |
|---|---|---|--|
| <ul style="list-style-type: none"> • Human rights risk mapping • Risk identification and assessment | <ul style="list-style-type: none"> • Formulation of countermeasures to key risks • In-house rollout and proposal of countermeasures • Company-wide activities to raise awareness of human rights | <ul style="list-style-type: none"> • Evaluate effectiveness of measures • Formulate and implement improved measures | <ul style="list-style-type: none"> • Report progress of human rights initiatives • Assessment by external organization |
|---|---|---|--|



Stage of initiatives as of November 2020

Diversity & Inclusion Policy

Based on the Diversity & Inclusion Policy established in November 2019, we have identified Diversity & Inclusion (D&I) as a priority topic for management. We leverage diverse values, careers, and expertise regardless of disability, sex, or nationality. Moreover, we aim to ensure that every employee can thrive at the Company and are promoting various relevant measures from the perspectives of changing people's mindsets, hiring, development, and other systems.

Changing Mindsets	<ul style="list-style-type: none"> Enhancing D&I awareness (Unconscious bias training) ➡ P.46
Hiring and Development	<ul style="list-style-type: none"> Hiring concept NEXT BREAKTHROUGH, Developing competencies, Training available for selected personnel, Overseas training programs, Overseas and domestic exchange programs, etc.
Systems	<ul style="list-style-type: none"> Systems for supporting activities of diverse employees, Expanding teleworking and Work-from-home, Volunteer leaves, Successful ability assessment programs

*Idemitsu Group Diversity & Inclusion Policy
 ➡ <https://sustainability.idemitsu.com/en/themes/200>

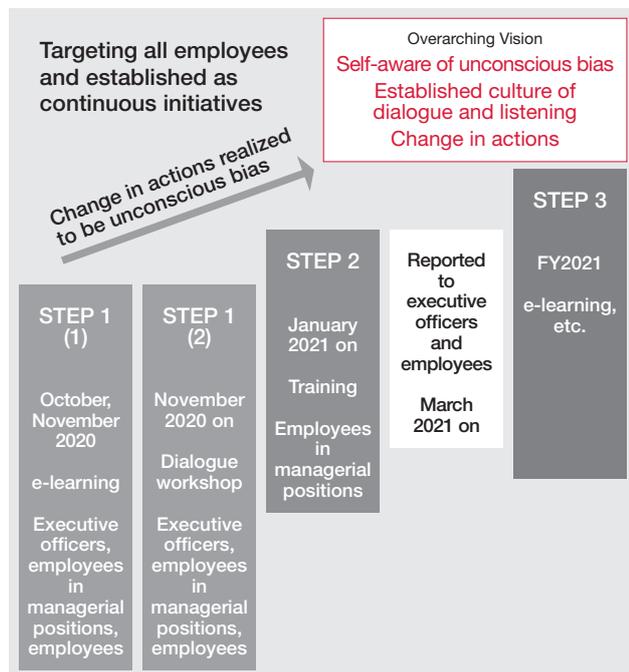


D&I Initiatives

Conducting Unconscious Bias Training

Unconscious bias is a type of prejudice that everyone unknowingly harbors. We are aware that the basic principle of D&I is the acceptance of and mutual respect for each other's differences and backgrounds. By ensuring all employees are aware of their biases, we aim to enhance mutual understanding and workplace communications and realize a corporate culture where innovation easily happens. As one such measure, we are rolling out unconscious bias training company-wide. In June 2020, we conducted a trial that included executive officers, and, by November 2020, around 6,000 executive officers and employees had taken e-learning courses.

Overview of the Initiatives



Promoting the Active Participation of Women

With the aim of enabling women and all other employees to thrive at work and ensuring the Company continues to co-create new value with various stakeholders, Idemitsu has positioned promoting the active participation of women as a key D&I promotion measure. To this end, we have set out our vision for both female employees and the company as detailed in the table below. Based on the Act on the Promotion of Women's Participation and Advancement in the Workplace, we formulated a General Employer Action Plan in April 2020 and are promoting initiatives accordingly.

Female Employees	<ul style="list-style-type: none"> At each workplace and in each decision-making body, including meetings, multiple female employees participate and engage without stifling their own opinions Regardless of age or life events, female employees grow while maintaining career aspirations with the aim of creating value
Company	<ul style="list-style-type: none"> Provide fair growth opportunities regardless of sex, age, or life events, encourage employees to take on new challenges, and evaluate employees fairly according to their growth

Quantitative Goals in the Action Plan (As of April 1, 2019)

	2023 Goal	Current level
Female management-level employees	46 or more (3.0%)	26 (1.7%)
Percentage of female graduate hires	30% or more	22%
Percentage of annual paid leave taken	85% or more	69.3%

Promoting the Active Participation of Seniors

At present there are 612 senior employees (aged 60 or over) within the Company. Wanting to provide a place where everyone can thrive regardless of age, from FY2021 on, we will introduce a system that allows employees to choose their retirement age from 60 to 65 and that provides a grading, evaluation, and compensation framework equivalent with regular employees. Furthermore, in FY2025, we plan to introduce a system where all employees can continue to work as regular employees until age 65.

Amid diversifying employee preferences regarding working age, employment type, and motivations, we reformed systems to enable people to make full use of their abilities and work with a sense of satisfaction and security past the age of 60. We expect employees aged 60 and over to nurture younger employees through their daily cooperation, passing on their knowledge and skills. In addition, we plan to hold Life Design Seminar during FY2020 as an opportunity for employees to independently think about workstyles after turning age 60 or over while learning about financial plans for after retirement.

Overview of Employees Program for Those 60 and Over Going Forward

	FY2021	FY2025 Plan
Conditions for employment	Program to select retirement age between 60 and 65 (Can choose own age)	Regular employee program up to age 65 (All employees remain regular employees up to age 65)
Grading	Same programs as those under age 60	Same as FY2021
Evaluation		
Compensation		
Welfare	No increase at age 60 or after	Same as FY2021
Retirement allowance		

Organization and Human Capital

Promoting the Active Participation of People with Disabilities

We are working to create an environment and to provide opportunities in which people with disabilities can demonstrate their abilities to work. In addition to operations at the head office and other sites around the country, employees with disabilities are engaged in cleaning duties and administrative support at some complexes and research centers as well as cultivation work at farms located on facility grounds. Moreover, to create spaces where disabled people can thrive and grow, we are working to develop and normalize “work as team” scheme among our disabled employees and supporting employees, and all of these efforts have garnered positive feedback from applicants to our company. We are also considering ways to promote the employment of people with disabilities in each department, and with a view to expanding operations at our head office, we will continue to promote the creation of workplaces and employment opportunities where people with disabilities can work with pride and enjoyment.

Promoting the Active Participation of Foreign National Employees

There are 30 foreign national employees actively working at the Company. As a measure to enable them to securely engage in their work, we have formed Global Nakama Initiative (GNI) as a place for foreign national employees to interact and share information. We are rolling out GNI as a system to enables them to freely exchange opinions and foster conversation. Currently, there are many differences between the ideas and customs of foreign national employees working at Japanese companies and those of Japanese employees. Through this activity, we aim to foster an environment where each foreign national employee can work easily while supporting their life and work in Japan.

Promoting Work-Life Balance

We position work-life balance support and next-generation development as key measures for promoting D&I and is working to expand systems in line with life events. Fostering a workplace culture where employees can balance work and life (childcare and care giving), work easily, and feel a sense of accomplishment will help create an environment where all employees can make full use of their abilities. In line with this idea, we formulated a General Employer Action Plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children and are implementing various initiatives. In addition, in 2012 and 2015, we were recognized by the Ministry of Health, Labour and Welfare as a child-care support company and received the Kurumin certification mark.



Promotion of Employees' Health

In its Action Mindset, the Group establishes that it will prioritize health and safety in all areas and positions health promotion as a management issue to ensure all Group employees thrive at work while staying mentally and physically healthy. Accordingly, we are promoting health management. In particular, with the COVID-19 pandemic remaining uncontained, we are aware of the high importance of employee health and are thoroughly



supporting employee mental health care. In addition, we have been selected in the large-scale company category of the Certified Health & Productivity Management Organization Recognition Program 2020, wherein the Ministry of Economy, Trade and Industry (METI) recognizes companies that implement particularly excellent health and productivity management. We received praise for the implementation of our systems and measures, its organizational structure, and more.

Unifying Core HR (Human Resources) Systems

In line with the management goal of developing people, we believe in the boundless potential of human beings and does not place limits on individual growth, allows them to fully demonstrate their abilities, and rolls out HR initiatives that support people-centered management, which enhances the total power of the entire organization and supply chain. Through the new value that the Company creates, we not only contribute to social development, we also enable employees to further enrich their own lives.

In line with the business integration of Idemitsu and Showa Shell, from FY2020 we are unifying core HR systems (grading systems, development and evaluation systems, and compensation systems). As we unify these systems, from September 2019 to February 2020, we held a total of over 100 informational sessions on the system at around 30 locations in Japan and overseas. Through direct dialogue, we worked to ensure employee understanding and acceptance of the systems. And, in conjunction with these briefings, we held opinion exchanges related to the Management Vision and the Medium-term Management Plan in an effort to foster employee understanding through direct dialogue with the president and executive officers.

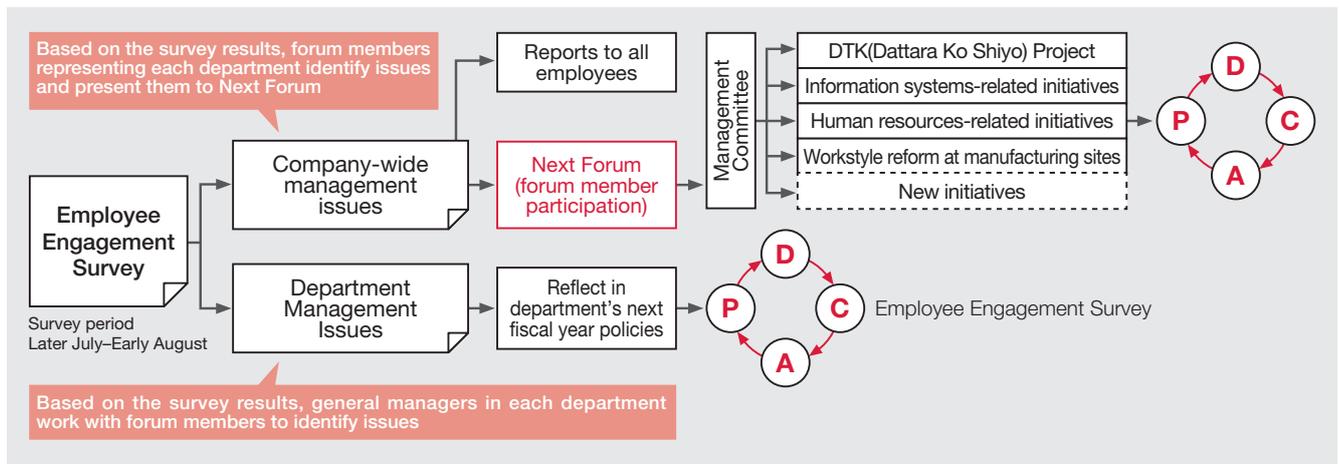
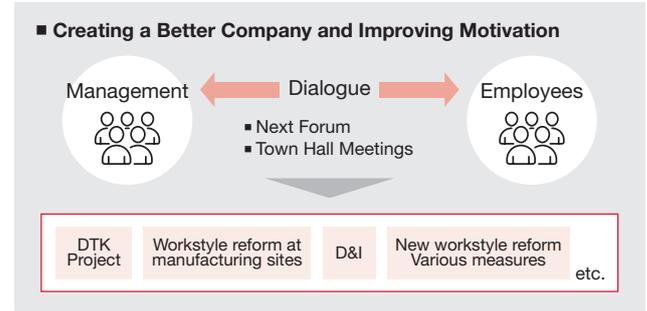


Informational sessions on the system

The new development and evaluation systems are designed to enable employees to continuously grow and develop themselves through comprehending the significance of evaluation that is given. They comprise an “competency evaluation”, which evaluates their work attitude and demonstration level of competencies, and a “performance evaluation”, which evaluates contribution and achievement level of objectives. The evaluation results connect to further growth and are reflected in compensation (pay and bonus) and personnel assignments and transfers. The compensation systems are designed to enable employees to work with a sense of security and acceptance. They comprise basic pay, which is stably provided for demonstrated abilities, bonuses for previous fiscal year results and contributions (based on goal accomplishment), and various allowances.

Efforts to Improve Workplace Culture and Engagement

We aim to co-create with our employees a better company where all employees can thrive and feel rewarded, and we are working to stimulate internal communication to this end. Next Forum is where employees and management can directly discuss, exchange opinions, and make proposals on company-wide issues. DTK (Dattara Ko Shiyo) Project (=Business Process Redesign) aims to improve operations and make each employee's work engagement. We are rolling out these and other various measures, including initiatives in each department.



■ Overview of FY2020 employee engagement survey

Survey period: Late July 2020–early August

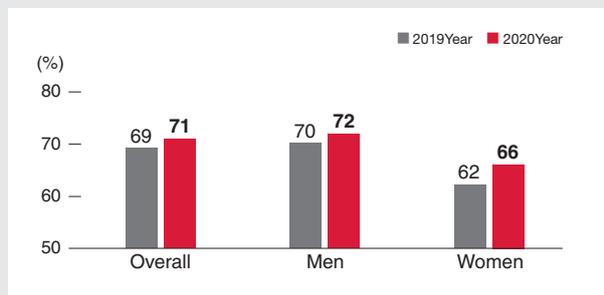
Scope: A total of 11,848 people at Idemitsu and 31 affiliates and subsidiaries

Response rate: 97.5%

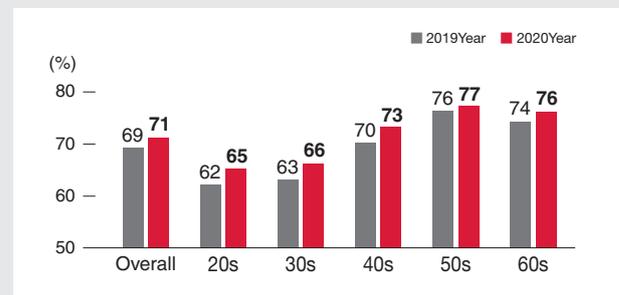
Changes from the previous survey: With changes in the social environment, we established a new category of questions (New Workstyles) and added questions related to the level of progress and communication among members in reforming workstyles.

*Results below are for Idemitsu (non-consolidated)

■ Percentage of employees who reported that they have engagement to work in this company

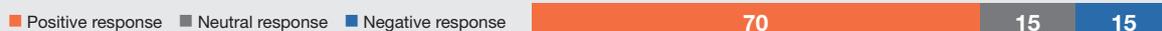


■ Engagement, Mutual Trust, and Unity scores by age group



Q. I am able to do my job in new workstyles. *New category of questions

(Unit: %)



■ Number of freeform comments

Over 50% of all employee responses included freeform comments, an unusually high percentage, representing the heightened awareness of employees regarding this survey.

Social and Relationship Capital

Sustainable Procurement

Sustainable Procurement Policy

Idemitsu aims for the sustainable development of society and the company by conducting fair and equitable procurement based on proper procurement ethics, contributing to the improvement of business competitiveness, and conducting honest management for all stakeholders. To this end, we established the Basic Procurement Policy and internal rules dubbed General Rules Concerning Procurement Activities.

Through the policy and rules, we aim to contribute to the realization of a sustainable society throughout the supply chain. In particular, we have established criteria for selecting suppliers when purchasing or borrowing the materials, construction work, and services necessary for our business operations, and ensure that suppliers understand the policy.

About Our Sustainable Procurement Guidelines

The business environment is diversifying, and in order to achieve sustainable development, it is expected that every company will actively strive to fulfill its social responsibilities not only for itself but for the entire supply chain. The Basic Procurement Policy is based on the Management Vision and Action Mindset and we will work with business partners to co-create a sustainable society throughout the entire supply chain through procurement activities grounded in unwavering ethics. In order to fulfill this responsibility, we formulated our own Sustainable Procurement Guidelines based on ISO 26000 (Guidance on Social Responsibility), ISO 20400 (Guide to Sustainable Procurement), the Sustainable Development Goals (SDGs), and the 10 principles of the United Nations Global Compact. Our guidelines cover seven fields: 1) organizational governance, 2) human rights, 3) labor practices, 4) environment, 5) fair business practices, 6) consumer issues, and 7) social contribution. We exchange information with business partners regarding the status of our sustainability-related efforts as we strive to mutually attain a higher level.

*Procurement Information

➔ <https://www.idemitsu.com/company/purchase/>



Conduct Self-Assessment of Sustainable Procurement for Suppliers

To promote sustainable procurement throughout the entire supply chain, in 2019 we began an independent survey to determine the degree to which our major suppliers are adopting sustainable procurement. The Corporate Sustainability Department, the Procurement Department, and some other departments collaborated to send a Sustainable Procurement Self-Evaluation Sheet consisting of 35 items in 7 fields—organizational governance, human rights, labor practices, the environment, fair business practices, consumer issues, and social contribution to major suppliers—based on the Sustainable Procurement Guidelines and asked them to perform self-evaluations. In FY 2019, we conducted a survey of around 300 major suppliers, and, in FY 2020, we opened a dialogue with 75 of these companies to ask them to make improvements. In addition to providing feedback on the results of these assessments, if there are any concerns, we work with suppliers to improve and solve those issues together through dialogue, thereby reducing risk throughout the entire supply chain. We

are working to deepen mutual understanding while communicating our stance on sustainable procurement and the Human Rights Policy. Specifically, we are making such improvements as sharing our cyber security letter with suppliers who request it from the perspective of preventing threats to our computer network and establishing reporting hotlines in the supply chain. This survey will be repeated once every three years to ensure continuous improvement.

Our sustainable procurement initiatives have only just begun, but we are working with society and suppliers to achieve a triple win.

Selection of New Suppliers Based on Social and Environmental Standards

Working in collaboration with all its suppliers, we hold in-house workshops as part of our procurement activities to convey that we fulfill our social responsibility through the entire supply chain. Afterward, when selecting new suppliers, we adhere to our Sustainable Procurement Guidelines.

Collaboration with Dealers

Idemitsu operates its businesses through a powerful network of 1,209 dealers and 6,384 service stations nationwide. Branches serve as contact points, providing dealers with detailed support for business management and service station management. In March 2020, we held joint strategy meetings to convey the new fiscal year's policies and measures with the participation of 758 dealers. To prevent COVID-19 infections when holding the meetings, we spread them out among around 40 locations and took strict precautions at each site, ensuring zero transmission.

In cooperation with the National Idemitsu Association and the National Showa Shell Association, we are also working to strengthen social contribution by providing community support and doing our part to revitalize local communities. Idemitsu Group has established its own certification and training systems to enhance the knowledge and skills of its staff in order to increase customer trust in its technologies and services, as well as to continue generating new added value by identifying and being sensitive to customer needs.

In order to ensure a stable supply of energy, service stations, which provide strength in times of disaster, are expected to play a role as disaster response centers. We are demonstrating a system that combines solar panels and power storage functions at four service stations in the Tokyo metropolitan area.

In addition to providing a constant refueling function in the event of a power failure, a service station can also be used as a power supply point for charging mobile phones and smartphones and for Wi-Fi connections, enhancing the durability and versatility of emergency power supplies.

