



**Becoming a Leader in Realizing a Carbon-Neutral Recycling-Based Society**

Outside Director  
**Takeo Kikkawa**



**When Boldly Taking on New Possibilities to Convert Our Business Portfolio**

Outside Director  
**Mitsunobu Koshiba**

**Aiming to Be a Leader in Realizing a Carbon-Neutral Recycling-Based Society**

Of the 17 sustainable development goals (SDGs) for 2030 adopted at the U.N. summit in 2015, the seventh deals with energy. It simply states, “ensure access to affordable, reliable, sustainable and modern energy for all,” but this is a rather difficult challenge. Currently, to achieve this goal “for all” we must use fossil fuels, but to achieve it on a “sustainable” basis we have to restrain the use of fossil fuels.

Idemitsu is in position to take the lead in solving this difficult challenge.

First, Idemitsu has a responsibility to supply the petroleum products and coal that currently are indispensable to supporting people’s lives and the economy. Nothing can happen unless we are alive to do it.

On the other hand, Idemitsu is already working to achieve net-zero greenhouse gas emissions—carbon neutrality—from its operations by 2050 and will continue helping customers who use our products to reduce their emissions. The Company is producing and supplying carbon-free synthetic liquid fuel (e-fuel) derived from carbon dioxide and hydrogen and is striving to transform its current coal-fired power plants into ammonia-fired and black pellet-fired power plants.

In May 2021, Idemitsu revised the Medium-term Management Plan covering fiscal 2020 through 2022. The policies we worked out will open a path toward carbon neutrality. The revised policies include turning all complexes, including refineries, into carbon neutral transformation centers, turning apollostation outlets into smart one-stop shops, commercializing lithium solid-state electrolytes, and expanding renewable energy power sources, such as solar, wind, biomass, and geothermal power.

Simultaneously pursuing this many initiatives is a major characteristic of Idemitsu and is proof that the Company can become a leader in “ensuring access to affordable, reliable, sustainable and modern energy for all.”

**Working to Chair the Board of Directors and Lead the Way in Being “Truly Inspired”**

When I became the first outside director to be appointed chair of the Board of Directors, I felt a bit apprehensive. Taking on the legacy of the two previous chairs, I will continue working hard to ensure active and positive Board of Directors meetings.

The petroleum industry is currently facing two major structural changes: a long-term decline in demand for petroleum in Japan and a growing shift toward carbon neutrality. Idemitsu must work to address these challenges head on, using the revised forward-looking Medium-term Management Plan to gain a foothold.

The role of the highest decision-making body, the Board of Directors, in this process is very important. It has been two years since the business combination. The period of introspection, in which we firmed up the results of the integration, has come to an end, and we are now entering into a time of looking outward as we leverage the achievements of the integration to affect the broader society. We need to positively integrate a backcast perspective, in which we work backwards from our 2050 vision to figure out what should be done now, as well as a forecast perspective, in which we take a direct and honest look at the current reality and set out to accomplish target after target.

To achieve this, we will need active and constructive discussions at the Board of Directors. The Board of Directors meetings are where leadership in being “truly inspired” begins and the board must lead the way ensuring the Company’s fulfillment as “Your Reliable Partner for a Brighter Future.” I intend to do everything I can as chair to realize this and more proactively communicate this idea as an Outside Director than before.

**Time to Boldly Try Out New Possibilities to Convert the Business Portfolio**

Around the world, awareness of the threat posed by global warming is rapidly increasing. In addition, the new Biden administration has acted as a major catalyst for drafting and executing measures to combat global warming, especially the audacious goal of achieving carbon neutrality by 2050. Although we were able to predict that this kind of world would arrive eventually, the truth of the matter is that Idemitsu and other Japanese companies are struggling to convert their business portfolios to achieve not only the goal of carbon neutrality but also to achieve the goal of reducing global warming gas emissions by about half by 2030. On the other hand, the Board of Directors of Idemitsu, which underpins Japan’s energy, has garnered acclaim for taking the lead on declaring its goal of carbon neutrality.

Key to achieving these lofty goals will be the technical skills of each business company. Furthermore, the commitment and leadership of management will be important in conducting a bold business transformation with a broad overview not bound by conventional business strategies. I can also offer high praise for Idemitsu’s development of advanced materials, promotion of digital transformation (DX), and stance toward taking on the global warming problem, which encompasses entering into the next-generation mobility business, which is linked to regional revitalization, via the Company’s nationwide network of service stations. Although management resources are limited and it will eventually be necessary to convert the business portfolio and select new business fields, I think it is probably time now to boldly try out new possibilities to achieve these lofty goals.

