

## 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."

### With our Customers and Communities

- All customers in Japan and overseas
- The 42 countries and regions where we operate

### With our Business Partners

- Dealers embedded in communities
- Logistics and security subcontractors
- Oil-producing countries
- Suppliers
- Many business partners in Japan and overseas

### With Group Employees

- Approximately 14,000 employees (including 2,700 overseas)

Medium-term Management Plan Theme  
"Co-creation"

We will continue to "co-create" new values

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.

### Structural changes to energy demand

Developed countries	Decreased demand for fossil fuels and increased energy diversification (electrification, shift to distributed energy, shift to renewable energy)
Emerging countries	Increased demand for energy due to strong economic growth

Idemitsu Group's business environment in 2030

### Advancement of technological innovation

- Increased demand for new materials for use in new technologies (such as EVs and robotics)
- Industrial structural changes due to the advance of digital innovation

### Changing lifestyles and demands from society

- Advancement of a recycling-oriented society as consumers' ecological awareness increase
- Changing customer needs (from owning to sharing)
- Progression of aging society and depopulation in Japan
- Increasing demand for corporate social responsibility in areas entailing practical contributions to the achievement of the SDGs (environmental measures, contributing to communities, strengthening governance, improving workplace environments, promoting diversity, etc.)

## 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-CO<sub>2</sub> 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

Revamping the Service Station Brand



Initiatives to Make Our Refineries More Competitive



Starting Production at Our Lubricant Manufacturing Plant in Huizhou, China



Working Toward the Commercialization of Black Pellets



## 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 (Dattara Ko Shiyō) Project (=Business Process Redesign) with the aim of creating further synergies while achieving the ¥60 billion goal by FY2021.

### Business Integration Synergies