*The numbers of dealers and service stations provided in the text are as of the end of March, 2020.



A disaster-response service station

Collaboration with Subcontractors

Refineries and plants outsource plant maintenance, overland shipping, and marine transport to subcontractors. At each of our business sites, we have organized three cooperative associations: one for construction and maintenance, one for land transportation, and the last for maritime transportation. The Chiba Complex, for example, it supports the efforts of the Cooperative Association for Construction and Maintenance to ensure zero lost-time disasters and raise awareness of these efforts. The complex works with the Cooperative Association for Land Transportation to patrol loading areas in collaboration with operations managers. The complex also works with the Cooperative Association for Maritime Transportation to hold deliberations with various shipping companies at regular intervals. We are promoting safe, stable operations and environmental conservation at our refineries and complexes in cooperation with these associations.

Collaboration with Transport Companies and Maritime Shipping Companies

Idemitsu's petroleum products are transported by land and maritime contract transport companies. To promote safety and strengthen cooperation, the contract transport companies have organized two councils, one related to maritime safety and another related to land safety. We are a special member of both councils.

The launch of the newly integrated company significantly increased our membership in both councils, which have been taking their first steps toward engaging in new activities. Focusing on land transport by tanker trucks, a reborn Koun-kai was formed from 32 contract transport companies in May 2020. This council of land transport companies holds safety campaigns, training sessions for operations managers, and gives awards to crew members boasting accident-free and violation-free operations. Also in May 2020, the ISG Marine Environment Safety Council was formed from a total of 10 maritime transport companies with the aim of promoting safety in maritime transport by coastal tankers. The council carries out safety campaigns through which it ensures the thorough implementation of safety activity policies and specific measures as well as the sharing of best practices and cautionary case studies.

In addition to calling attention to the safety, environmental, and quality aspects of operations through the two councils, we are working to build a competitive logistics system while enhancing safety and quality and emphasizing safety activities rooted in the workplace. This is done by listening to the comments and opinions of tanker truck and coastal tanker crews, who are the people actually undertaking safety operations and safe transportation, providing feedback to them, and using their input to inform our activities.

In addition, as a new initiative, seven companies in Japan, including Idemitsu and maritime transport companies, established the e5* Consortium in May 2020. The consortium focuses on the potential and prospects for zero-emission electrically propelled tankers (EV ships) in coastal shipping and has brought together the strengths of its participating companies, including technical know-how and networks. The aim is to construct a platform that provides revolutionary maritime infrastructure services as a foundation for EV ships.

*e5: In the maritime transport industry, providing safe, secure, and quality transport services by realizing the five values of electrification, environment, evolution, efficiency, and economics.

Collaboration with Partner Companies

Idemitsu works with partner companies in diverse industries in Japan and overseas to further expand business, including the launch of joint ventures and new projects. In Japan, we have established joint ventures in the basic chemicals business, the agri-bio business, and more. One example is a collaboration we entered into with NIPPON GREASE Co., Ltd. that entails working together on R&D, the optimization of our product portfolio, discussions on sales channels and other topics, and the regularly exchange of technologies. Overseas, we have established the joint venture Nghi Son Refinery and Petrochemical Limited Liability Company (NSRP), which operates the refinery in Vietnam. In the advanced materials & performance chemicals business, we have partnered with Formosa Petrochemical Corporation (FPCC) to establish Idemitsu Formosa Specialty Chemicals Corporation, which is slated to begin commercial operations in FY2020 as a new production base for hydrogenated hydrocarbon resin.

Exchanges and Dialogues with Oil-Producing Countries

Idemitsu has been promoting exchanges and dialogues with oil-producing countries in the Middle East and other regions through our representative offices, in order to build strong relationship of trust. In recent years we have further strengthened the relationship of trust by capital participation in the joint venture businesses. In addition, we cooperate with the countries on human resource development and technical support, by dispatching experts to the countries under the aegis of the JCCP (Japan Cooperation Center Petroleum) and by accepting senior officials and technical trainees in Japan. We also participate in the joint infrastructure development project in the oil-producing countries (FY2019) which the JCCP implemented.

Through these activities, we are deepening our cooperation with national oil companies in crude oil procurement, enabling us to select, procure and transport the crude oil with flexibility in order to maximize the performance of our refineries even in the volatile market trend.

Training Program Performance (FY2019)	In FY2019, we accepted 61 trainees from the United Arab Emirates, Qatar, Oman, Vietnam, and elsewhere.
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Meeting with executive candidates

Intellectual Capital

Initiatives for Material Issues

In its Medium-term Management Plan, Idemitsu has outlined expansion of growth businesses, creation of next-generation businesses, and harmony with the global environment and society as priority topics. To promote the creation of new business in particular, we established the Next Generation Business Department, which promotes business development that addresses social issues and meets customer needs, in November 2019; the Digital Innovation Department, which promotes the use of digital technologies, in January 2020; and the Innovation Strategy Planning Department, which promotes technology-driven business development, in April 2020. We have crafted strategies that consolidate company-wide technologies and actively draw on external technologies with the aim of quickly achieving the creation of new businesses with an eye toward changes in society, diversifying customer needs, and decreasing environmental burden.

Technological innovation is indispensable to achieving the goals of the Paris Agreement, which is an international framework related to climate change. The Idemitsu Group is using the technological development capabilities it has developed over many years of operations to continue generating innovation that will help solve various social issues, including climate change.

R&D Investment Record

We conduct R&D related to petroleum, functional materials, and resources as well as new business creation. Under our R&D system, our departments pursue R&D activities in close mutual cooperation.

■ FY2019 R&D Investment Record		(Millions of yen)
R&D expenses		19,436
	Petroleum	2,356
	Basic Chemicals	0
R&D expenses by Business Segment	Functional Materials	12,166
	Power and Renewable Energy	538
	Resources	232
	Others	4,142

Promotion of Open Innovation

To strengthen and expand the functional materials business and create next-generation businesses, we promote open innovation that actively leverages external knowledge.

1. We participate in funds that are run by material-oriented venture capital interests and strive to discover technology seeds owned by ventures and startups in Japan and overseas.
2. In April 2020, we established the new Innovation Strategy Planning Department with the mission of consolidating company-wide technologies and accelerating and promoting external cooperation. Within the department, we established the Open Innovation Promotion Group.
3. In April 2020, we opened the “Idemitsu Kosan Next Generation Material Collaborative Research Center” at the Tokyo Institute of Technology. This research center is working to create next-generation materials and develop human resources by promoting large-scale comprehensive collaborative research centered on macro molecules and composite materials.

Utilization of Intellectual Property

We have established the Intellectual Property Department to supervise intellectual property. The Intellectual Property Department supports our business development and activities to increase the brand value of our products by collaborating with business and R&D departments to apply for, secure, maintain and utilize intellectual property rights, such as patents and trademarks.

Initiatives to Utilize Intellectual Property

Promotion of Intellectual Property Activity Plans

We use the PDCA cycle to formulate IP Activity Plans based on the directives of the Intellectual Property Strategy Council headed by the general managers of each department. The departments, research laboratories, and the Intellectual Property Department work together to promote priority issues. We have also introduced the “Unit Structure,” which efficiently solves problems in a wide range of business fields, from petroleum to functional materials, in accordance with the characteristics and strategies of each business. By doing so, each unit can smoothly carry out intellectual property activities such as patent search and analysis, patent prosecution, negotiations, planning, and administration.

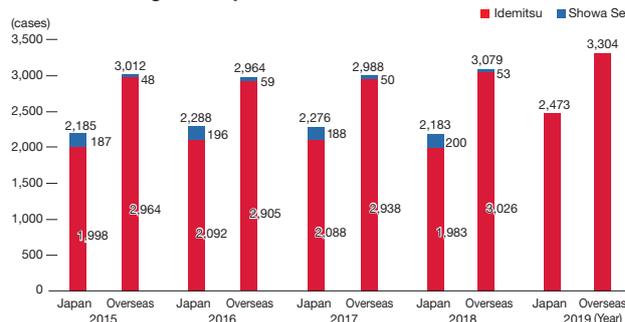
In the petroleum field, we have entered into a cross-licensing agreement and are working to strengthen our competitiveness, to this end reducing costs by making available patents from both parties. In the lubricants field, we command a large share of the global market for refrigerating machine oil, which is one of our strengths, and we have established global patent portfolios.

Because market growth is expected in the OLED business, the core field of the electronic materials business, we have entered into alliance agreements with companies in Japan and overseas that hold useful patents related to OLED materials, enabling the mutual use of patents in specific fields. Through these and other measures, we are working to create and expand businesses while expanding the areas in which development is possible.

Exercising Intellectual Property Rights

Intellectual property rights are being exercised with increasing frequency in response to the diversification of business activities, from licensing to the pursuit of alliances and mergers and acquisitions. We established a specialized negotiations team within the Intellectual Property Department to support its various business segments by handling the negotiation and signing of technology contracts with partners as well as performing due diligence.

■ Number of registered patents held



R&D Structure

Our R&D system is composed of Advanced Technology Research Laboratories, which supervise corporate R&D, and research laboratories in each department. Each of them carries out specialized development. In addition, we established the Research & Develop-

ment Committee as a company-wide organization to not only examine the direction of research and development, strategies, and issues throughout the organization, but also to deepen cooperation among laboratories and to strengthen technological capabilities.

Research field	Name of laboratory	Japan	Overseas	Outline of Initiatives
Corporate R&D	Environment & Energy Research Laboratory	●		■ Development of technologies to reduce GHGs and recycle resources (biofuels, bio-chemicals, and CO ₂ recycling) and bio-materials
	Frontier Materials Development Laboratory	●		■ Development of advanced functional materials
	Advanced Battery Materials Research Laboratory	●		■ Development of advanced battery materials related to all-solid-state lithium ion battery and lithium recovery technology
	Thin Film Device Laboratory	●		■ Development of high-performance inorganic thin-film semiconductors and devices
	Analytical Technology Center	●		■ Providing advanced analysis and solutions to a wide range of fields throughout the Group
	Idemitsu Kosan Collaborative Research Cluster for Advanced Materials	●		■ Creating next-generation materials, enhancement and expansion of technologies
Production engineering	Technology & Engineering Center	●		■ Technology development in the area of engineering design, construction, operation, quality control & assurance, and asset integrity & reliability ■ Technology-driven contribution to existing and new businesses
Lubricants	Lubricants Research Laboratory	●		■ Research and development of lubricants and tribology (lubrication technology)
	Idemitsu Lubricants America Corporation R&D Center		●	■ Local-based research and development of lubricants
	Idemitsu Lube (China) Co., Ltd. Research & Development Center		●	■ Global development of lubricants products and technologies with the Lubricants Research Laboratory (Japan) as the mother research center
	Idemitsu Lube Asia Pacific Pte. Ltd. R&D Center		●	■ Rapid product development and provision of technical services to meet local needs overseas
	NIPPON GREASE Co., Ltd. Technical Research Laboratory	●		■ Research and development of grease, rust prevention oil, cutting oil, etc.
Advanced materials & performance chemicals	Performance Materials Laboratories	●		■ Development of advanced materials through high-value-added petrochemical raw materials ■ Research and development of special polycarbonate resins and functional coatings
	Idemitsu Unitech Co., Ltd. R&D Center for Plastic Products	●		■ Research and development of molded plastic products
	LION IDEMITSU COMPOSITES CO., Ltd. Composite Materials Research Laboratory	●		■ Design, development, and analysis of customer grades of composite materials that meet customer needs
Electronic materials	Electronic Materials Development Center	●		■ Research and development of OLED materials
	Idemitsu OLED Materials Europe AG		●	
	Inorganic Electronic Materials Development Group	●		■ Research and development of oxide semiconductor materials
Bitumen	Technology Section	●		■ Basic and applied research on asphalt and its applications ■ Development of high performance asphalt
Agri-bio	Agri-Bio Technology Section	●		■ Development of active ingredients for pesticides and feed additives derived from microorganisms and natural products
	SDS Biotech K.K. Tsukuba Research & Technology Center	●		■ Development of safe and useful products for the protection of livestock and plants and prevention of diseases
Lithium-ion battery materials	Battery Material Development Center	●		■ Development of sulfide-based solid electrolytes for practical application in all-solid-state lithium ion batteries
Photovoltaic power generation	Advanced Product Development Section	●		■ Research and development aimed at enhancing the performance and reducing the cost of existing CIS solar cell products as well as developing next-generation products
	Solar Frontier K.K. Kunitomi Plant	●		■ Research and development aimed at commercializing the recycling of solar panels, including silicon-based panels
Coal and the environment	Coal & Environment Research Laboratory	●		■ The only private research institute specializing in coal ■ Provision of technology services that anticipate needs and development of clean coal technologies to meet the needs of a low-carbon society

■ Functional materials segment ■ Power and renewable energy segment ■ Resources segment

Manufactured Capital

The Idemitsu Group produces and globally supplies petroleum, lubricants, bitumen (high performance asphalt), basic chemicals, advanced materials & performance chemicals, CIS thin-film solar cells, electronic materials, and agri-bio products. In addition, the

total generating capacity of our various power plants, which include solar, geothermal, biomass, wind, and LNG thermal power facilities, has grown to 1.2GW, enabling us to support people's day-to-day lives.

Petroleum Refining

As a result of the business integration of Idemitsu and Showa Shell, we have achieved an even more efficient supply of petroleum products than in the past. These efforts include the interchange of products and semi-refined products to optimize production, the development of best practices for energy conservation and improvement of refining margins, and the reduction of procurement costs through the promotion of joint procurement. In addition to implementing optimal area-specific strategies in Hokkaido, Keihin/Keiyo, Chukyo, and West Japan, we will implement management strategies to further strengthen our competitiveness by complying with the IMO (International Maritime Organization) regulations on the sulfur content of marine fuel oil, expanding the use of fuel oil fractions in petrochemical products, and increasing export capacity. The entire Group is also coming together to reform the workstyles of the people who support our workplace.

It has been one year since the Nghi Son Refinery in Vietnam commenced commercial operations and achieved stable operation.



Chiba Complex

Oil Development

We promote exploration, development, and production projects for oil and gas, mainly in Norway and Southeast Asia, including Vietnam.

In addition, we are working to secure oil and gas reserves from a medium- to long-term perspective as we maintain and expand production volumes by conducting exploration activities in Norway, Southeast Asia, and other core oil-producing areas.



©Equinor ASA

Illustration of renewable energy being supplied to an offshore oil field. We are participating in joint businesses with Equinor and other companies.

■ Group Refineries in Japan (As of the end of March, 2020)

Name	Location	Crude oil processing capacity (thousand barrels per day)
Hokkaido Refinery	Tomakomai City, Hokkaido	150
Chiba Complex	Ichihara City, Chiba Prefecture	190
Aichi Refinery	Chita City, Aichi Prefecture	160
Yokkaichi Refinery (Showa Yokkaichi Sekiyu)	Yokkaichi City, Mie Prefecture	255
Keihin Refinery (TOA Oil)	Kawasaki City, Kanagawa Prefecture	70
Yamaguchi Refinery (Seibu Oil)	Sanyo-Onoda City, Yamaguchi Prefecture	120
Total		945

■ Group Refineries Overseas (As of the end of March, 2020)

Name	Location	Crude oil processing capacity (thousand barrels per day)
Nghi Son Refinery	Thanh Hóa, Vietnam	200
Total		200

Coal Mine Operations

We own coal mines in Australia and Indonesia, and have built an integrated supply chain encompassing production, transportation, and marketing. We are promoting a solution business with the aim of lowering carbon emissions and achieving a stable supply of coal that is highly economical to customers in Asia, especially Japan.



Boggabri Coal Mine (Australia)

Manufacture of Petrochemical Products

Basic chemicals

We are working to strengthen our cost competitiveness by strengthening cooperation with other companies and diversifying the raw materials handled at our industrial complexes in Chiba and Shunan as well as using highly efficient crackers. We are also working to improve profitability and ensure the efficient operation of equipment used in the oil refining and petrochemicals value chain by integrating the operations of the fuel oil and petrochemical businesses.

■ Group Petrochemical Plants in Japan (As of the end of March, 2020)

Name	Location	Ethylene production capacity (thousand tons/year)
Chiba Complex	Ichihara City, Chiba Prefecture	374
Tokuyama Complex	Shunan City, Yamaguchi Prefecture	623
Total		997

■ Group Petrochemical Plants Overseas (As of the end of March, 2020)

Name	Location	Main product
Pasir Gudang Factory	Johor, Malaysia	Styrene monomer
Nghi Son Refinery	Thanh Hóa, Vietnam	Paraxylene



Tokuyama Complex

Advanced Materials & Performance Chemicals

As for advanced materials (such as engineering plastics and adhesives materials) and performance chemicals (such as derivatives and solvents), we have positioned vehicles, information and communications equipment, daily necessities, and intermediates for durable consumer products as growth markets, and will expand our business by providing solutions based on our own technologies. We will accelerate business growth by creating product synergies with other functional materials produced by the Group, such as lubricants, and by aggressively acquiring resources through collaboration with other fields and M&A.

We own production bases and supply products in Japan as well as overseas in Taiwan (polycarbonate and hydrogenated petroleum resin); Guangdong Province, China (plastic compounds); and Thailand (zipper tape). We plan to construct manufacturing equipment in the Pasir Gudang Factory in Malaysia for syndiotactic polystyrene (SPS), and commercial operations are slated to begin in the second half of 2022.

Manufacture of CIS Thin-Film Solar Modules

Our research and development related to solar power generation dates back more than 40 years to 1978. In 2007, we began commercial production of CIS thin-film solar modules using copper, indium, and selenium as the main components. CIS thin-film solar modules are now produced at the Kunitomi Plant of Solar Frontier K.K., which has one of the largest production capacities in the world.



Kunitomi Plant

Power Generation Facilities

Our total power generation capacity, including facilities in Japan and around the world run both by the Group and affiliated companies, comes to around 1.2GW.

Operations in Japan account for about 1.0GW of the total and include around 0.2GW from solar, geothermal, biomass, wind and other renewable energy sources.



Takigami Binary Power Plant

HIGHLIGHTS

Passing Down Technical Skills in Manufacturing Departments

We strive to pass down technical skills to young employees by placing instructors in departments that operate equipment, increasing the number of veteran employees (senior support employees), helping improve understanding of educational and training topics, and providing on-the-job training (OJT) at manufacturing sites.

Natural Capital

Environmental Policy

The Idemitsu Group works to reduce the environmental impact of its business activities through more efficient energy use and other measures in order to contribute to the creation of a sustainable society with harmonious coexistence between the economy and environment. We aim to protect the global environment by appropriately allocating and utilizing our resources and actively promoting advanced initiatives to solve such environmental problems as global warming. To achieve this aim, we have established a policy regarding environmental conservation (Idemitsu Sustainability Report 2020, P.16) that positions global and regional environmental conservation as an important value in all our business activities.

Natural Capital Policy

We are committed to creating new value while maintaining harmony with the environment and society. To realize a sustainable society, we will improve our business value while considering various aspects of natural capital (air, water, land, etc.). As a company that handles fossil fuels, as outlined under our materiality, we are particularly focused on climate change, setting CO₂ reduction targets, and working to reduce environmental impact.

Environmental Management System

We have positioned “Safety, Health and the Environment” as a management foundation and have established the Safety & Environmental Protection Headquarters to promote initiatives to secure and preserve this foundation. The executive in charge of safety and environment (Director) is appointed by the President and Representative Director to serve as the General Manager of the Safety & Environmental Protection Headquarters, overseeing the headquarters as the individual bearing the highest responsibility regarding safety, health, and the environment.