**Aiming for a Highly Transparent and Effective Nomination and Compensation Advisory Committee**

I have recently been appointed as chair of Idemitsu’s Nomination and Compensation Advisory Committee. In fiscal 2021, Idemitsu integrated its nomination and compensation advisory committees, amending the composition so that only Outside Directors serve as members. (Previously, Outside Audit & Supervisory Board Members could also serve on the committee.) The purpose of the amendment is to enable rational discussions regarding the performance evaluations of management, including the selection and termination of top management, and important management issues, such as succession. Although the committee comprises diverse Outside Directors, adding the President and Representative Director as a sponsor for proposals to the advisory committee enabled the opinion of the executive side to be reflected in the discussions of the advisory committee. Opportunities are provided to discuss the selection and termination of top management as well as the evaluation of operating results among only the advisory committee members. The responses are provided to the Board of Directors, ensuring transparency and effectiveness in the resolution process.

An overview of corporate management in the 2020s seems to indicate that the decade will see corporate managers focusing on achieving not only short-term operating results but also sustainability and resilience amid increasing unprecedented instability and volatility in global affairs and market environments. Accordingly, the advisory committee, which is composed of Outside Directors, objectively and fairly evaluates the performance of Idemitsu’s management by tapping into the experience of the committee members in this rapidly changing environment. We then provide the Board of Directors with advice that addresses shareholders’ concerns.

# Directors and Audit & Supervisory Board Members

As of June 30, 2021

\*Board of Directors and Audit & Supervisory Board meeting attendance figures are for FY2020  
\*Number of shares held are as of the end of March, 2021.

## Directors



**Shunichi Kito**  
President and Representative Director  
Chief Executive Officer

- Number of shares of the Company held: 26,215 shares
- 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)



**Takashi Matsushita**  
Executive Vice President and Representative Director  
Executive Vice President and Executive Officer

- Number of shares of the Company held: 26,398 shares
- 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)  
Current responsibilities: Assistant to the President (manufacturing technology, petrochemicals, functional materials, IP and research, Vietnam project)



**Susumu Nibuya**  
Executive Vice President and Representative Director  
Executive Vice President and Executive Officer

- Number of shares of the Company held: 20,161 shares
- Board of Directors meetings attended: 16/16

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)  
Current responsibilities: Assistant to the President (resources; planning, negotiations, and public relations; ESG; DX; special matters) and management of the Internal Communication Department



**Atsuhiko Hirano**  
Director  
Managing Executive Officer

- Number of shares of the Company held: 2,786 shares
- Board of Directors meetings attended: 16/16

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)  
Current responsibilities: Assistant to the President (petroleum, power and renewable energy)



**Noriaki Sakai**  
Director  
Managing Executive Officer

- Number of shares of the Company held: 11,670 shares
- Board of Directors meetings attended: —/—

April 1985 Joined Idemitsu Kosan Co.,Ltd. ("Idemitsu")  
July 2010 Deputy General Manager of Tokuyama Refinery and Deputy General Manager of Tokuyama Plant, Idemitsu  
July 2012 Deputy General Manager of Human Resources Department, Health Insurance Union President and Corporate Pension Fund President, Idemitsu  
July 2015 Deputy General Manager of Accounting Department, Idemitsu  
June 2017 General Manager of Accounting Department, Idemitsu  
July 2018 Executive Officer and General Manager of Accounting Department, Idemitsu  
April 2019 Executive Officer and General Manager of Financial Department, Idemitsu  
July 2020 Senior Executive Officer and Chief Finance Officer, Idemitsu  
June 2021 Director, Managing Executive Officer and CFO, Idemitsu (to date)  
Current responsibilities: CFO (Accounting Department and Finance Department), in charge of procurement (Procurement Department), Head of Safety & Environmental Protection Headquarters and Quality Assurance Headquarters



**Masakazu Idemitsu**  
Director (part-time)

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

April 2010 Councilor, Public Interest Incorporated Foundation Idemitsu Museum of Arts (to date) Councilor, 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)  
April 2021 Representative Director, General Incorporated Association Idemitsu Kosan Corporate History and Philosophy Laboratory



**Kazunari Kubohara**  
Director (part-time)

- 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  
April 2019 Director, Idemitsu Kosan Co.,Ltd. (to date)

## Audit & Supervisory Board Members



**Toshiyuki Tanida**  
Audit & Supervisory Board Member

- Number of shares of the Company held: 7,075 shares
- Board of Directors meetings attended: 16/16
- Audit & Supervisory Board meetings attended: 17/17