The role of the headquarters is (1) to determine the medium-term management plan, the annual basic policies, and priority issues associated with health, safety, security and the environment (HSSE) (2) to assess and evaluate performance through audits, (3) to main-

tain, review, and improve the Safety Management System and the Environmental Management System (Idemitsu Sustainability Report 2020, P. 17), and (4) to instruct all departments and major affiliated companies on how to secure the management resources necessary to establish, implement, maintain, and continually improve these Management Systems in order to manage risks. As a general rule, the Safety & Environmental Protection Headquarters Meeting is held once a year in December to decide on our group’s annual basic policies for the next fiscal year.

When establishing and reviewing the medium-term management plan, the annual basic policies, and priority issues regarding HSSE, the secretariat of the headquarters creates a draft proposal in a way that reflects on outcomes of HSSE activities undertaken in the preceding fiscal year and takes into consideration the social environment surrounding HSSE issues. The draft is approved at the Headquarters Meeting, then ruled on by the General Manager of the headquarters, and, finally, reported on to the Management Committee by the secretariat. If the Management Committee has instructions or opinions that should be reflected in the draft, the General Manager of the headquarters once again reviews and approves the final version.

The Board of Directors receives reports from the business executives and provides oversight on environmental issues, including climate change.

Climate Change Risks and Opportunities

We signed on to the recommendations of the Task Force on Climate-Related



Financial Disclosures (TCFD) in February 2020. In line with these recommendations, we are sorting out the risks and opportunities associated with climate change. We aim to transform its business portfolio to ensure a resilient corporate structure by strengthening business initiatives that address such risks and to seize the opportunities. Regarding investment related to new projects, we have established internal carbon pricing and decided to try out investment studies that reference the economic impact of carbon dioxide emissions.

Classification	Matters to be evaluated	Responses and initiatives
Transition risks	Decline in demand for petroleum products due to the spread of EVs and changes in consumer awareness	Market monitoring and the establishment of optimal production, supply and sales systems Departure from the business portfolio depending on fossil fuel
	Decline in energy prices due to technological advances	Strengthening of the competitiveness of the entire supply chain
	Possibility of divestment of the coal business	Development of black pellets and biomass co-firing technology
	Decline in the reputation of the oil and coal businesses	Strengthening of external engagement
Physical risks	Introduction of carbon pricing	Internal discussions of carbon pricing
	Suspension of equipment operation and production sites damage due to abnormal rainfall and others	Reinforcement of equipment maintenance and strengthening of the supply chain
	Impact of sea-level rise on manufacturing and distribution bases	Measures such as reinforced seawall and relocation of control rooms
	Expanding demand for renewable energy	Development of renewable energy sources in Japan and overseas
	Strengthening of IMO (International Maritime Organization) regulations	Efficiency improvement and reinforcement of refinery facilities
Opportunities	Increasing demand for environmentally friendly products with low environmental impact	R&D and overseas expansion of lubricants for electric vehicle units, advanced greases, and biological pesticides
	Increasing demand for energy-saving materials	Development of applications for next-generation materials and commercialization of all solid state lithium-ion battery materials
	Development of distributed energy resource systems	Development of and entry into VPP (virtual power plant) control services
	Development of the circular economy	Development of recycling technologies for waste plastics, solar panels, carbon, etc.
	Advent of the MaaS (Mobility as a Service) society	Development leveraging the existing refueling network and entry into ultra-compact EVs
	Development of natural gas resources	Shifting focus from oil to gas

CO₂ Reduction Targets and Monitoring Indicators

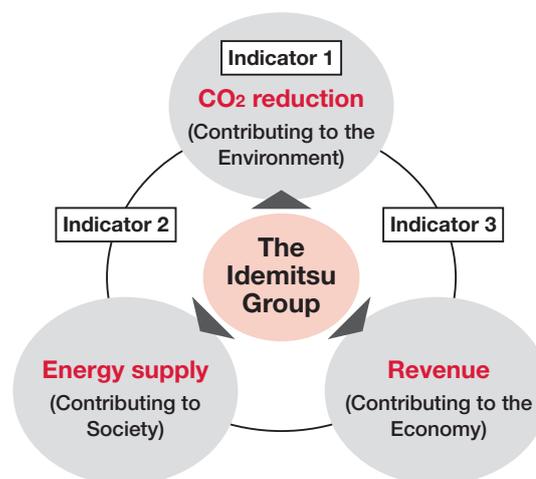
We recognize that an environmental contribution consisting only of a reduction in our CO₂ emissions is not enough to secure corporate sustainability. Along with these reduction efforts, we need to contribute to society by providing low-carbon energy with a view to transitioning to a low-carbon society in the future. Moreover, we also aim to contribute economically by generating constantly robust profits even as we shift our business portfolio. We consider all of these endeavors to be matters of equal importance.

In addition to our fossil fuel business, we conduct business related to the development of renewable energy and environmentally friendly products, as well as research aimed at solving social issues. These activities contribute to the reduction of CO₂ emissions on a global scale throughout our value chain. We recognize that this concept will become even more important in the future along with the reduction of CO₂ emissions by the Group.

Based on this recognition, in 2019 the Group established three indices to accelerate its efforts to reduce CO₂ emissions.

To achieve our targets, we will work to develop renewable energy using abiotic services derived from natural capital, such as solar, geothermal, and wind power.

In light of the Japanese government's declaration of achieving carbon neutrality by 2050, we aim to contribute to the reduction of CO₂ emissions through the supply of low-carbon energy.



■ Specific areas of action

- Promoting Energy Conservation and Zero-Emission Electric Power
- Provision of environmentally friendly products and services
- Expansion of renewable energy power generation
- Expansion of Biomass Fuel Supply
- Development and social implementation of innovative technologies

Target value

Indicator 1 **Reduction of the Group's Scope 1 + 2 emissions**
(An indicator of the extent to which "Scope 1 + 2 emissions" have been reduced through the promotion of energy conservation activities at refineries, complexes, and plants, etc.)

2030 Target: Cut levels by 2 million ton-CO₂ (compared to 2017 levels)

$$\text{Calculation formula} = \text{CO}_2 \text{ emissions in target year (Scope 1 + 2)} - \text{CO}_2 \text{ emissions in base year (Scope 1 + 2)}$$

FY2019 Results: down 1.3 million ton-CO₂ (reduction activities: down 0.19 million tons; other: down 1.11 million tons)

In FY2019, the progress of energy conservation activities at refineries and plants was ahead of schedule, and our CO₂ reduction activities are steadily contributing to progress toward the target. It should be noted that, due to a long-term unplanned suspension caused by malfunctioning equipment at a refinery, the lower CO₂ emissions from the reduced operations dovetailed nicely with our deliberate efforts to cut emissions, resulting in a larger than expected reduction.

Monitoring indicator

Indicator 2 **Low carbon level of supplied energy**
(Indicator of the extent to which an energy company can reduce the "CO₂ emissions per unit of energy" supplied to society)

2050 Indicator Level: down 30% (compared to 2017 levels)

$$\text{Calculation formula} = \frac{\text{CO}_2 \text{ emissions (Scope 1 + 2 + 3)} - \text{CO}_2 \text{ avoided emission}}{\text{Amount of energy supplied to society}}$$

FY2019 results: down 0.8%

(We intend to revise this target from time to time in light of social trends)

Indicator 3 **Degree of carbon exit from corporate earnings**
(Indicator of how the "Revenue level per unit of CO₂" emitted by the Company as a whole is being raised)

$$\text{Calculation formula} = \frac{\text{Revenue}}{\text{CO}_2 \text{ emissions (Scope 1 + 2 + 3)} - \text{CO}_2 \text{ avoided emissions}^*}$$

*We have not currently established a target for this indicator and use it for internal purposes only.

*CO₂ reduction contribution throughout the entire value chain

Message from Outside Directors



Continue to Supply Energy While Innovating to Build a Carbon-free World

Outside Director
Takeo Kikkawa

Taking on the Challenge of “Affordable, Clean Energy” as an Industry Leader

“Affordable and clean energy”—this is Goal 7, the goal that directly addresses energy, of the United Nations’ Sustainable Development Goals (SDGs).

Achieving this goal will be difficult. To provide affordable energy, there is no choice but to rely on fossil fuels, such as petroleum and coal. At the same time, the provision of clean energy requires reducing the use of fossil fuels and expanding the use of CO₂-free renewable energy. Achieving Goal 7 of the SDGs, which contains these two conflicting elements, is thus a tremendous challenge.

The Idemitsu Group is at the forefront of efforts to solve this challenge. In addition to fulfilling its responsibility of providing energy to people in Japan and across Asia, the Group is focusing efforts on utilizing solar, wind, geothermal, and biomass (black pellets). The coal assessment system, a proprietary system commercialized by the Group, helps reduce CO₂ emissions by optimizing combustion efficiency, and there are great expectations for the Group’s ambitious initiatives in carbonate production and other forms of carbon dioxide capture and utilization (CCU). The Group is also putting its full force into the development of materials for all-solid-state lithium ion batteries; when these are brought into practical use, they will revolutionize the energy world, contributing greatly to the advance of measures to combat global warming.

At some point in the future, humanity will surely realize a carbon-free world. The transition toward that point, however, will see several decades in which we will continue to use fossil fuels. The development of CCU during this period could make fossil fuels a useful resource for humanity even afterward. Companies that are directly taking on the difficult challenge of realizing “Affordable and clean energy” right now, a unique point in world history, are few and precious. I believe this is precisely the time for the Idemitsu Group to step up.

Backcasting—Essential to Bold Portfolio Transition

Humanity today has a responsibility to future generations to forcefully advance measures to stop global warming. Within that context, the Idemitsu Group is charged with the mission of providing a reliable supply of energy over the long term. At the same time, the Group is working to fulfill another mission—creating a wide range of innovations and businesses that will contribute to the creation of a carbon-free world.

Fulfilling the former mission requires a forward-looking posture, beginning by examining the present and steadily forecasting out from there. In contrast, to achieve the latter mission, The Group must backcast: first defining a specific future vision as a target for itself and then working backward to determine what it will need to do to realize that vision.

Over the course of its long history, the Group has developed a firmly rooted management philosophy and common values of respect for human beings and diversity and inclusion, as well as a corporate culture of seriously and steadily pursuing the issues before it. This culture lends itself to a forecast-based approach. However, the Group’s primary business, the petroleum business, includes aspects that are difficult to predict with certainty, and I feel that the Group could be stronger when it comes to backcasting.

This is distinctly reflected in the ways that the Board of Directors and Nomination Advisory Committee currently operate. I think that the Board of Directors should spend more time on discussions of strategy, including bold portfolio transition, using backcasting. The Nomination Advisory Committee, too, must not only consider the selection of top management in the coming few years, but also focus efforts on identifying and developing leaders for 10 and 20 years down the line. By making such changes, I think that the Idemitsu Group will be able to develop the strength and resilience needed to secure “Affordable and clean energy,” a mission that is significant in human history.



Further Diversifying Human Resources and Decisively Revising the Business Portfolio

Outside Director
Mitsunobu Koshiba

Overcoming Difficulties, Decisively Revising the Business Portfolio, and Advancing Digital Transformation

A year has passed since I came on as a new Outside Director, following the integration of Idemitsu and Showa Shell. Unfortunately, due to the worldwide economic downturn and reverse oil shock triggered by the global spread of COVID-19 in March 2020, demand for fuel oil was sluggish, as were the markets for Idemitsu's products. As a result, Idemitsu's financial results for FY2019 were less than satisfactory. Nevertheless, I believe that post-integration management, organizational soundness, and governance are all functioning well. Idemitsu is assuming that the current low level of fuel oil demand and sluggishness of product markets are not short-term dips, but represent major management risks that will continue for several years. The Group's shareholders, employees, and customers are looking to the leadership of the new management team and the business execution abilities of the executive officers to overcome this difficult situation and create growth businesses.

The corporate value of energy sector companies around the world has taken a significant hit. The Company is no exception. Recovering its corporate value is an immediate priority for the Company. This will require steadfast effort to create new growth businesses leveraging the Company's technical skills, research and development prowess, and brand strength. In addition, given the current pressure on corporate revenue, strategic investment in non-organic growth and the digital transformation of the Group are urgent necessities.

Initiatives around the world to address global warming are clearly accelerating as they receive unprecedented levels of attention, spurred by factors including the global pandemic and hitherto unimaginable forest and brush fires in the United States and Australia. The Company must now decisively revise its business portfolio by combining its future strategies for its mainstay fuel oil and coal businesses with new businesses that will contribute to achieving carbon neutrality, such as renewable energy, lithium ion battery materials, and mobility services using electric vehicles.

Further Diversifying Human Resources, beyond Gender

I distinctly feel that Idemitsu boasts a rich roster of human resources. Building on this, the Company has begun proactive initiatives to diversify its human resources in order to enhance its creativity and respond to changes in diversifying markets. In particular, although the Company has been aggressively promoting gender diversity, in terms of appointing women to senior positions—a challenge shared throughout Japan's petrochemical industry—it seems to me that the Company is rather behind in comparison with the industry average. For many years, I worked actively to promote human resource diversification at JSR Corporation. Based on this experience, I feel that the challenges the Company faces in terms of human resource diversification are not limited to gender diversity. For example, there are few employees from technical divisions in senior management, and the promotion of younger employees to senior management and executive officer positions is lagging.

Going forward, strategic investment in non-organic growth and the further advance of the Company's digital transformation will require top management that includes members with technical backgrounds who bring deep understanding of cutting-edge technologies as well as younger individuals who, if not quite digital natives, are more at home when it comes to adopting leading digital technologies. In short, I see many opportunities for improvement in human resource diversity—not only in terms of gender diversity, but in appointing employees from technical divisions to management, promoting younger employees to senior management and executive officer positions, and proactively hiring non-Japanese nationals.

Directors and Audit & Supervisory Board Members As of July 1, 2020

*Board of Directors and Audit & Supervisory Board meeting attendance figures are for FY2019

*Number of shares held are as of the end of June, 2020

Directors



President and Representative Director
Chief Executive Officer

Shunichi Kito

- Number of shares of the Company held : 23,132shares
- Board of Directors meetings attended : 16/16

April 1980 Joined Idemitsu Kosan Co., Ltd. ("Idemitsu")
 April 2005 Deputy General Manager of Personnel Department, Idemitsu
 July 2008 Deputy General Manager of Treasury Department, Idemitsu
 June 2011 Executive Officer and General Manager of Treasury Department, Idemitsu
 June 2013 Director, Managing Executive Officer and General Manager of Treasury Department, Idemitsu
 June 2014 Managing Director, Idemitsu
 June 2017 Executive Vice President and Director, Idemitsu
 April 2018 Representative Director & Chief Executive Officer, Idemitsu
 April 2019 President and Representative Director, and Chief Executive Officer, Idemitsu (to date)



Executive Vice President and Representative Director
Executive Vice President and Executive Officer

Takashi Matsushita

- Number of shares of the Company held : 22,697shares
- Board of Directors meetings attended : 16/16

April 1979 Joined Idemitsu Kosan Co., Ltd. ("Idemitsu")
 Oct. 2004 Deputy General Manager of Hokkaido Refinery, Idemitsu
 April 2007 Deputy General Manager of Manufacturing Department, Idemitsu
 April 2010 Executive Officer and General Manager of Tokuyama Refinery and General Manager of Tokuyama Plant, Idemitsu
 April 2013 Executive Officer and General Manager of Manufacturing & Technology Department, Idemitsu
 June 2013 Director, Managing Executive Officer and General Manager of Manufacturing & Technology Department, Idemitsu
 June 2014 Managing Director, Idemitsu
 June 2017 Executive Vice President and Director, Idemitsu
 April 2018 Executive Vice President and Representative Director, Idemitsu
 April 2019 Director, and Executive Vice President and Executive Officer, Idemitsu
 May 2020 President, The Japan Petroleum Institute (to date)
 June 2020 Executive Vice President and Representative Director, and Executive Vice President and Executive Officer, Idemitsu (to date)



Executive Vice President and Representative Director
Executive Vice President and Executive Officer

Susumu Nibuya

- Number of shares of the Company held : 17,356shares
- Board of Directors meetings attended : —/—

April 1982 Joined Idemitsu Kosan Co., Ltd. ("Idemitsu")
 June 2008 Managing Director, Idemitsu Engineering Co., Ltd.
 April 2011 General Manager, Internal Audit Office, Idemitsu
 April 2013 Executive Officer and General Manager, Corporate Planning Department, Idemitsu
 June 2015 Director and General Manager, Corporate Planning Department, Idemitsu
 June 2017 Managing Director, Idemitsu
 April 2019 Executive Vice President and Executive Officer, Idemitsu
 June 2020 Executive Vice President and Representative Director, and Executive Vice President and Executive Officer, Idemitsu (to date)



Director
(Chair of Directors Meeting)

Katsuaki Shindome

- Number of shares of the Company held : 5,202shares
- Board of Directors meetings attended : 16/16

April 1980 Joined Shell Sekiyu K.K.
 April 2006 General Manager, Kyushu Branch, Showa Shell Sekiyu K.K. ("Showa Shell")
 Nov. 2008 General Manager, Kinki Branch, Showa Shell
 March 2009 Executive Officer, Showa Shell
 March 2013 Corporate Executive Officer, Showa Shell
 April 2019 Director, and Senior Managing Executive Officer, Idemitsu Kosan Co., Ltd. ("Idemitsu")
 June 2020 Director, Idemitsu (to date)



Director
Managing Executive Officer

Atsuhiko Hirano

- Number of shares of the Company held : 2,411shares
- Board of Directors meetings attended : —/—

April 1985 Joined Showa Shell Sekiyu K.K. ("Showa Shell")
 Sep. 2002 General Manager, Shizuoka Area, Showa Shell
 Sep. 2004 General Manager, Marketing Planning Division, Showa Shell
 March 2005 Executive Officer and General Manager, Marketing Planning Division, and General Manager, Retail Sales Division, Showa Shell
 March 2006 Director, Showa Shell
 March 2009 Corporate Executive Officer, Showa Shell
 March 2013 Senior Corporate Executive Officer, Showa Shell
 July 2014 Representative Director, President, Solar Frontier K.K.
 April 2019 Managing Executive Officer, Idemitsu Kosan Co., Ltd. ("Idemitsu")
 June 2020 Director and Managing Executive Officer, Idemitsu (to date)



Director
(part-time)

Masakazu Idemitsu

- Number of shares of the Company held : 3,411,900shares
- Board of Directors meetings attended : 16/16

April 2010 Councillor, Public Interest Incorporated Foundation Idemitsu Museum of Arts
 Councillor, Public Interest Incorporated Foundation Idemitsu Culture and Welfare Foundation
 Dec. 2015 Director and Vice President, Nissho Kosan Co., Ltd. ("Nissho Kosan")
 April 2016 Representative Director and President, Nissho Kosan (to date)
 April 2019 Director, Idemitsu Kosan Co., Ltd. (to date)
 Representative Director, Showa Kosan K.K. (to date)
 April 2020 Executor, Akama Ltd. (to date)



Director
(part-time)

Kazunari Kubohara

- Number of shares of the Company held : —
- Board of Directors meetings attended : 16/16

Dec. 2008 Registered as an attorney, established Kyuhodo Law Firm
 April 2010 Committee Member, Tokyo Local Third-Party Committee to Check Pension Records, Ministry of Internal Affairs and Communications
 April 2011 Delegate, Dai-ichi Tokyo Bar Association
 Sep. 2015 Auditor, General Incorporated Association for Realizing Prescription of Adequate Amount of Anti-Dementia Drugs (to date)
 June 2016 Outside Statutory Auditor, Class Technology Co., Ltd.
 July 2017 Auditor, Medical Corporation Hakueikai Miyake Dental Clinic (to date)
 March 2018 Delegate, Japan Federation of Bar Associations
 April 2018 Vice Chairperson of the Legal Services Obstruction Countermeasures Committee, Dai-ichi Tokyo Bar Association (to date)
 April 2019 Director, Idemitsu Kosan Co., Ltd. (to date)

Audit & Supervisory Board Members



Audit & Supervisory Board Member

Toshiyuki Tanida

- Number of shares of the Company held : 6,363shares
- Board of Directors meetings attended : 16/16
- Audit & Supervisory Board meetings attended : 16/16

April 1984 Joined Idemitsu Kosan Co., Ltd. ("Idemitsu")
 July 2013 Executive Officer and General Manager of Logistics Department, Idemitsu
 June 2018 Audit & Supervisory Board Member, Idemitsu (to date)
 April 2019 Audit & Supervisory Board Member, Showa Shell Sekiyu K.K.



Audit & Supervisory Board Member

Kenji Takahashi

- Number of shares of the Company held : 2,430shares
- Board of Directors meetings attended : 16/16
- Audit & Supervisory Board meetings attended : 16/16

April 1984 Joined Shell Sekiyu K.K.
 March 2016 Audit & Supervisory Board Member, Showa Shell Sekiyu K.K.
 April 2019 Audit & Supervisory Board Member, Idemitsu Kosan Co., Ltd. (to date)

Independent Outside Directors



Outside Director

Takeo Kikkawa

- Number of shares of the Company held : —
- Board of Directors meetings attended : 16/16

April 1987 Assistant Professor, Aoyama Gakuin University School of Business
 Oct. 1993 Assistant Professor, Institute of Social Science, University of Tokyo
 April 1996 Professor, Institute of Social Science, University of Tokyo
 April 2007 Professor, Hitotsubashi University Graduate School of Commerce and Management
 Jan. 2013 President, Business History Society of Japan
 June 2013 Outside Director, Mitsubishi Chemical Holdings Corporation
 April 2015 Professor, Graduate School of Innovation Studies, Tokyo University of Science (currently, Graduate School of Management, Tokyo University of Science)
 June 2017 Director, Idemitsu Kosan Co.,Ltd. (to date)
 April 2020 Professor, Graduate School of International Management, International University of Japan (to date)

Reason for appointment

Mr. Takeo Kikkawa has not engaged in corporate management in any manner other than serving as an outside officer. However, management has judged that he will be able to perform his duties as an Outside Director properly as he has long experience and wide knowledge as a university professor, has full knowledge about corporate management as an expert in business administration studies and especially in energy industry theory, and satisfies the "Requirements for Independence of Outside Officers" of the Company.



Outside Director

Norio Otsuka

- Number of shares of the Company held : 1,128shares
- Board of Directors meetings attended : 16/16

April 1973 Joined NSK Ltd. ("NSK")
 Dec. 1999 Deputy Head of Corporate Planning Division HQ, NSK
 April 2000 Vice President, Head of Corporate Planning Division HQ, NSK
 June 2002 Director, Senior Vice President, Head of Corporate Strategy Division HQ, NSK
 June 2004 Representative Executive Vice President, Responsible for Administrative Divisions, Head of Corporate Strategy Division HQ, NSK
 June 2007 Representative Executive Officer and Senior Executive Vice President, NSK
 June 2009 President and Chief Executive Officer, Chairperson of the Nomination Committee, NSK
 June 2015 Director, Chairman, NSK
 June 2016 Chairman, the Japan Bearing Industry Association
 March 2017 Outside Director, Showa Shell Sekiyu K.K.
 June 2017 Honorary Chairman, NSK
 June 2018 Outside Director, Sojitz Corporation (to date)
 Advisor, NSK (to date)
 April 2019 Director, Idemitsu Kosan Co.,Ltd. (to date)
 June 2019 Outside Director, Taisei Corporation (to date)

Reason for appointment

Management has judged that Mr. Norio Otsuka will be able to perform his duties as an Outside Director properly as he served as President and Chief Executive Officer, and Director, Chairman of NSK, has promoted its global growth strategy, enhanced its corporate governance, and accumulated wide experience and advanced insight regarding corporate management, and satisfies the "Requirements for Independence of Outside Officers" of the Company.



Outside Director

Mitsunobu Koshiba

- Number of shares of the Company held : —
- Board of Directors meetings attended : 11/11

Oct. 1981 Joined Japan Synthetic Rubber Co., Ltd. (currently, JSR Corporation)
 May 2002 Officer and General Manager of Electronic Materials Department I, Electronic Materials Division, JSR Corporation ("JSR")
 June 2003 Officer, General Manager of Electronic Materials Division, and General Manager of Electronic Materials Department, JSR
 June 2004 Director, General Manager of Electronic Materials Division, JSR
 June 2005 Senior Officer, General Manager of Electronic Materials Division and Assistant in charge of Fine Chemicals Business, JSR
 June 2006 Managing Director, General Manager of Electronic Materials Division, JSR
 June 2007 Managing Director, JSR
 June 2008 Senior Managing Director, JSR
 April 2009 Representative Director and President, JSR
 June 2019 Representative Director and Chairman, JSR (to date)
 Director, Idemitsu Kosan Co.,Ltd. (to date)
 June 2020 Director and Chairman, JSR (to date)



Outside Director

Mackenzie Clugston

- Number of shares of the Company held : —
- Board of Directors meetings attended : 16/16

June 1982 Joined Department of Foreign Affairs and International Trade of the Canadian Government
 Aug. 2000 Canadian Consul General in Osaka
 Aug. 2003 Minister, Canadian Embassy in Japan
 Aug. 2009 Ambassador of Canada to Indonesia, Timor-Leste and the ASEAN
 Nov. 2012 Ambassador of Canada to Japan
 June 2016 Outside Director, Kameda Seika Co., Ltd. (to date)
 Sep. 2016 Advisor, Sapporo Holdings Limited Professor, Kwansai Gakuin University (to date)
 June 2017 Director, Idemitsu Kosan Co.,Ltd. (to date)
 March 2018 Outside Director, Sapporo Holdings Limited (to date)
 June 2019 Outside Director, NGK SPARK PLUG CO., LTD. (to date)

Reason for appointment

Mr. Mackenzie Clugston has not engaged in corporate management in any manner other than serving as an outside officer. However, management has judged that he will be able to perform his duties as an Outside Director properly as he is familiar with business, administration, and international affairs as a former diplomat and a university professor, has full knowledge about corporate management, and satisfies the "Requirements for Independence of Outside Officers" of the Company.



Outside Director

Yuko Yasuda

- Number of shares of the Company held : 273shares
- Board of Directors meetings attended : 16/16

April 1985 Joined IBM Japan, Ltd.
 Sep. 1991 Joined Booz Allen Hamilton Inc.
 Sep. 1996 Joined Russell Reynolds Associates Japan Inc. ("Russell Reynolds Associates Japan")
 June 1996 Managing Director, Russell Reynolds Associates Japan
 April 2001 Associate Representative in Japan, Russell Reynolds Associates Japan
 April 2003 Representative in Japan, Russell Reynolds Associates Japan
 Member of Executive Committee, Russell Reynolds Associates Inc. (resigned in March 2006)
 April 2013 Member of Executive Committee, Russell Reynolds Associates Inc. (reappointed, until March 2016)
 June 2015 Outside Director, SCSK Corporation
 March 2017 Outside Director, Showa Shell Sekiyu K.K.
 June 2018 Outside Director, Murata Manufacturing Co., Ltd. (to date)
 April 2019 Director, Idemitsu Kosan Co.,Ltd. (to date)
 June 2020 Outside Board Member, Nippon Suisan Kaisha, Ltd. (to date)
 July 2020 Senior Advisor, Board Advisors Japan, Inc. (to date)

Reason for appointment

Management has judged that Ms. Yuko Yasuda will be able to perform her duties as an Outside Director properly as she served as Representative in Japan of Russell Reynolds Association Japan, and engaged in the executive assessment of a corporation and in the training of CEO successors, has accumulated wide experience as a business manager and broad knowledge about the training of global leaders, and satisfies the "Requirements for Independence of Outside Officers" of the Company.

Independent Outside Audit & Supervisory Board Members



Outside Audit & Supervisory Board Member

Taigi Ito

- Number of shares of the Company held : 5,705shares
- Board of Directors meetings attended : 16/16
- Audit & Supervisory Board meetings attended : 16/16

Jan. 1970 Joined Tsuji Audit Corporation (currently MISUZU Audit Corporation)
 May 1973 Registered as Certified Public Accountant (Registration No.5095)
 Feb. 1989 Representative partner, MISUZU Audit Corporation
 July 2004 Deputy Chairman, The Japanese Institute of Certified Public Accountants
 Aug. 2007 Opened Certified Public Accountant Ito Taigi Office (to date)
 April 2009 Professor, Graduate School of Accountancy, Waseda University
 June 2009 Supervisory Director, The Investment Trusts Association, Japan
 Oct. 2010 Supervisory Director, Japan Law Foundation
 Jan. 2012 Chairman of the Disciplinary Committee, The Japanese Institute of Certified Public Accountants
 June 2012 Audit & Supervisory Board Member, Idemitsu Kosan Co.,Ltd. (to date)
 Outside Statutory Auditor, IT Holdings Corporation (currently, TIS INC.)
 June 2014 Outside Corporate Auditor, Mitsubishi Chemical Holdings Corporation
 Outside Corporate Auditor, Mitsubishi Chemical Corporation
 June 2015 Outside Director, Mitsubishi Chemical Holdings Corporation
 Sep. 2018 Outside Director, Koa Shoji Holdings Co., Ltd (to date)



Outside Audit & Supervisory Board Member

Kenji Yamagishi

- Number of shares of the Company held : —
- Board of Directors meetings attended : 16/16
- Audit & Supervisory Board meetings attended : 16/16

April 1973 Registered as an attorney
 April 1997 Vice President, Tokyo Bar Association
 April 2004 Secretary General, Japan Federation of Bar Associations
 July 2007 Committee Member, Central Third-Party Committee to Check Pension Records, Ministry of Internal Affairs and Communications
 March 2008 Outside Audit & Supervisory Board Member, Showa Shell Sekiyu K.K.
 April 2009 President, Tokyo Bar Association
 Vice President, the Japan Federation of Bar Associations
 May 2012 President, the Japan Federation of Bar Associations
 April 2019 Audit & Supervisory Board Member, Idemitsu Kosan Co.,Ltd. (to date)

Corporate Governance

Basic Concept of Corporate Governance

Idemitsu, a company originating in Japan which co-creates energy, will continue to strive to create new value together with its customers and stakeholders, while aiming to harmonize with the environment and society in the spirit of diversity and inclusion.

With this aim in mind, the Company recognizes the importance of constructing positive relationships with all stakeholders, including customers, shareholders, business partners, local communities and employees, by fulfilling its social responsibility as a good corporate citizen, improving management transparency, and promoting sound and sustainable growth.

Japan's Corporate Governance Code is aimed at achieving sustainable corporate growth and increasing medium to long-term corporate value by maintaining dialogue with shareholders. The Company, which strives to be both socially respected and highly trusted, believes that it must comply with the code in principle.

The Company attaches great importance to being self-governing, thinking for itself and judging itself in accordance with its vision. In addition, the Company openly discusses its business status and management circumstances with Independent Outside Directors and Independent Outside Audit & Supervisory Board Members who bring a wide range of knowledge and backgrounds. The Company sincerely takes heed of their unrestricted views, as it endeavors to continue operating in a transparent and fair manner.

Outline of Corporate Governance System

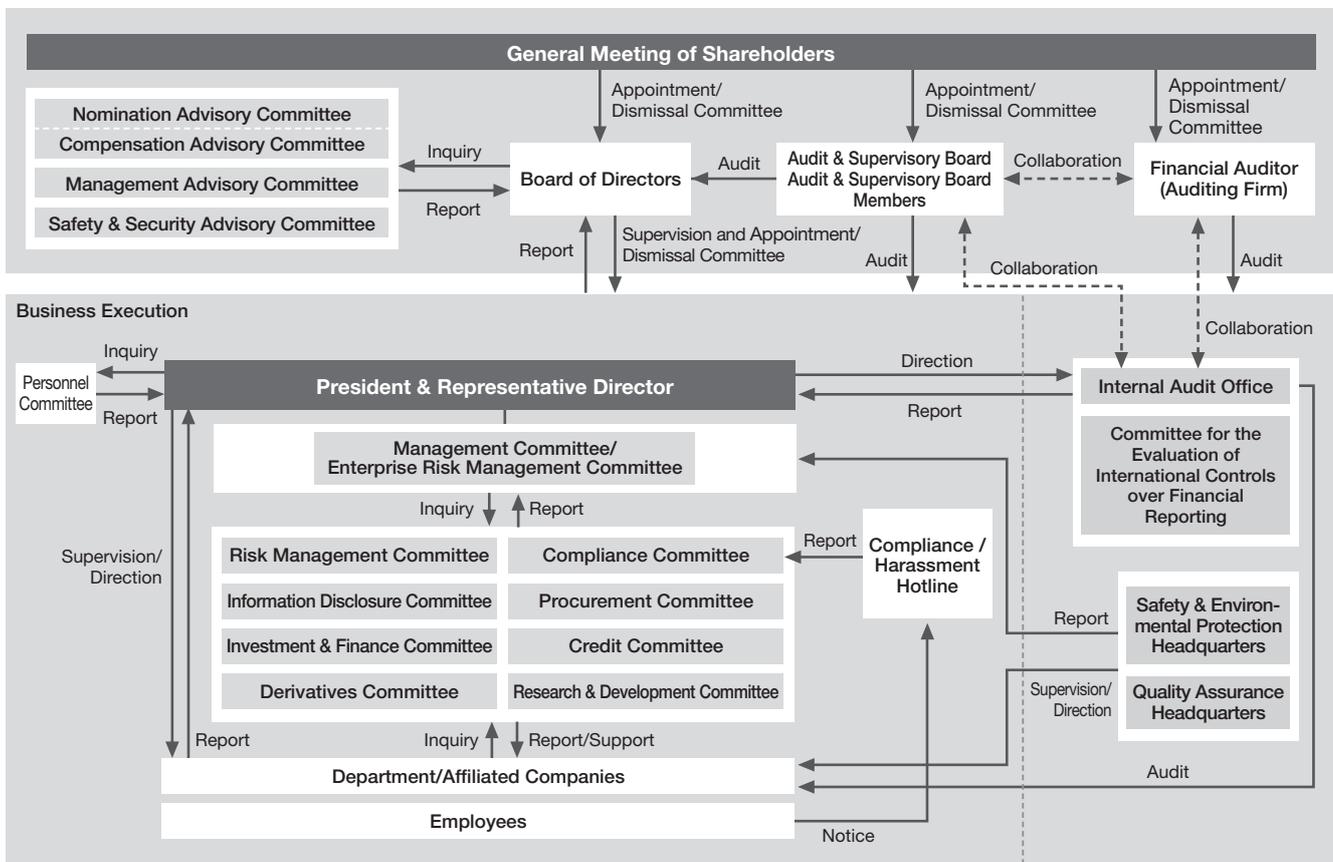
The Board of Directors of the Company shall make important business decisions and supervise the execution of business. As a company with an Audit & Supervisory Board, the Company shall ensure that the execution of duties by officers and employees is audited by Audit & Supervisory Board Members and the Audit & Supervisory Board, which remain independent of the Board of Directors.

The Board of Directors shall, in accordance with laws, regulations, the Articles of Incorporation, and other rules set down by the Company, make decisions on business strategy, business planning and other key business matters for the Company and supervise the execution of business.

In order to increase the objectivity of the Board of Directors, the Company has made it possible to separate the roles of the chairperson and the CEO by revising a clause in the Articles of Incorporation, which previously stipulated that the CEO serve as the chairperson of the Board of Directors, to instead mandate that the chairperson will be determined by the Board of Directors.

With regard to matters other than those mentioned above, the Company shall delegate authority for business execution to the Representative Director and CEO, Directors who also serve as Executive Officers, Executive Officers and General Managers, with a view to facilitating decision making on the execution of business.

Corporate Governance Structure



Overview of Each Committee

Management Advisory Committee / Safety & Security Advisory Committee

To secure advisory bodies to the Board of Directors, we have established two committees: the “Management Advisory Committee” and the “Safety and Security Advisory Committee.” Both committees are attended by outside experts to ensure the reception of frank opinions on the Company from a third-party perspective and reflect them in management improvements.

The “Management Advisory Committee” is positioned as a body that advises on issues related to overall management reform. In principle, it meets once every six months and receives recommendations from two outside advisors.

The “Safety & Security Advisory Committee” consults on security issues, particularly technical issues, to prevent serious accidents at refineries and complexes. Recent changes in the business environment have increased the importance of ensuring safety in business deployment, new businesses, and overseas expansion. Therefore, we have set up a working group within the Safety & Environmental Protection Headquarters to select themes appropriate to the business development and receive recommendations from outside experts for each theme.

Nomination Advisory Committee and Compensation Advisory Committee

To enhance the transparency and objectivity of its nomination and compensation functions, as advisory bodies to the Board of Directors, the Company has established the “Nomination Advisory Committee” and “Compensation Advisory Committee” which are composed of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, and chaired by Independent Outside Directors.

The “Nomination Advisory Committee” reports on proposals, made by the President and Representative Director, that will be submitted to a General Meeting of Shareholders, for the election of candidates for Directors and Audit & Supervisory Board Members as well as on candidates for President and Representative Director and Executive Officer positions. The “Compensation Advisory Committee” reports on matters related to the remuneration of Directors and Executive Officers.

Management Committee, Enterprise Risk Management Committee, and Other Committees

In addition to examining management issues such as the Group’s

strategy and governance, the “Management Committee” has been established to deliberate on important business execution issues. In addition, the “Enterprise Risk Management Committee” has been established as an organization to discuss and decide matters related to the Group’s risk management and to monitor them as necessary.

Under the “Management Committee,” there are five specialized committees established to discuss specialized risks in business execution: the “Investment and Finance Committee,” the “Derivatives Committee,” the “Procurement Committee,” the “Credit Committee,” and the “Research & Development Committee.”

In addition, we have established the “Risk Management Committee” and the “Compliance Committee” under the “Enterprise Risk Management Committee” in order to strengthen our response to business risk cases and develop a framework for reviewing and drafting risk management policies. To strengthen J-SOX compliance, we have also established the “Committee for the Evaluation of Internal Controls over Financial Reporting” within the Internal Audit Department. Furthermore, we have established the “Information Disclosure Committee” to provide timely and appropriate information disclosure based on the Group’s information disclosure policy.

Changes in Corporate Governance Structure

There are 12 Directors, five of whom are Independent Outside Directors with diverse backgrounds, including women and non-Japanese nationals. The term of Directors shall continue until the conclusion of the annual shareholders meeting for the final business year that ends within one year of their election pursuant to the provisions of the Articles of Incorporation. In FY2019, the Board of Directors met 16 times. There are four Audit & Supervisory Board Members, two of whom are Independent Outside Audit & Supervisory Board Members, and we have established a system that allows them to fully perform management oversight functions from outside.