April 1984 Joined Idemitsu Kosan Co.,Ltd. ("Idemitsu")  
July 2009 Deputy General Manager, Integrated Supply & Trading Department, Idemitsu  
April 2010 General Manager, Logistics Center, Integrated Supply & Trading Department, Idemitsu  
July 2013 Executive Officer and General Manager of Logistics Department, Idemitsu  
June 2018 Audit & Supervisory Board Member, Idemitsu (to date)



**Tsutomu Yoshioka**  
Audit & Supervisory Board Member

- Number of shares of the Company held: 8,064 shares
- Board of Directors meetings attended: —/—
- Audit & Supervisory Board meetings attended: —/—

April 1984 Joined Shell Sekiyu K.K.  
Sep. 2002 General Manager of Hokkaido Branch Office, Showa Shell Sekiyu K.K. ("Showa Shell")  
April 2005 Representative Director, President, Shoseki Gas K.K.  
July 2008 Representative Director, President, Enessance Holdings Co., Ltd.  
March 2011 Executive Officer in charge of Accounting, Finance, and Credit Management, Showa Shell  
April 2015 Executive Officer and General Manager of Petroleum Business Division Metropolitan Area Branch, Showa Shell  
March 2017 Audit & Supervisory Board Member, Showa Shell  
April 2019 Senior Executive Officer, Idemitsu Kosan Co.,Ltd. ("Idemitsu")  
June 2021 Audit & Supervisory Board Member, Idemitsu (to date)

## Independent Outside Directors



**Takeo Kikkawa**  
Outside Director

- 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, The 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  
April 2021 Vice President, International University of Japan and Professor, Graduate School of International Management (to date)

**Reason for appointment**  
Mr. Takeo Kikkawa has not been 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. In addition, as a member of the Nomination and Compensation Advisory Committee, Mr. Kikkawa provides objective and neutral advice regarding decisions on the selection of executive candidates and executive compensation.



**Mitsunobu Koshiba**  
Outside Director

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

Oct. 1981 Joined Japan Synthetic Rubber Co., Ltd. (currently, JSR Corporation)  
June 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)  
March 2021 Outside Director, A Holdings Co., Ltd. (to date)  
June 2021 Honorary Chairman, JSR (to date)

**Reason for appointment**  
Mr. Mitsunobu Koshiba has long been engaged in research and electronic materials business at JSR, served as the General Manager of Electronic Materials Division, and has been serving as the Representative Director and President and Chairman of JSR since 2009. Management has judged that he will be able to perform his duties as an Outside Director properly as he has expertise in technology area as well as long experience and wide knowledge as a business manager, and satisfies the "Requirements for Independence of Outside Officers" of the Company. In addition, as a member of the Nomination and Compensation Advisory Committee, Mr. Koshiba provides objective and neutral advice regarding decisions on the selection of executive candidates and executive compensation.



**Yumiko Noda**  
Outside Director

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

April 1982 Joined Tokyo Branch, Bank of America Corporation  
March 1996 Deputy General Manager, London Branch, the Long-Term Credit Bank of Japan Ltd. (Head of Structured Finance)  
Jan. 2000 Partner, Head of PPP (Public Private Partnership) and Privatization, PwC Financial Advisory Service Co., Ltd. (currently, PwC Advisory LLO) ("PwC")  
June 2007 Deputy Mayor, Yokohama City  
Jan. 2011 Partner, Head of PPP and Infrastructure Asia Pacific, PwC  
Oct. 2017 President and Representative Director, Veolia Japan K.K. ("Veolia")  
April 2019 Chairman, Administrative Reform Committee, Japan Association of Corporate  
June 2020 Vice Chairs of the Board of Councilors and Chair of Committee on Environment and Safety, Japan Business Federation (to date) Chairman and Representative Director, Veolia (to date)  
June 2021 Director, Idemitsu Kosan Co.,Ltd (to date)

**Reason for appointment**  
Ms. Yumiko Noda worked at financial institutions in Japan and overseas, served as Deputy Mayor of Yokohama City, and worked as a Partner at PwC Advisory. She has served as the Representative Director and President of Veolia Japan K.K. since 2017 and the Representative Director and Chairman of Veolia Japan since 2020. Management has judged that she will be able to perform her duties as an Outside Director properly as she has expertise in finance, global business, and regional revitalization as well as long experience and wide knowledge as a business manager, and satisfies the "Requirements for Independence of Outside Officers" of the Company. In addition, as a member of the Nomination and Compensation Advisory Committee, Ms. Noda provides objective and neutral advice regarding decisions on the selection of executive candidates and executive compensation.