The term of Audit & Supervisory Board Members shall continue until the conclusion of the annual shareholders meeting for the final business year that ends within four years of their election pursuant to the provisions of the Articles of Incorporation. The Audit & Supervisory Board works to improve the level of auditing by sharing issues and information among Audit & Supervisory Board Members and, when necessary, requesting information from the Directors and departments. In FY2019, the Audit & Supervisory Board met 16 times.

Fiscal Year	Form of Organization	Number of Directors	of Which, Number of Independent Outside Directors	Number of Audit & Supervisory Board Members	of Which, Number of Independent Outside Audit & Supervisory Board Members
FY2015	Company with Audit & Supervisory Board	10 people	2 (One woman)	5 people	3 people
FY2016	Company with Audit & Supervisory Board	10 people	2 (One woman)	5 people	3 people
FY2017	Company with Audit & Supervisory Board	12 people	4 (One woman and one non-Japanese)	4 people	2 people
FY2018	Company with Audit & Supervisory Board	11 people	4 (One woman and one non-Japanese)	4 people	2 people
FY2019	Company with Audit & Supervisory Board	13 people	5 (One woman and one non-Japanese)	4 people	2 people
FY2020	Company with Audit & Supervisory Board	12 people	5 (One woman and one non-Japanese)	4 people	2 people

Status of the Board of Directors’ Operations during the COVID-19 Pandemic

The COVID-19 pandemic emerged in January 2020 and caused the Japanese government to declare a state of emergency. Despite this, the Board of Directors was able to meet as scheduled during FY2019 and recorded no absences attributable to the pandemic.

As usual, discussion was brisk at each meeting and various measures aimed at preventing infection have since been implemented. These measures included the use of web conferencing systems, the practice of social distancing in the Board room and the installation of acrylic partitions between seats.

Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors

Nomination of Director Candidates

The Company has adopted human resource standards for Directors with an eye to ensuring the optimal composition of the Board of Directors.

The Company believes that in order for the Board of Directors to fulfill its roles and responsibilities and to strategically direct the Group, it is important to secure a sufficient number of Board of Directors members who are familiar with the Company's business and the issues it is confronting. The Company also deems it essential to ensure the independence and objectivity of the Board of Directors as well as diversity in the knowledge, experience, and capabilities of each Director. With this in mind, we have prepared a Skill Matrix as one of the criteria for selection.

Based on the concepts outlined above, the Board of Directors appoints, upon the receipt of recommendations from the Nomina-

tion Advisory Committee, a certain number of Director candidates who are familiar with the Company's business and the issues it is confronting and who are capable of carrying out the Company's management in an appropriate, fair and efficient manner.

Prior to the election of Director candidates, the President and Representative Director shall submit a draft to the Nomination Advisory Committee with a full assessment of the abilities, knowledge and performance of individual candidates, regardless of whether they are from inside or outside of the Company. The Board of Directors shall then finalize its decision on the selection based on recommendations of the Nomination Advisory Committee.

When deemed necessary, the Nomination Advisory Committee deliberates on the dismissal of Directors and reports its conclusions to the Board of Directors.

■ Skill Matrix

Name	Areas in which the Company particularly expects Director candidates to contribute									
	Corporate philosophy / business strategy	Governance/ legal affairs	Finance/ accounting/ tax	International business/ diversity	Digital innovation/ technology	Environment/ society/ energy policies	Human resources development	Marketing/ sales	Manufacturing/ supply	
Shunichi Kito	●	●	●				●	●		
Takashi Matsushita	●			●	●				●	
Susumu Nibuya	●	●				●		●		
Katsuaki Shindome	●	●					●	●		
Atsuhiko Hirano	●				●			●		
Masakazu Idemitsu	●	●								
Kazunari Kubohara		●	●			●				
Takeo Kikkawa	Outside	Independent		●	●	●				
Mackenzie Clugston	Outside	Independent		●		●	●			
Norio Otsuka	Outside	Independent	●	●	●					
Yuko Yasuda	Outside	Independent		●			●			
Mitsunobu Koshiha	Outside	Independent	●	●	●					

● indicates areas in which the Company particularly expects the relevant Director to contribute and does not represent all of his/her knowledge and experience.

Nomination of Candidates for Audit & Supervisory Board Members

Candidates for Audit & Supervisory Board Members are selected from among those who have appropriate experience and abilities as well as the necessary knowledge of finance, accounting or legal affairs. Moreover, candidates for internal Audit & Supervisory Board Members are selected based on their full knowledge of the Company's business and the issues it is confronting in addition to their abilities to conduct audits and execute the supervision of the Company in an appropriate, fair and efficient manner.

In the selection of candidates for Audit & Supervisory Board Members, the President and Representative Director discusses the matter with all representative directors and, based on the recommendations of the Nomination Advisory Committee, submits to the Board of Directors a draft that sufficiently evaluates the abilities, knowledge and performance of each candidate, regardless of whether they are from inside or outside of the Company, after obtaining the consent of the Audit & Supervisory Board.

Independence Requirements for Outside Officers

To ensure that the Board of Directors fulfills its supervisory functions, the Company's basic policy is to appoint a sufficient number of Independent Outside Directors and Independent Outside Audit &

Supervisory Board Members capable of providing useful advice to management based on their knowledge and experience so that they account for more than one third of its Directors and half of its Audit & Supervisory Board Members. In line with this basic policy, candidates for these positions are selected from among persons who satisfy the "Independence Requirements for Outside Officers" in a way that secures diversity in terms of expertise and backgrounds.

Training

The Company provides training to its Directors and Audit & Supervisory Board Members on their roles and responsibilities as well as the level of compliance literacy expected of them when they assume these positions at a listed company.

In addition, the Company explains its business, finance, and organization to newly appointed Independent Outside Directors and Independent Outside Audit & Supervisory Board Members of the Company, so that they can fulfill their roles and responsibilities. The Company also encourages Directors and Audit & Supervisory Board Members to spontaneously strive for skill improvement and, to this end, provides them with training opportunities tailored to their individual needs, while at the same time offering a broad range of support for necessary expenses.

Main Agenda Items Discussed by the Board of Directors

In FY2019, the Board of Directors engaged in active discussion, holding multiple sessions to address matters associated with business integration, including the absorption-type company split executed in July 2019, and the Medium-term Management Plan announced in November. In the second half of said fiscal year, the Board of Directors strove to address issues identified via the annual

assessment of the effectiveness of its operations and, to this end, deliberated on such matters as the partial delegation of its authority to executive departments and the establishment of human resource standards for Director, Audit & Supervisory Board Member and Executive Officer candidates, in addition to discussing strategic issues the Company is currently confronting.

■ FY2019	
1Q	<ul style="list-style-type: none"> ■ Shareholder return policy ■ Medium-term Management Plan (kick-off session) ■ Business integration-related (absorption-type company split, etc.) ■ Revision of remuneration systems for executives ■ Basic policy on internal control systems ■ Basic policy on corporate governance
2Q	<ul style="list-style-type: none"> ■ Financing strategies for the entire Group, including overseas operations ■ Medium-term Management Plan (carbon recycling initiatives) ■ DTK project (operational flow and work style reforms to improve productivity) ➡ P. 48 ■ Audit policies for Audit & Supervisory Board Members ■ Periodic reporting from the Risk Management Committee
3Q	<ul style="list-style-type: none"> ■ Medium-term Management Plan (summary) ■ Review of investor interview results ■ Policies on information disclosure for shareholders and the conduct of shareholders general meetings ■ Assessment of the Board of Directors' effectiveness (implementation methods) ■ Partial delegation of the Board of Directors' authority to executive departments ■ Establishment of human resource standards for Director, Audit & Supervisory Board Member and Executive Officer candidates ■ Establishment of the Action Mindset ➡ P. 45 ■ Establishment of the Human Rights Policy ➡ P. 45
4Q	<ul style="list-style-type: none"> ■ Business impact of the COVID-19 pandemic and countermeasures ■ Medium-term strategic issues ■ Business portfolio ■ Medium-term targets and initiatives for GHG emission reduction ■ Assessment of the Board of Directors' effectiveness (review of results) ■ Digital innovation initiatives ➡ P. 41 - 42 ■ New service station brand ➡ P. 5, 24 ■ Review of the executive structure and the flow of the selection process for Executive Officers

Note: The above list is a partial representation of agenda items. The Board of Directors has also deliberated on other matters deemed necessary under laws, regulations and the Articles of Incorporation of the Company and passed resolutions on these matters.

Assessment of the Effectiveness of the Board of Directors

Having marked a fresh start as a new integrated company, we launched the first round of assessment since integration, to this end sending out questionnaires to all Directors and Audit & Supervisory Board Members

in December 2019. We have since analyzed input from respondents, employing the advice of an expert organization. Finally, the results of this analysis were discussed by the Board of Directors.

■ Process for the Assessment of the Board of Directors' Effectiveness	
<p>Sending out questionnaires to all Directors and Audit & Supervisory Board Members</p>	<p>Discussion by the Board of Directors regarding the results of the analysis of input from respondents</p>
<p>Identifying issues to be tackled and implementing initiatives aimed at effecting improvement</p>	
■ Results of FY2019 Assessment, Issues to Be Tackled and Future Initiatives	
<p>Overall assessment and items that earned high ratings</p>	
<ul style="list-style-type: none"> ● Overall functions of the Board of Directors were confirmed. ● Ratings were particularly high for the following items. <p>Diversity in the composition of the Board; the timing of the provision of meeting materials; the content and the timing of the prior explanation of agenda items; open, active and constructive discussion and the exchange of opinions at each Board of Directors</p>	
<p>Issues Identified via the FY2019 Assessment and Initiatives Aimed at Effecting Improvement</p>	
<p>(1) Composition of the Board of Directors</p>	<p>Employ the Skill Matrix to pursue the optimization of the Board of Directors' overall composition in a way that helps it invigorate discussion and enhance its functions.</p>
<p>(2) Review of agenda items to be discussed by the Board of Directors going forward</p>	<p>Place stronger emphasis on deliberating strategic and governance matters as well as topics associated with achieving improvement in corporate value; to this end, the Board of Directors' authority over a broad range of matters associated with the execution of business, including organizational management, human resources and internal rules, has been delegated to executive departments over the course of the December 2019–March 2020 period, with the aim of speeding up decision making and clarifying responsibilities with regard to the execution of business.</p>
<p>(3) Follow-up assessment of the progress in the management plan</p>	<p>Progress under the Medium-term Management Plan, which was launched in April 2020, is being assessed by the Board of Directors on a quarterly basis in the short term. The Board of Directors also remains attentive to changes in the business environment over the medium to long term and determines the timing and content of strategic revisions when necessary. Moreover, the Board of Directors deliberates strategic issues, to this end receiving reports from relevant Executive Officers with regard to specific business strategies and performing follow-up assessments based on such reports.</p>
<p>(4) Discussion regarding a plan for the succession of the CEO position and process for the selection and dismissal of CEO</p>	<p>The process for the selection of CEO has already been discussed by the Nomination Advisory Committee. In FY2020, the committee went on to launch discussions regarding the plan for CEO succession and process for CEO dismissal.</p>

Compensation for Executives

Basic Policy on Executive Compensation

The Company's basic policies regarding remuneration for its Directors and Executive Officers are twofold: 1) to increase corporate performance and corporate value over the medium to long term to realize its Management Vision and 2) to establish a remuneration system and decision-making process that is transparent, rational, and fair so that the Company can fulfill its accountability to customers, society, the environment, shareholders, business partners, employees, and other stakeholders. Based on this policy, the Company's executive compensation system is as follows.

Compensation Standard

Compensation levels for Directors and Executive Officers shall be reviewed as appropriate in light of changes in the business environment and external survey data.

Compensation Structure

The Company and Showa Shell merged on April 1, 2019. Starting in FY2019, the compensation structures for Directors (excluding Outside Directors) and Executive Officers will be based on new arrangements, with the emphasis being placed on contributing to the maximization of synergy creation, business portfolio rearrangement, and enhancement of initiatives for the environment, society and governance, which in turn, will lead to further improvement of corporate value. Compensation for these individuals will thus consist of (1) fixed compensation, (2) performance-based bonuses (shift from performance-linked monetary compensation (periodic equal pay) to performance-based bonuses for the purpose of clarifying the incentive structure), and (3) performance-linked stock compensation.

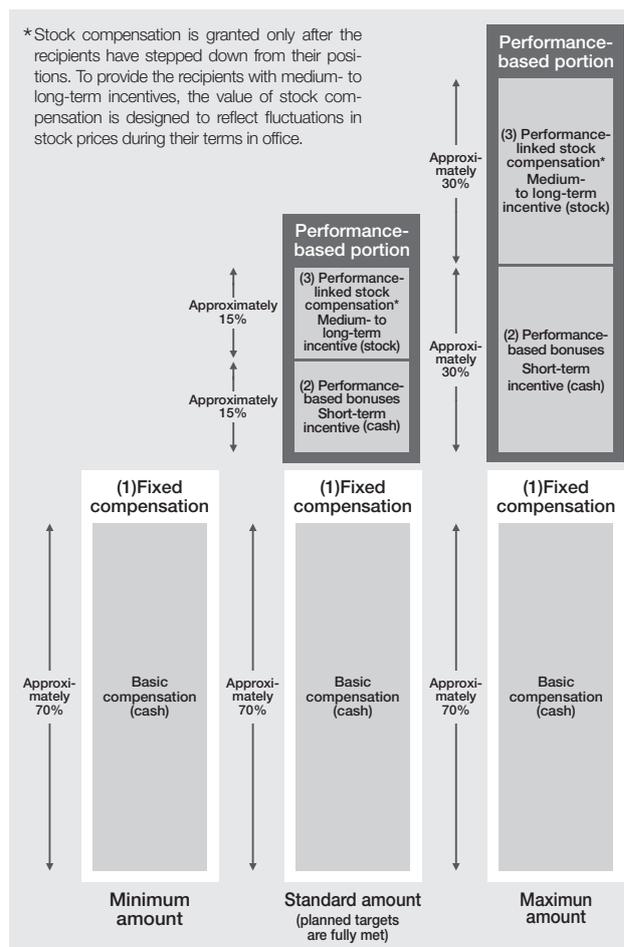
As the Company aims to ensure that the recipients share values in common with our shareholders and investors, the Company uses net income and consolidated operating income as indicators for determining the performance-based portion of compensation, believing that these indicators are appropriate in light of strengthening profitability and increasing the corporate value. In addition to using these consolidated financial results the Company has adopted indicators that reflect the accomplishments of each recipient in their efforts to address management issues in their respective areas of oversight. In particular, this portion for Representative Directors is designed to better reflect the Company's non-financial accomplishments, including those associated with environmental, social and governance (ESG) issues. Weights allocated to each indicator are determined based on duties executed by each recipient.

Compensation for Outside Directors consists solely of fixed compensation from the perspective of objectively assessing the appropriateness of business execution and ensuring appropriate supervisory functions.

In the course of determining compensation for Directors and Executive Officers, the Company also utilizes data obtained from a consulting firm that is independent from the Company to assess its appropriateness.

In addition, no specific limitations are set for the number of the Company shares that can be owned by Directors and Executive Officers.

■ Compensation Systems for Directors (excluding Outside Directors) and Executive Officers



The Date of Resolution at the Shareholders General Meeting Concerning Remuneration, etc., for Executives and the Details of Such Resolution

At the 91st Ordinary General Meeting of Shareholders held on June 27, 2006, the amount of compensation for Directors and Audit & Supervisory Board Members was set at 1.2 billion yen or less per year for Directors and 120 million yen or less per year for Audit & Supervisory Board Members. At the time of the resolution, there were 12 Directors and five Audit & Supervisory Board Members.

At the 104th Ordinary General Meeting of Shareholders held on June 27, 2019, it was resolved that, in addition to the above compensation limits, the Company would contribute up to 1.9 billion yen in total to a trust established to support the performance-linked stock compensation system that grants the Company stock to Directors and other recipients based on their accomplishments during the last three consecutive fiscal years (provided, however, that with regard to a trust that commenced in FY2018, a total amount of 2.3 billion yen shall be contributed to support the system so it is able to reward recipients for their accomplishments during the four business years from FY2018 to FY2021). At the time of resolution, this system covered six Directors (excluding Outside Directors) and 31 Executive Officers (not concurrently serving as Directors).

Individual compensation for Directors is determined by the Board of Directors based on the recommendations of the Nomination and Compensation Advisory Committee, which is composed of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members. Individual compensation for Audit & Supervisory Board Members is determined through discussions between Audit & Supervisory Board Members. The Nomination and Compensation Advisory Committee met a total of 10 times in FY2019, including deliberation on executive compensation.

Total Amount of Compensation, etc. by Executive Category

Total amount of compensation and other wages paid to Directors in FY2019, their breakdown by type and the number of recipients is as presented below.

Category	Number (people)	Fixed compensation (Millions of yen)	Performance-linked compensation (Millions of yen)		Total compensation (Millions of yen)
			Cash compensation	Stock compensation	
Directors (excluding Outside Directors)	8	460	14	—	475
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	58	—	—	58
Outside Directors and Outside Audit & Supervisory Board Members	7	97	—	—	97
Total	17	616	14	—	631

Management Monitoring System

The company's internal control system is based on the supervision by the Board of Directors, audits by Audit & Supervisory Board Members, and accounting audits, as well as the effective functioning of the following three defense lines under executive leadership supervised by the President and Representative Director. (1) Each department controls risks by incorporating self-management into daily operations, and ensures the legality of operations. (2) The management division supports the division in each specialized field and monitors the status of self-management. (3) The Company has established an "Internal Audit Department" under the direct control of the President and Representative Director, and its staff implement "Internal Audits" and "Assessment of Internal Control over Financial Reporting (J-SOX)" from an independent and objective standpoint. The Internal Audit Department conducts internal audits of domestic and overseas offices and affiliated companies. In this way, the effectiveness of internal controls in each division is evaluated, and the results are reported to the President and Representative Director, Audit & Supervisory Board Members, general managers, and relevant Executive Officers. The departments that receive advice and proposals for improvement systematically make improvements, and the Internal Audit Department conducts follow-up audits as necessary.

Audits by Audit & Supervisory Board Members

Audit & Supervisory Board Members (four members) attend meetings of the Board of Directors and audit business reports, financial statements, and consolidated financial statements that are submitted to the annual general meeting of shareholders. They also audit the execution of business operations by Directors on a daily basis. Full-time Audit & Supervisory Board Members attend important internal meetings, such as those of the Management Committee, and meet with general managers, overseas managers, and the presidents of subsidiaries. Part-time Audit & Supervisory Board Members strive to enhance auditing by visiting key departments. As a general rule, these individuals hold quarterly meetings with the representative director to discuss issues.

Strategic Holdings of Listed Shares

Policy on Strategic Holdings of Listed Shares

The Company's strategic holdings of listed shares, which have been maintained with the objective of securing and expanding medium- to long-term transactions, are currently being reduced via the annual verification of rationale for such shareholdings. This verification involves both quantitative and qualitative assessments. The former focuses on examining the benefits and risks arising from each shareholding and confirming its propriety vis-à-vis capital cost. The latter focuses on examining such factors as improvement in the stability of the investee business. Results of this verification are discussed by the Board of Directors to decide on whether or not to divest certain shareholdings. The Company also engages in sufficient dialogue with business partners whose shares are earmarked for divestment from its shareholding portfolio. Upon securing their understanding, the Company carries out divestment while giving due consideration to its impact on share prices. In FY2019, the Company divested 20 shareholdings worth 2,305 million yen in total.

Criteria for the Exercise of Voting Rights Associated with Strategic Holdings of Listed Shares

With regard to voting rights associated with strategic holdings of listed shares, our company maintains a policy of casting its vote in a way that leads to sustainable improvement in the corporate value of both our company and the investee. To this end, the Company has made it a rule to judge whether or not an investee is able to sustainably improve its corporate value based on the assessment of such factors as its management strategies and operating results. Furthermore, depending on the content of a ballot proposal, the Company requests a detailed explanation on each matter prior to casting a vote. Should a ballot proposal by an investee be deemed to constitute a conflict of interest between the Company and said investee, the Company exercises its voting rights on an as-necessary basis after consulting with Independent Outside Directors and external specialists.

Compliance

Concept of Compliance

The Idemitsu Group defines compliance as adhering with laws, regulations, internal rules and business contracts, in addition to refraining from the violation of ethical and social norms, regardless of whether an actual legal offense would arise.

Based on this definition, every group employee is expected to live up to high ethical standards and act appropriately and sincerely while maintaining self-discipline.

To this end, in 2019 the “Compliance Code of Conduct” was established for all employees working around the world, both overseas and in Japan, to disseminate the compliance mindset that each employee should have and to practice actions based on this mindset. The code is designed to provide explicit, simple and easy-to-understand guidance that exemplifies desirable employee behavior in terms of maintaining compliance. The “Compliance Code of Conduct” supports “high integrity,” as set forth in the Action Mindset, and constitutes common compliance concepts for all to follow. In line with this, we will act with a compliance-first attitude.

*Compliance Code of Conduct

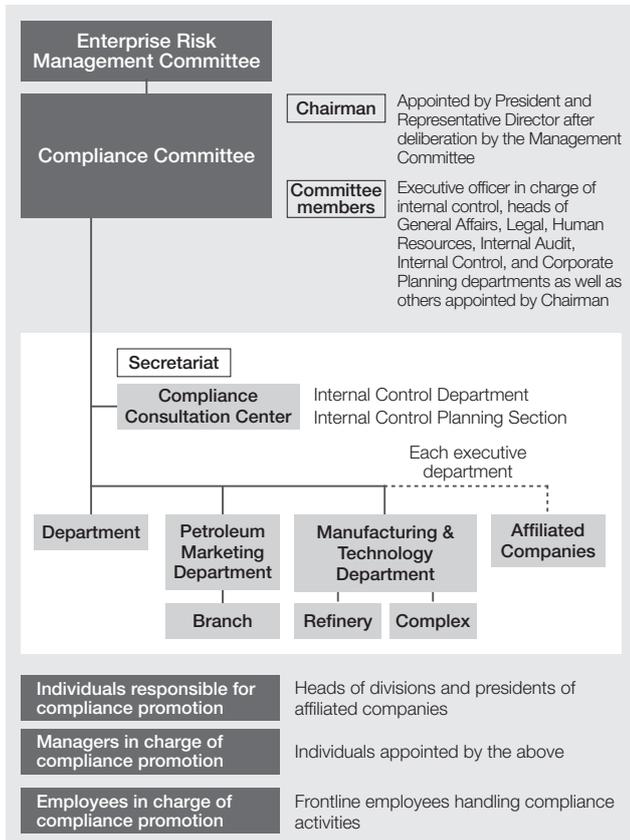
➔ <https://sustainability.idemitsu.com/en/themes/200>



Compliance Promotion Structure

The Compliance Committee is tasked with providing support and guidance for compliance activities. Moreover, managers and employees in charge of compliance promotion are appointed at each division, subsidiary, and affiliate.

Compliance Promotion Structure



Establishment of Consultation Center

Domestic Consultation Center

To provide employees with robust access to in-house helplines, the Compliance Consultation Center, established at the Internal Control Department, accepts consultation and whistle-blowing related to compliance, while the Harassment Consultation Center, which operates under the Human Resources Department, accommodates overall consultation regarding harassment.



A poster designed to raise employee awareness of consultation centers

Furthermore, the Workplace Helpline provides an external contact run by a third party.

In an effort to accommodate employee consultation on a broad range of topics, this helpline was upgraded in June 2020, with certified industrial counselors being appointed to provide employees with opportunities to receive professional advice.

Number of consultations received in FY2019

	Name of contact	Eligible individuals	Number of consultations
In-house	Compliance Consultation Center	Employees (includes part-time, contract, seconded, and temporary employees) of the Company, subsidiaries, and affiliates	14
	Harassment Consultation Center		5
External	Workplace Helpline	Eligible individuals	11

Overseas Consultation Hotline

In order to respond to reports from overseas offices, we established the “Idemitsu Global Hotline (IGHL)” in FY2018 and are operating this hotline for employees at approximately 40 bases located in China, Asia, and Oceania as well as the Middle East, Europe, Russia, and both North and South America in a way that encompasses most of the Group’s overseas business sites. The IGHL accommodates consultation in all languages spoken in countries where Idemitsu maintains local subsidiaries.

Number of consultations received in FY2019

Name of contact	Eligible individuals	Number of consultations
Idemitsu Global Hotline (IGHL)	Employees (including national staff and employees seconded from the Company) of the Group’s overseas business sites	3

Compliance Promotion Activities

■ Major Compliance Violations in FY2019*: 0

* Violations disclosed as having a serious impact on group management

Risk Management

Raising Employee Awareness

We have opened the “Compliance Room,” a new webpage accessible from the intranet information portal. This page features compliance violation case studies as well as four-frame comics and blog posts aimed at raising employee awareness of compliance. Moreover, we provide employees with web-based compliance learning programs to aid in their acquisition of compliance literacy and identification of compliance issues specific to their workplaces. In addition, we implement compliance training specially designed for new hires and individuals appointed to managerial positions. At the end of January 2020, we issued our *Compliance Book* in the Japanese, English and Chinese languages, with the aim of offering specific compliance standards. In these ways, we are striving to help employees deepen their understanding of compliance and assist them in its proper practice.



Compliance Book

Bribery and Corruption Prevention

Whether it takes place in Japan or overseas, our Compliance Code of Conduct stipulates that all forms of corruption must be prevented. Furthermore, we have established basic rules and systems to be observed in the prevention of bribery. In FY2019, these rules were upgraded into the “Rules for the Prevention of Bribery” with the aim of preventing violations of the OECD convention and the Foreign Corrupt Practices Act (FCPA) as well as laws and regulations, enforced in countries where we operate, to prohibit unfair competition and bribery. In addition to strictly adhering to these rules, we have included articles on such topics as the prohibition of bribery, such as bribery to public officials and limitations on excessive gifts and entertainment, in our Compliance Book to raise employee awareness.

Tax Compliance Initiatives

Due to the globalization of our business, we are more likely to confront a more diverse range of increasingly complex tax-related issues in the course of operations. Accordingly, we recognize that coordinated handling of tax compliance is a matter of increasing importance. With this in mind, we established the “Group Tax Regulations,” “Group Tax Practices Guide” and other relevant rules aimed at stipulating the Group’s policies on tax compliance and the detailed treatment of tax-related issues. We are thus striving to fulfill our corporate social responsibility by paying taxes in a proper manner and complying with all applicable tax laws enforced in countries where we operate in line with the Group Basic Tax Policy.

■ Group Basic Tax Policy

(1) Compliance with Tax Compliance

The Group employees must adhere with a basic policy of properly filing taxes, making payments, and otherwise handling transactions involving the Group in conformity with tax laws and regulations, and are prohibited from engaging in tax evasion or other illegal actions.

(2) Proper Management of Tax Expenses

The Group employees must give due consideration to various tax systems to prevent the emergence of tax-related risks. At the same time, they are expected to fully utilize legally permitted measures to optimize the Group’s tax-related operations.

Policy of Risk Management

Idemitsu Group strives to stabilize its management by proactively recognizing and evaluating various risks associated with its business activities and taking appropriate measures in accordance with those risks. At our group, we classify risks associated with our business activities into two categories: “Operational Risk” and “Business Strategy Risk” and promote countermeasures against them. “Operational Risk” is the risk of impeding business execution that causes losses and yields no profit. Risks under this category are typified by accidents, disasters, non-compliance, business errors, product defects, customer complaints, environmental pollution, system failures, terrorism, and labor problems. The term “Business Strategy Risk” refers to risks associated with business activities that exclude “Operational Risk” and significantly affect profit or loss. In addition to risks associated with current business strategies such as investments and finance, this category includes risks associated with the future business environment.

Risk Management Promotion Structure

Enterprise Risk Management Committee

The Enterprise Risk Management Committee, which is supervised by the Board of Directors, handles “Business Strategy Risk” and is tasked with the determination of risk management policies associated with Group operations and monitoring the status of risk management. In principle, this committee meets once every six months and requests reporting from other committees with regard to major risks categorized under “Operational Risk” or “Business Strategy Risk.” Also, the committee provides the Board of Directors with updates on the status of its activities once a year in principle.

Risk Management Committee

We have established the “Risk Management Committee” tasked with handling “Operational Risk” and is promoting company-wide risk management by taking necessary measures in a timely and prompt manner. The committee holds periodic meetings on a quarterly basis to specify and select the prioritized risks for the entire Group, formulate countermeasures, and identify signs of their emergence while assessing newly emerging risks. In addition to deliberating on these and other matters related to the management of Operational Risk, including measures for risk prevention and managing the progress of such measures, the committee is responsible for submitting its conclusions to the Enterprise Risk Management Committee.

Other Risk Management Initiatives

Further Enhancement of Crisis Readiness Capabilities

We formulated the “Crisis Response Rules” as the highest rules for crisis response. These rules stipulate our policy on crisis response, crisis level definitions, reporting lines, and methods for establishing emergency task forces, among other matters related to crisis response.

Should an incident occur at any facility run by a group entity, the business unit responsible for the incident site will swiftly relay the ascertained risk-related information will be swiftly reported to the business unit responsible for the incident site and the General Affairs Department’s Risk Management Section in accordance with these rules. This risk-related information will also be communicated to the Risk Management Committee as necessary. Furthermore, corporate and other relevant departments will work to assist or spearhead risk countermeasures undertaken at the incident site to minimize the social impact and potential damage.

Initiatives to Upgrade our Business Continuity Plans (BCPs)

In FY2006, we formulated BCPs assuming the occurrence of an earthquake with an epicenter in the Tokyo metropolitan area, a megathrust earthquake involving the Nankai trough, and the outbreak of avian influenza, respectively. Based on said BCPs, we have held annual comprehensive disaster drills and clarified problems regarding actual execution and coordination among all business bases in order to strengthen our practical response capabilities and have reflected appropriate revisions to the BCPs. In September 2020, we held the 14th round of the comprehensive disaster drill. To prevent the spread of COVID-19, this round was tried to implement fully online based, with approximately 200 individuals, including those from Head Office’s task force, participating through their PCs. Also, each refinery, complex and plant carries out periodic disaster prevention drills encompassing their entire site in accordance with applicable crisis response regulations.

In FY2015, we were appointed as a designated public institution by the Cabinet Office and we accordingly announced the Disaster Prevention Action Plan. This plan was updated in conjunction with the business integration, with the latest edition being submitted to the relevant authorities in December 2019. As a designated public institution, we worked to ensure that the tanker trucks we operate in each prefecture have been registered for emergency use.



Online based comprehensive disaster drill

Countermeasures against the COVID-19 Pandemic

Based on our BCP assuming the outbreak of avian influenza, in February 2020 we established the task force headed by the President and Representative Director. Aiming to ensure the stable supply of petroleum products and materials, which are essential to supporting economic and social activities, we have constantly updated our relevant policies and measures in light of changes in social conditions. At the same time, we rallied the Group’s overall strengths to protect the safety of employees and implemented thoroughgoing countermeasures to prevent the spread of infection.

■ Outline of our initiatives

January 2020	Distributed the first alert regarding the prevention of infection, urging the families of expatriates in China to temporarily return to Japan
February 2020	Established the task force chaired by the President and Representative Director
April 2020	In response to the declaration of a state of emergency, thoroughgoing and highly effective measures to prevent the spread of infection were immediately enforced. These measures included a general prohibition of commuting to company facilities and taking business trips.
May 2020	In conjunction with the lifting of the state of emergency, the aforementioned measures were partially relaxed. Discussion regarding the incorporation of new working styles was launched, with an eye to adapting to the new normal in the post-pandemic period.
July 2020	In response to a resurgence in the outbreak, preventive countermeasures were once again strengthened, with the target of decreasing the ratio of employees who commute to company facilities to less than 30%. (These restrictions on commuting were still place as of September 2020.)

Information Management

Information Management System

In line with the Information Security Basic Policies, the Idemitsu Group is endeavoring to ensure the confidentiality of its information assets and to simultaneously secure the accessibility and security of its information systems and networks. Utilizing information technologies, we are thus striving to maintain and enhance the level of customer services. In addition, Idemitsu has established the Customer Information Management Standards to appropriately collect and use customer information, keeping it up to date while safeguarding it. The standards also mandate the proper disposal of such information.

As part of our thoroughgoing information management measures, we mandate that all IT system users (including permanent and temporary employees as well as subcontractors) undergo annual information security education focused on Security Standards for the Use of IT Systems via e-learning. At the same time, each division carries out an autonomous inspection of information management every year and data security audits are implemented as part of periodic internal audits.

Should information leakage occur, the incident will be handled in accordance with the “Crisis Response Rules,” and the Information Control Guidelines.

Employee education

● Information security education via e-learning

We provide annual e-learning programs (in Japanese, English and Chinese) to instill information security rules that must be observed by all IT system users. Targeting all Group employees at home and abroad, the 2020 round of these programs was implemented during the March – April 2020 period and completed by a total of 14,545 people, or 100% of targeted individuals.

● Specialized e-learning program

In FY2019, we also launched e-learning programs for employees tasked with handling or administering control systems. The 2020 round of this program was implemented during the February – March 2020 period and completed by a total of 4,516 people, or 100% of targeted individuals.

● Training on the handling of suspicious e-mails

On a quarterly basis, we implement training focused on handling targeted e-mail attacks, with the aim of mitigating the risk of contracting computer virus infections borne by suspicious e-mails and raising cybersecurity awareness among employees.

● In-house newsletters designed to raise employee awareness

We distribute the monthly cybersecurity newsletter via e-mail, calling employees’ attention to relevant cybersecurity-related topics and thereby raising their awareness.

Ensuring Safety

Policy for Ensuring Safety

Idemitsu's policy for ensuring safety is (1) to ensure the safety of people as our highest priority; and (2) to reduce and eliminate risks through the appropriate allocation of management resources and the maintenance and improvement of facilities, processes and work mechanisms with the aim of eliminating accidents and injuries while also (3) making efforts to cultivate a safety-oriented culture. Ensuring safety based on this policy hinges on management efforts. We also recognize the realization of a zero accident/disaster status as the foremost goal to be accomplished through these endeavors. Based on this recognition, we have established the following specific policies clarifying that ensuring safety is of utmost importance and must be prioritized in the course of our judgements, no matter the type of task or action involved, throughout all aspects of business activities, including production, logistics, sales, and research and development.

1. Ensure the safety of people
2. Ensure the safety assurance of facilities and processes
3. Ensure the safety of work mechanisms and procedures
4. Properly allocate and utilize management resources
5. Cultivate a safety-oriented culture and promote safety management

System for Promoting HSSE Initiatives

We have positioned "Safety, Health and the Environment" as a management foundation and have established the Safety & Environmental Protection Headquarters to promote initiatives to secure and preserve this foundation. Members of the headquarters consist of the General Manager and co-head of the Safety & Environmental Protection Headquarters, general managers of departments in charge of supervising business sites and other managers who are appointed by the General Manager, in addition to the secretariat. The executive in charge of safety and environment (Director) is appointed by the President and Representative Director to serve as the General Manager of the Safety & Environmental Protection Headquarters, overseeing the headquarters as the individual bearing the highest responsibility regarding safety, health, and the environment. Safety, Environment (HSSE) & Quality Assurance Department serves as the secretariat.

The role of the headquarters is (1) to determine the medium-term management plan, the annual basic policies, and priority issues associated with health, safety, security and the environment (HSSE), (2) to assess and evaluate performance through audits, (3) to maintain, review, and improve the Safety Management System and the Environmental Management System, and (4) to instruct all departments and major affiliated companies on how to secure the management resources necessary to establish, implement, maintain, and continually improve these Management Systems.

As a general rule, the Safety & Environmental Protection Headquarters Meeting is held once a year in December to confirm the progress of HSSE activities and decide on our group's annual basic policies for the next fiscal year.

Each department appoints a manager in charge of safety and the environment to manage and promote the overall HSSE activities of the department, including those of the business sites under its management.

In line with annual basic policies and priority issues determined by the headquarters, each department is autonomously engaged in HSSE activities by employing a PDCA cycle.

In addition, in order to confirm and promote the HSSE activities of each department, the General Manager of the Safety & Environmental Protection Headquarters or other top management representative conducts Safety and Environment related instructions or Safety patrols by

visiting business sites. The secretariat of the headquarters also conducts Safety and Environmental audits at business sites. In particular, at our company's refineries and complexes, the General Manager of the Safety & Environmental Protection Headquarters conducts Safety and Environment related instruction and Safety patrol once a year, while the secretariat conducts Safety and Environmental audit on an annual basis.

At business sites other than those named above, Safety and Environmental audits are carried out once every three years in principle. Should safety- and/or environment-related issues requiring improvement be discovered by audits, the secretariat will conduct follow-up monitoring on each case and oversee the entire process from the planning of countermeasures to the completion of their implementation.

Furthermore, in order to prevent serious accidents at our business sites, we have established the Safety & Security Advisory Committee, whose membership includes external experts, as an advisory body to the Board of Directors or the President and Representative Director, with the aim of establishing more effective safety and safety assurance measures.

Results of FY2019 Safety and Environmental Audits

- Number of business sites subject to audits: 22
- Total number of issues commented on via audits: 411
 - Major nonconformity: 3
 - Minor nonconformity: 50

* Safety Management System: To promote safety management activities, safety management policies, objectives and targets are established. To achieve these objectives, a safety management plan is formulated, implemented, reviewed, and continuously improved.

Activities and Results Based on the Annual Basic Policies on HSSE

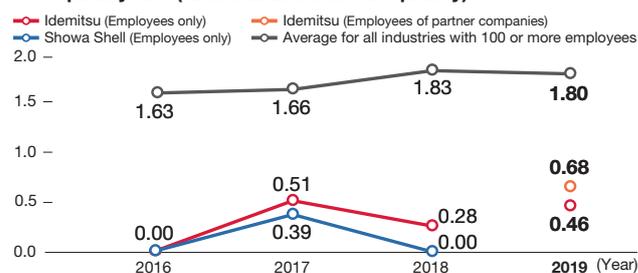
Annual Basic Policies on HSSE in FY2019

Continue to take on the challenge of zero accidents, and aim for "Zero serious accidents," "Zero fatal and lost time injuries," and "Zero environmental abnormalities." Continue also to strive for "Strict adherence to Life Saving Rule" while "Supporting and encouraging colleagues."

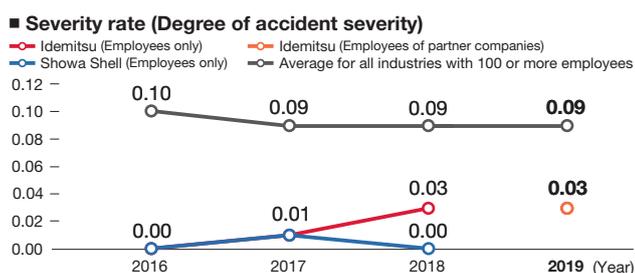
Idemitsu Group's Safety, Health and Environmental Performance in 2019 (including partner companies) (Unit: cases)

Serious accidents	1	Fire at an affiliated company
Fatal accidents	0	(Including the above serious accidents)
Accidents resulting in lost time injuries	13	
Environmental abnormalities	0	

Frequency rate (Accident incidence frequency)



- Notes: 1. The frequency rate refers to the number of fatalities and injuries due to occupational accidents per 1 million hours of actual work.
 2. Data for 2019 is based on accidents reported by Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd., Anesaki Works, BASF Idemitsu Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., TOA Oil Co., Ltd., and Seibu Oil Co., Ltd.
 3. Figures presented as averages for all industries with 100 or more employees are cited from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents.



Notes: 1. The severity rate refers to the number of lost working days due to absences attributable to occupational accidents per 1,000 hours of actual work.
 2. Data for 2019 is based on accidents reported by Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd. Ane-saki Works, BASF Idemitsu Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., TOA Oil Co., Ltd., and Seibu Oil Co., Ltd.
 3. Figures presented as averages for all industries with 100 or more employees are cited from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents.

Annual Basic Policies on HSSE in FY2020

Continue to take on the challenge of zero accidents, and aim for “Zero serious accidents,” “Zero fatal and lost time injuries,” and “Zero environmental abnormalities. Continue also to place “Strict adherence to Life Saving Rule” as the highest priority, and promote “Keeping and making people follow the basics for safety rules” and “Caring for and encouraging colleagues.”

Safety and Health Initiatives

Our Response to the COVID-19 Pandemic

From the perspective of preventing the spread of COVID-19 infection, we levelled the number of mobilization by reduction of the scale and extension of construction period in shutdown maintenances undertaken at refineries and complexes. Moreover, we placed priority on utilizing workers from local communities to minimize the workers from remote areas. We have implemented thoroughgoing health management along with stringent countermeasures aimed at safeguarding the workers from COVID-19 infection during their working times as well as during their commutes in all construction works.

Efforts for Zero Accidents

In 2019, a serious accident (a fire) occurred at an affiliated company. This accident forced said company to suspend operations for approximately four months. In response, Idemitsu assisted this company in its efforts to investigate the cause of the accident and formulate recurrence prevention measures. We will continue to strengthen our initiatives to prevent serious accidents.

The number of occupational accidents in the Group in 2019 was approximately 20% higher than the number in 2018. This increase is due in part to accidents involving workers at partner companies performing such tasks as shutdown maintenance. With this in mind, we will step up safety initiatives to strictly adhere to Life Saving Rule while identifying hazards and implementing countermeasures in non-routine operations and works. We will also strongly assist partner companies in their efforts to ensure workers safety.

In FY2020, with the aim of achieving the “Challenge of zero accidents,” each department is promoting the PDCA cycle for safety and environmental management on its own initiative, and is working to continue safe and stable operations. To this end, each department takes a comprehensive approach to identifying any potential

hazards, including those associated with processes and equipment, while implementing countermeasures via appropriate risk assessment measures.

Safety & Security Advisory Committee

At the FY2019 Safety & Security Advisory Committee, we reviewed the Earthquake Risk Management Guidelines we have had in place since 2005. In an effort to reduce the likelihood of the Company suffering serious damage due to the occurrence of a major earthquake, this review involved the reevaluation of our traditional guidelines in short-period seismic motions with varying intervals of recurrence. As part of this review, we have also incorporated risk assessment for both long- and short-period seismic motions at the maximum seismic intensities to strengthen our disaster response capabilities. Based on these risk assessments, we launched discussions regarding countermeasures to be implemented to ensure our preparedness for these disasters. In addition, the committee is striving to draw on takeaways from the Hokkaido Eastern Iburi Earthquake in 2018. At the same time, as for disasters including mega typhoons and high tides, studies of the consequence and countermeasures for its reduction are currently under way at our refineries, complexes, oil depots and lubricant-related facilities.

Reinforcement of Earthquake Resistance of Existing Facilities

Our refineries and complexes have worked to strengthen our measures in preparation for natural disasters. As for earthquakes, we have periodically assessed the earthquake resistance of our facilities based on the standards required by law to secure resilience against the expected earthquake magnitudes, and strengthen them, if necessary. In addition, having learned lessons from the Tokachi-oki Earthquake and other disasters, we have assessed and enhanced the earthquake resistance of our facilities against expected earthquake magnitudes to an extent that exceeds the standards required by law.

Following the Great East Japan Earthquake on March 11, 2011, laws concerning high-pressure gas equipment were tightened and the standards of earthquake resistance were reviewed. In response to these changes, we have been systematically reinforcing the spherical tanks and other relevant facilities that store LPG at the Group's refineries and complexes in order to improve the earthquake resistance of their support structures.

In FY2019, we reinforced our facilities at refineries, complexes and oil depots by employing subsidy programs offered by the government under the banner of building national resilience. Looking ahead, our group will consider the further enhancement of earthquake resistance.



LPG tanks with reinforced support structures (Tokuyama Complex)

Quality Control and Quality Assurance

Basic Approach to Quality

Idemitsu Group has defined its basic stance on quality as follows. “In order to ensure product safety and minimize the impact on people and the environment, we aim to promote quality assurance activities that take into account the entire life cycle of our products and services, from development and consumption to disposal, and strive to improve customer satisfaction and protect consumers.” In addition, the Basic Essential Points on Quality Assurance serve as the highest-level internal regulation on quality, and set forth the following quality assurance policy as the basic concept of quality.

1. Provide products and services of appropriate quality from the customer’s perspective.
2. Take an environmentally conscious approach to production activities and product development.
3. Provide safe and secure products.
4. Always ensure compliance and fulfill our social responsibilities.

Quality Control and Quality Assurance System

Our quality assurance system consists of two components: systems in place at business units and affiliated companies, and a corporate-level system for overseeing these. In actual quality activities, these systems work together to ensure that the Group as a whole implements its quality assurance policy.

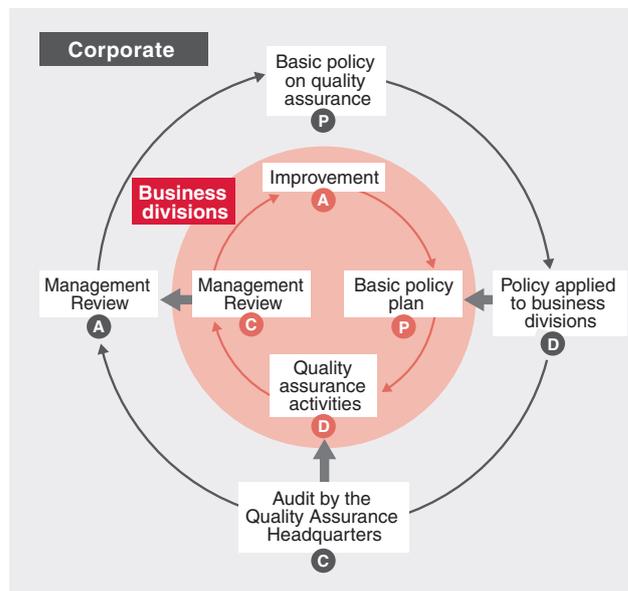
Quality Control and Quality Assurance Systems in Each Business Division and Affiliated Company

Our business divisions and affiliated companies conduct quality management activities at every stage of their operations, from product development to manufacturing and sales. These activities are intended to contribute to the maintenance and improvement of the quality of products and services to meet the needs of customers and society. In addition, each business division and affiliated company has introduced a quality assurance management system to ensure the quality of products and services provided to customers. A total of 37 business units and affiliates in our group have acquired ISO 9001 certification. (As of the end of September, 2020)

Quality Assurance System at the Corporate Level

The Quality Assurance Headquarters has been established as a corporate quality assurance organization to strengthen the governance of quality throughout our group. The Quality Assurance Headquarters is headed by the executive in charge of quality assurance (Director) appointed by the Board of Directors. Members of the headquarters consist of the heads of quality-related business divisions and the presidents of affiliated companies, with Safety, Environment (HSSE)&Quality Assurance Department serving as its secretariat. The Quality Assurance Headquarters formulates policies for company-wide quality assurance activities and promotes initiatives to address such important issues as the maintenance, review and improvement of the quality assurance management system. Each business division operates its own PDCA cycle in accordance with these policies. As a general rule, the Quality Assurance Headquarters meets once a year to monitor progress in quality assurance activities and determine our basic policies for the next fiscal year. We also conduct regular quality audits to improve the activities of each division.

Idemitsu Group’s Quality Assurance Management System (PDCA cycle)



Initiatives to Ensure Product Safety

We conduct checks of product safety at each product stage, from research and development through sales based on Rule for the Product Safety. Regulations of various countries concerning chemical substances have been frequently changing, and it is essential to respond swiftly and decisively to these changes. In FY2017, we introduced a new tool aimed at better managing information on the hazardous properties of chemical substances used in our products. Having expanded the scope of departments subject to chemical information management, we have successfully responded to domestic and overseas regulations, which are evolving frequently.

Response to Complaints on Quality

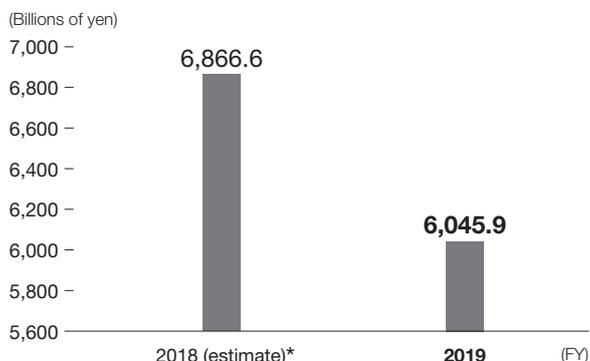
In the unlikely event of serious product safety or quality issues, we follow the “Crisis Response Rules” to minimize damage and any impact on society at large. The Customer Relations Center receives quality-related complaints and inquiries and, depending on the content, works with relevant departments to provide a swift response. We had no serious quality incidents requiring company-wide response during FY2019.

Providing Appropriate Product Safety Disclosure and Labeling

We issue safety data sheets (SDS) for the products it manufactures as stipulated under the relevant laws. Each product bears labeling that indicates its hazardous properties and safety-related details in accordance with chemical classification that complies with the GHS (Globally Harmonized System of Classification and Labelling of Chemicals). Product safety information is also available via Idemitsu’s website as it is equipped with a system that enables users to search product data by name or usage.

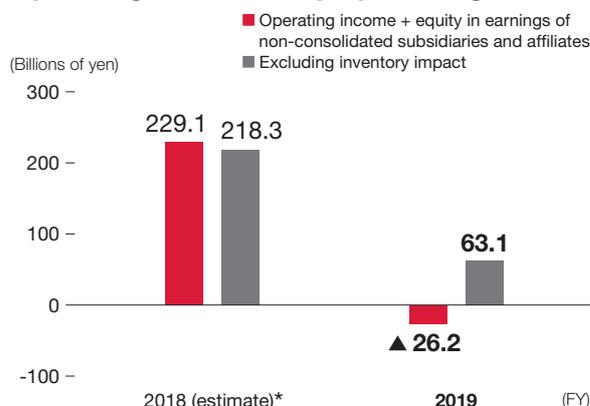
Financial Highlights

Net Sales



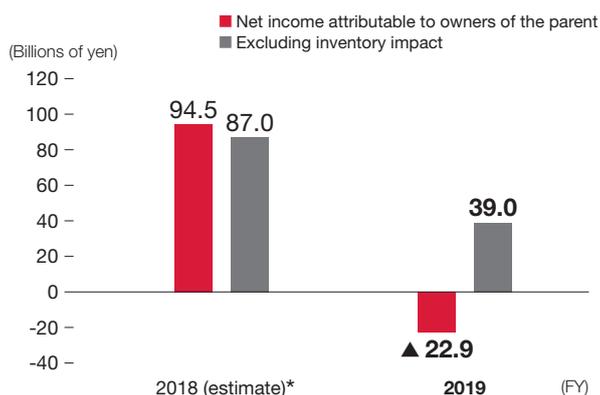
* The figure for FY2018 is an approximate value based on the sum of currently available operating result data for the two pre-merger companies for the April 2018 – March 2019 period.

Operating Income + Equity Earnings



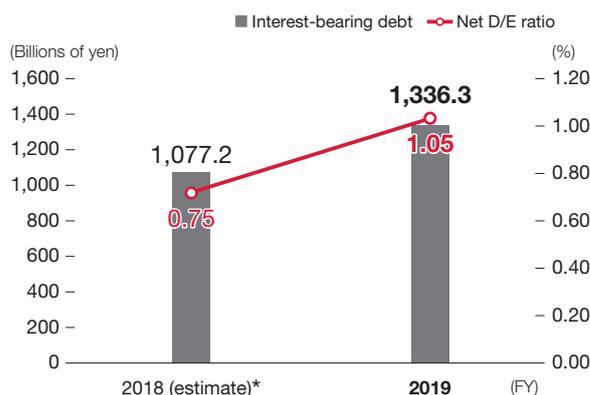
* Figures for FY2018 are approximate values based on the sum of currently available operating result data for the two pre-merger companies for the April 2018 – March 2019 period.

Net Income Attributable to Owners of the Parent



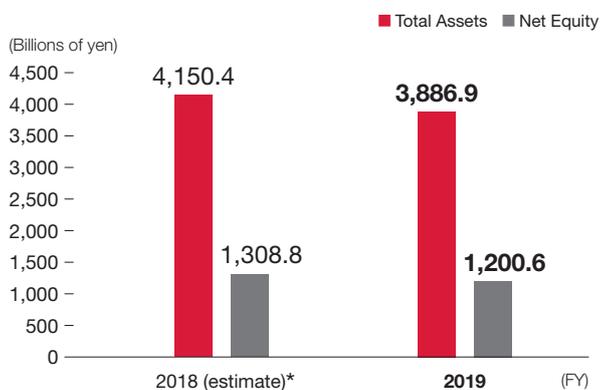
* Figures for FY2018 are approximate values based on the sum of currently available operating result data for the two pre-merger companies for the April 2018 – March 2019 period.

Interest-Bearing Debt / Net D/E Ratio



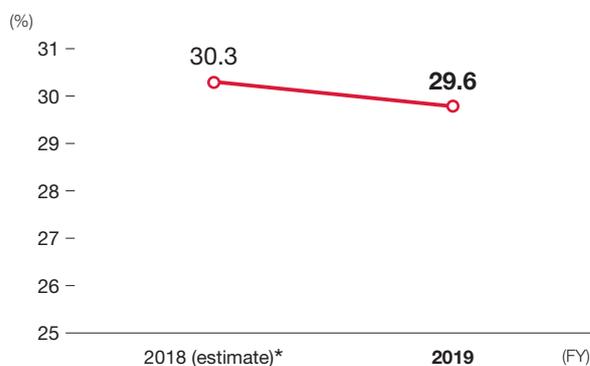
* Figures for FY2018 are calculated in reference to balance sheet data as of April 1, 2019.

Total Assets/ Net Equity



* Figures for FY2018 are calculated in reference to balance sheet data as of April 1, 2019.

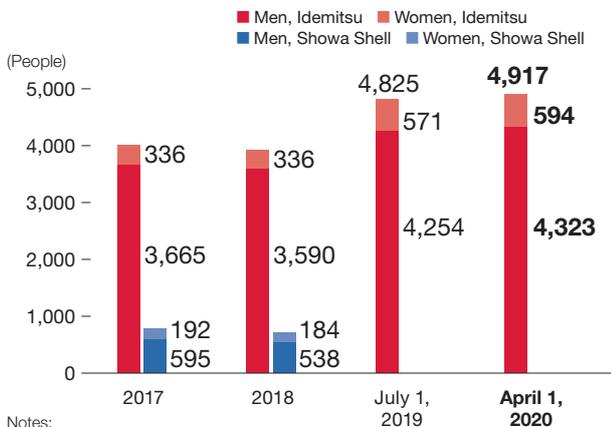
Shareholders' Equity Ratio



* The figure for FY2018 is calculated in reference to balance sheet data as of April 1, 2019.

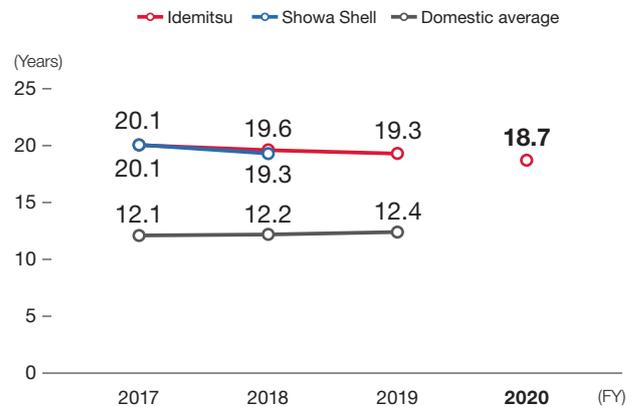
Non-Financial Highlights

Trend in Employee Composition by Gender



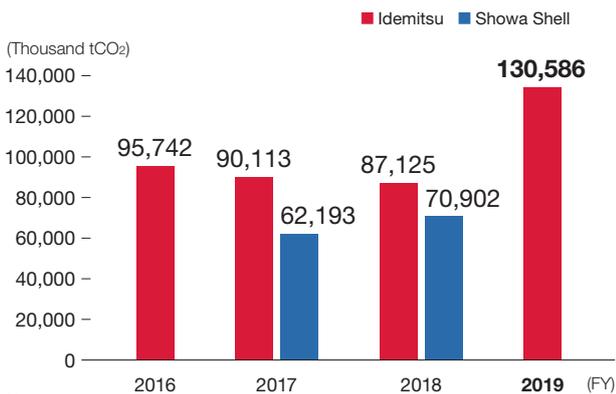
Notes:
 1.Data for 2020 is for Idemitsu hiring (Employees, seniors, re-employed, full-time contract employees, and advisors) and excludes employees seconded to other companies.
 2.With regard to data for 2017 to 2019, Idemitsu and Showa Shell are as of March 31 and December 31, respectively.

Trend in Average Years Employed



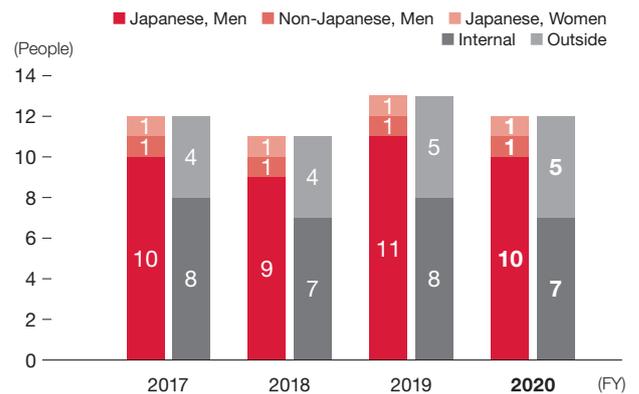
Notes:
 1.Data for 2020 is for Idemitsu hiring (Employees, seniors, re-employed, full-time contract employees, and advisors) and excludes employees seconded to other companies.
 2.Data for FY2019 is as of July 1, 2019.
 3.Idemitsu's data for FY2017 to 2019 is as of March 31, 2018, 2019 and 2020. Showa Shell's data for FY2017 to 2018 is as of December 31, 2017 and 2018.
 4.Figures presented as domestic averages are cited from National Tax Agency's Statistical Survey of Actual Statistics for Salary in the Private Sector.

Trend in CO₂ Emissions (Scope 1, 2 and 3)

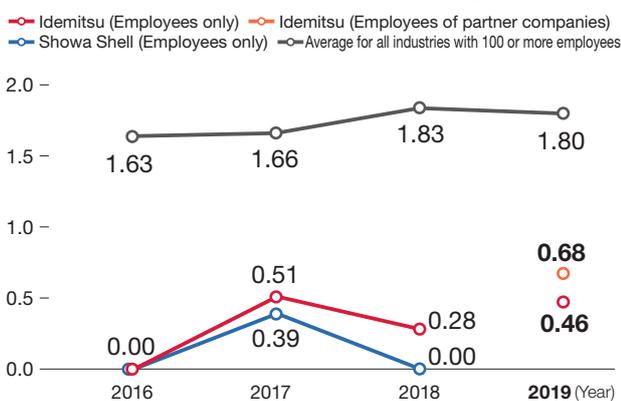


Notes:
 1.Data for FY2019 is for Idemitsu Kosan Co.,Ltd. and its consolidated subsidiaries.
 2.Data compilation methods have been revised in conjunction with business integration. Accordingly, data for FY2019 is not consistent with data for FY2018 or preceding fiscal years.
 3.Data for FY2016 regarding CO₂ emissions from Showa Shell business sites is not publicly disclosed.
 4.In line with a change in the end of fiscal year, Showa Shell's FY2018 data is based on emissions during the 15-month period from January 1, 2018 to March 31, 2019.

Trend in Board of Directors' Diversity

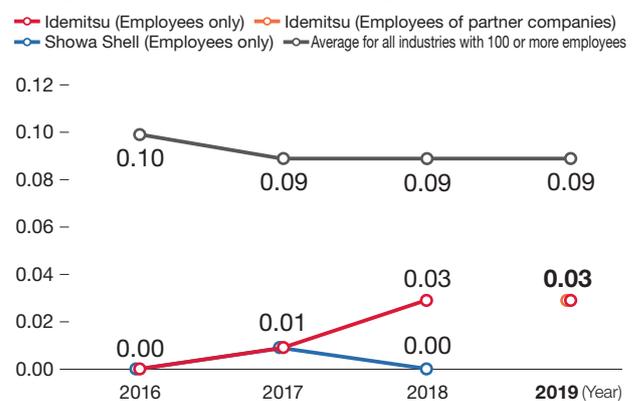


Trend in Occupational Accidents Frequency Rate (Accident incidence frequency)



Notes:
 1.The frequency rate refers to the number of fatalities and injuries due to occupational accidents per 1 million hours of actual work.
 2.Data for 2019 is based on accidents reported by Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd. Anesaki Works, BASF Idemitsu Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., TOA Oil Co., Ltd. and Seibu Oil Co., Ltd.
 3.Figures presented as averages for all industries with 100 or more employees are cited from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents.

Trend in Severity Rate (Degree of Accident Severity)



Notes:
 1.The severity rate refers to the number of lost working days due to absences attributable to occupational accidents per 1,000 hours of actual work.
 2.Data for 2019 is based on accidents reported by Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd. Anesaki Works, BASF Idemitsu Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., TOA Oil Co., Ltd. and Seibu Oil Co., Ltd.
 3.Figures presented as averages for all industries with 100 or more employees are cited from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents.

Primary Financial Data

Five-Year Trends Prior to Integration

Idemitsu*1

(FY)	2014	2015	2016	2017	2018	
■ Statement of income					(Billions of yen)	
Net sales	4,629.7	3,570.2	3,190.3	3,730.7	4,425.1	
Operating income	▲104.8	▲19.6	135.2	201.3	179.3	
Ordinary income	▲107.6	▲21.9	140.0	226.3	169.1	
Net income attributable to owners of the parent	▲138.0	▲36.0	88.2	162.3	81.5	
■ Balance sheets					(Billions of yen)	
Total assets	2,731.0	2,402.1	2,641.6	2,920.3	2,890.3	
Total equity	630.4	537.7	619.9	905.9	878.9	
Interest-bearing debt	1,006.2	909.6	1,052.3	893.6	951.4	
■ Cash flows					(Billions of yen)	
Cash flows from operating activities	172.9	216.4	53.5	136.8	151.0	
Depreciation and amortization	66.7	80.3	70.2	67.9	61.6	
Cash flows from investing activities	▲131.1	▲98.1	▲214.8	▲89.9	▲122.3	
Cash flows from financing activities	▲98.3	▲105.6	136.1	▲51.9	▲20.2	
■ Management indicators						
Return on shareholders' equity (ROE)	%	-	-	1.63	22.3	9.5
Shareholders' equity ratio	%	21.5	20.8	22.1	29.7	29.1
Net D/E ratio	Times	1.5	1.6	1.6	0.9	1.0

*1 The fiscal period of Idemitsu is from April 1 to March 31 of the succeeding year.

Showa Shell*2

(FY)	2014	2015	2016	2017	2018*3	
■ Statement of income					(Billions of yen)	
Net sales	2,998.0	2,177.6	1,726.1	2,045.9	3,082.9	
Operating income	▲18.1	▲12.2	46.4	78.5	95.3	
Ordinary income	▲16.7	▲13.3	47.8	93.0	101.1	
Net income attributable to owners of the parent	▲9.7	▲27.5	16.9	42.8	39.1	
■ Balance sheets					(Billions of yen)	
Total assets	1,176.3	957.7	976.1	1,038.9	1,040.6	
Total equity	296.3	243.3	242.5	275.5	283.4	
Interest-bearing debt	209.4	155.4	137.6	117.4	126.3	
■ Cash flows					(Billions of yen)	
Cash flows from operating activities	72.7	74.8	80.9	47.4	74.8	
Depreciation and amortization	41.4	38.9	36.9	28.0	30.6	
Cash flows from investing activities	▲28.2	▲43.7	▲16.5	▲9.6	▲50.5	
Cash flows from financing activities	▲28.1	▲56.2	▲33.8	▲38.0	▲21.8	
■ Management indicators						
Return on shareholders' equity (ROE)	%	-	-	7.6	18.0	15.2
Shareholders' equity ratio	%	23.1	23.2	22.7	24.4	25.2
Net D/E ratio	Times	0.60	0.62	0.39	0.26	0.28

*2 The fiscal period of Showa Shell is from January 1 to December 31 of the same year.

*3 Data for FY2018 is based on operating results for the 15-month period from January 1, 2018 to March 31, 2019.

Latest Data

	(FY)	2018(estimate)	2019
■ Statement of income*4			(Billions of yen)
Net Sales		6,866.6	6,045.9
Operating income + equity in earnings of non-consolidated subsidiaries and affiliates		229.1	▲26.2
Of which, inventory impact		10.8	▲89.3
Operating income + equity in earnings of non-consolidated subsidiaries and affiliates (Excluding inventory impact)		218.3	63.1
Ordinary income		236.5	▲14.0
Net extraordinary loss		▲55.7	▲3.3
Net income attributable to owners of the parent		94.5	▲22.9
■ Balance sheets			(Billions of yen)
Assets		4,150.4	3,886.9
Liabilities		2,841.6	2,686.4
Total equity		1,308.8	1,200.6
Interest-bearing debt		1,077.2	1,336.3
■ Cash flows			(Billions of yen)
Cash flows from operating activities		–	▲32.7
Depreciation and amortization		–	94.9
Cash flows from investing activities		–	▲134.5
Cash flows from financing activities		–	157.9
■ Per share information			(yen)
Net income per share		–	▲76.31
Equity per share		–	3,868.68
Cash dividends per share		–	160
■ Management indicators*5			
Return on shareholders' equity (ROE)	%	–	▲2.3
Shareholders' equity ratio	%	30.3	29.6
Net D/E ratio	Times	0.75	1.05

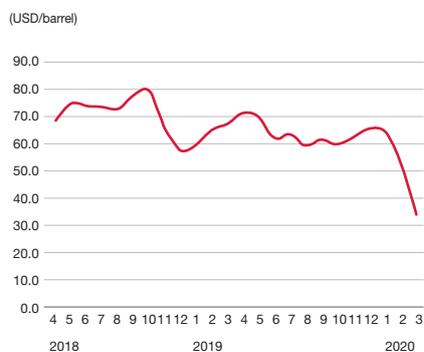
*4 Figures for FY2018 represent approximate value based on the sum of currently available data with regard operating results of the two pre-merger companies for the April 2019 – March 2020 period.

*5 Balance sheet items for FY2018 are calculated in reference to balance sheet data as of April 1, 2019.

■ Exchange Rates (USD/JPY)



■ Dubai Crude Oil Prices



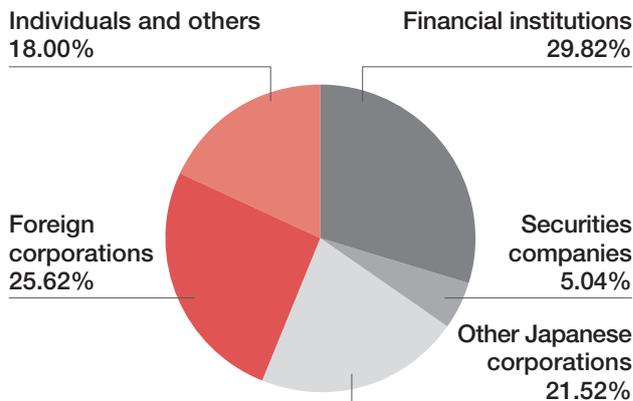
■ Australian Thermal Coal



Stock Information (As of the end of September, 2020)

Securities code	5019
Number of shares per unit	100 <small>* Idemitsu does not issue different classes of shares.</small>
Total number of authorized shares	436 million shares
Total number of shares issued	297,864,718 shares
Number of shareholders	83,482 people

Distribution of Shares

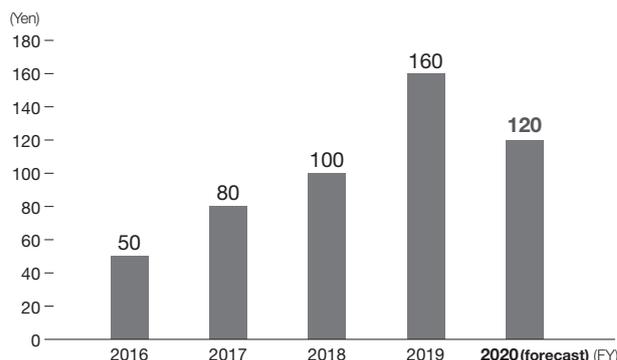


Major Shareholders (Top 11)

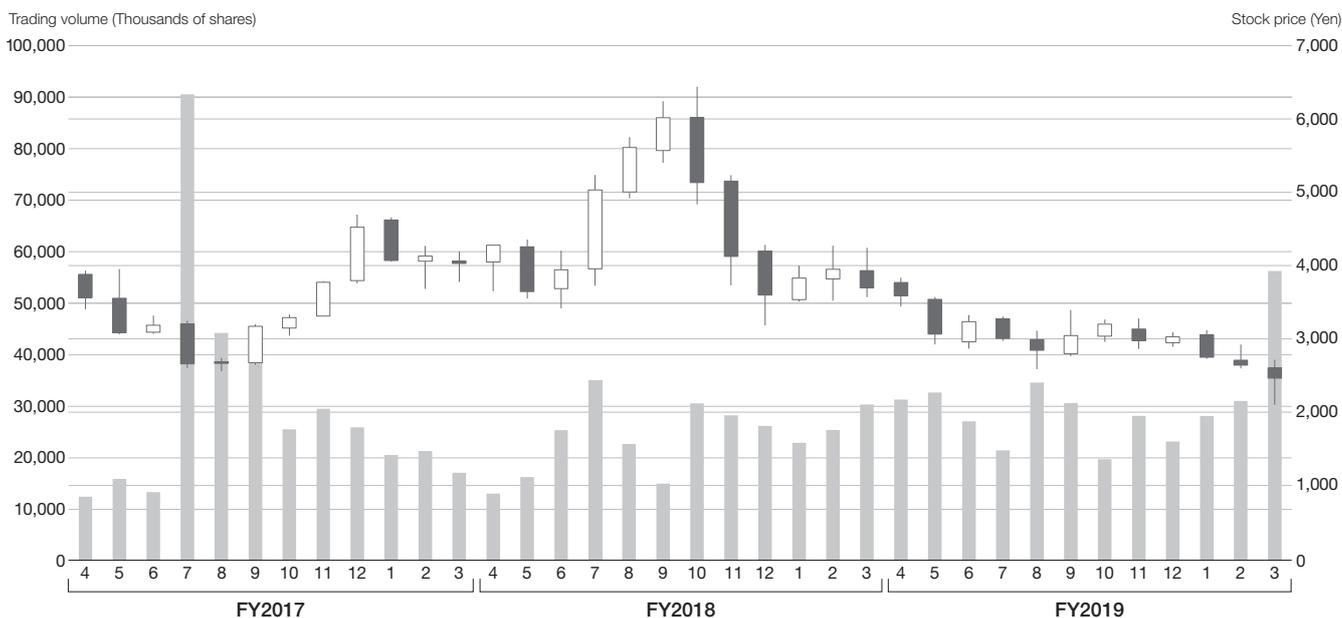
Shareholder's Name	Shares held (Thousands of shares)	Shareholding ratio (%)
Nissho Kosan Co., Ltd.	27,119	9.11
The Master Trust Bank of Japan, Ltd. (trust account)	23,775	7.98
Aramco Overseas Company B.V.	23,115	7.76
Idemitsu Culture and Welfare Foundation	12,392	4.16
Custody Bank of Japan, Ltd. (trust account)	12,149	4.08
Idemitsu Museum of Arts Foundation	8,000	2.69
STATE STREET BANK WEST CLIENT - TREATY 505234	5,531	1.86
JPMorgan Securities Japan Co., Ltd.	5,261	1.77
MUFG Bank, Ltd.	5,142	1.73
Sumitomo Mitsui Banking Corporation	5,142	1.73
Sumitomo Mitsui Trust Bank, Limited	5,142	1.73

* Shareholding ratios are calculated excluding treasury stock (23,918 shares).
Numbers of shares held are rounded down to the unit displayed.

Cash Dividends per Share



Trend in Stock Price and Trading Volume



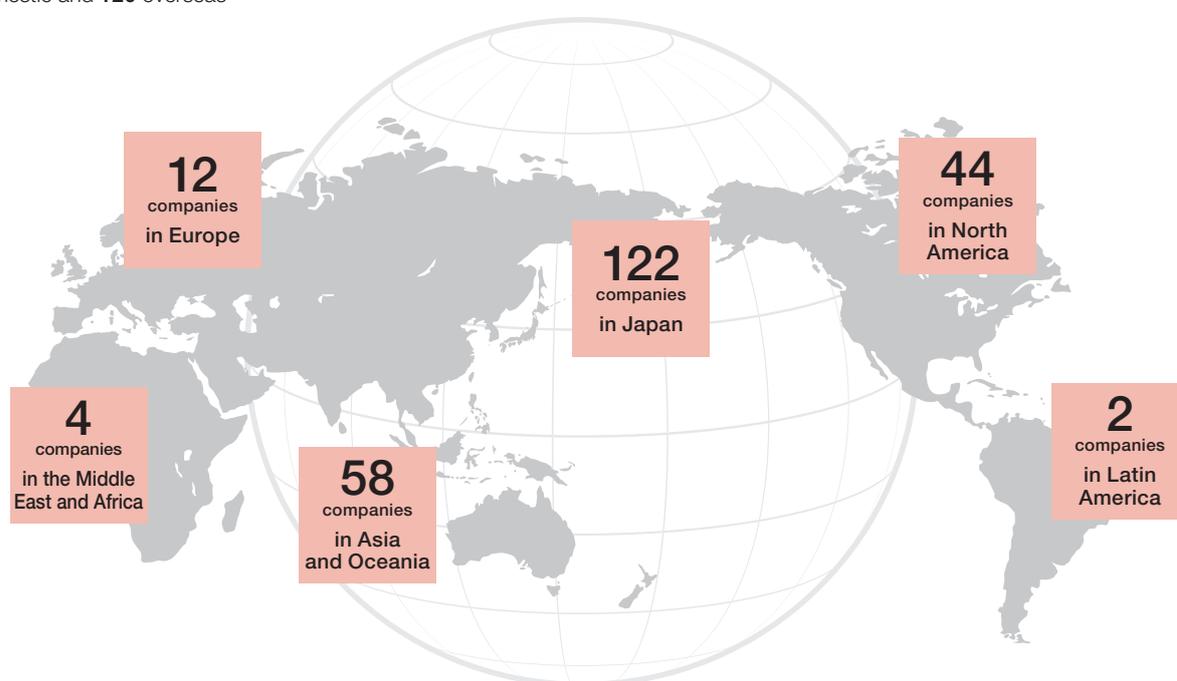
Corporate Profile (As of the end of September, 2020)

Company name	Idemitsu Kosan Co.,Ltd.
Head Office	2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8321, Japan * We have just moved on December, 2020
President and Representative Director	Shunichi Kito
Establishment	March 30, 1940 (Founded June 20, 1911)
Capital stock	¥168.3 billion
Consolidated Group companies	137 companies

Group Network

242 group companies in total

122 domestic and 120 overseas



2020



Sompo Sustainability Index

Inclusion in ESG Indices

In recognition of its efforts related to environmental, social and governance (ESG) issues, Idemitsu has been selected for inclusion in the SOMPO Sustainability Index operated by Sompo Asset Management Co., Ltd., for nine consecutive years, since 2012.

* Any plans, projections, or targets contained in this report that are not historical facts are based on decisions and assumptions made by the Company using information currently available. Actual results may differ substantially from forecasts due to various factors. Factors that may affect the results of operations include economic conditions, crude oil prices, petroleum product supply and demand, market conditions, and currency exchange rates, but are not limited to these factors.

* As of April 1, 2019, Idemitsu Kosan Co.,Ltd. became the parent company and Showa Shell Sekiyu K.K. became a wholly owned subsidiary through a share exchange. The two companies also entered into an absorption-type company split agreement in which Idemitsu became the succeeding company to the absorption-type company split, effective on July 1, 2019. Through the absorption-type company split, Showa Shell's assets, liabilities, and rights and obligations have been transferred to Idemitsu, and the Company is advancing business integration and working to generate further synergies by integrating their organizations and businesses.

* Shell has licensed its brand to Showa Shell. Under this license, Showa Shell uses the Shell trademark. The opinions expressed in this report are those of Showa Shell and are not stated on behalf of any other Shell Group company. Furthermore, these opinions do not necessarily reflect the opinions of the Shell Group.

Idemitsu Kosan Co.,Ltd.

2-1, Otemachi 1-chome, Chiyoda-ku, Tokyo 100-8321, Japan

<https://www.idemitsu.com/>