**Maki Kado**  
Outside Director

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

April 1992 Joined NEC Corporation  
April 1996 Joined United Feature Syndicate Inc. Japan Branch  
May 2000 Joined Microsoft Product Development Inc. (currently, Microsoft Japan Co., Ltd.)  
April 2004 Joined Microsoft Corporation Inc. (US) Headquarters  
July 2013 General Manager of Purchasing, salesforce.com Co., Ltd.  
April 2014 Business Manager, Coca-Cola East Japan Co., Ltd.  
Dec. 2014 Director, Coca-Cola Business Services Co., Ltd. ("Coca-Cola Business Service")  
Jan. 2015 Operating Committee member (Officer), Coca-Cola Cross Enterprise Procurement Group (to date)  
March 2015 Representative Director and President, Coca-Cola Business Service  
Aug. 2015 Representative Director and President, Coca-Cola Business Sourcing Co., Ltd.  
June 2016 Budget Committee Chair (Chief Financial Officer), Coca-Cola Cross Enterprise Procurement Group (to date)  
April 2017 Executive Officer, Head of Procurement, Coca-Cola Bottlers Japan Inc. ("Coca-Cola Bottlers Japan")  
Feb. 2019 Executive Officer, Head of Procurement, Coca-Cola Bottlers Japan  
June 2019 Executive Officer, Head of Procurement and Head of Executive Business Management, Coca-Cola Bottlers Japan  
Nov. 2019 Executive Officer, Head of Business Transformation and Head of Procurement, Coca-Cola Bottlers Japan  
Jan. 2020 Executive Officer, Head of Business Transformation, Coca-Cola Bottlers Japan (to date)  
April 2020 Executive Officer, Executive Business Manager, Coca-Cola Bottlers Japan Holdings Inc. ("Coca-Cola Bottlers Japan Holdings") (to date)  
June 2021 Director, Idemitsu Kosan Co.,Ltd (to date)

**Reason for appointment**  
Ms. Maki Kado worked in system development and marketing in Japan and overseas and served as the representative director and president of Coca-Cola Business Sourcing Co., Ltd. She has served as an executive officer at Coca-Cola Bottlers Japan Co., Ltd. since 2017. Management has judged that she will be able to perform her duties as an Outside Director properly as she has expertise in international business, retail marketing, and DX knowledge as well as long experience and wide knowledge, and satisfies the "Requirements for Independence of Outside Officers" of the Company. In addition, as a member of the Nomination and Compensation Advisory Committee, Ms. Kado provides objective and neutral advice regarding decisions on the selection of executive candidates and executive compensation.

## Independent Outside Audit & Supervisory Board Members



**Taigi Ito**  
Outside Audit & Supervisory Board Member

- Number of shares of the Company held: 6,453 shares
- Board of Directors meetings attended: 16/16
- Audit & Supervisory Board meetings attended: 17/17

Jan. 1970 Joined Tsuji 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 to 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)

**Reason for appointment**  
Mr. Taigi Ito was selected after comprehensively assessing his experience and expertise as a certified public accountant and university professor, character, and knowledge. He has independence without concerns regarding conflicts of interest with general shareholders.



**Kenji Yamagishi**  
Outside Audit & Supervisory Board Member

- Number of shares of the Company held: —
- Board of Directors meetings attended: 16/16
- Audit & Supervisory Board meetings attended: 17/17

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)

**Reason for appointment**  
Mr. Kenji Yamagishi was selected after comprehensively assessing his experience and expertise as an attorney, character, and knowledge. He has independence without concerns regarding conflicts of interest with general shareholders.

# Corporate Governance

## Basic Concept of Corporate Governance

The Company believes that contributing to the resolution of issues confronting society, along with supporting stable energy supply, is an integral part of its responsibilities. Based on this belief, we announced our policy of acting as a “reliable partner” in line with our corporate vision for 2030 and aim to fulfill the following three responsibilities: “Protect the Environment and Lifestyles,” “Support Regional Communities,” and “Provide for Society with Technological Capabilities.” Through these endeavors, we intend to play our part in business domains associated with the “energy material transition to a carbon-neutral recycling society,” “next-generation mobility and community adapted to an aging society,” and the provision of “advanced materials that enable the solution of these issues.”

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 making independent judgements in accordance with its corporate vision for 2030. In addition, the Company openly discusses its business status and management circumstances with Independent Outside Directors and Independent Outside Audit & Supervisory Board

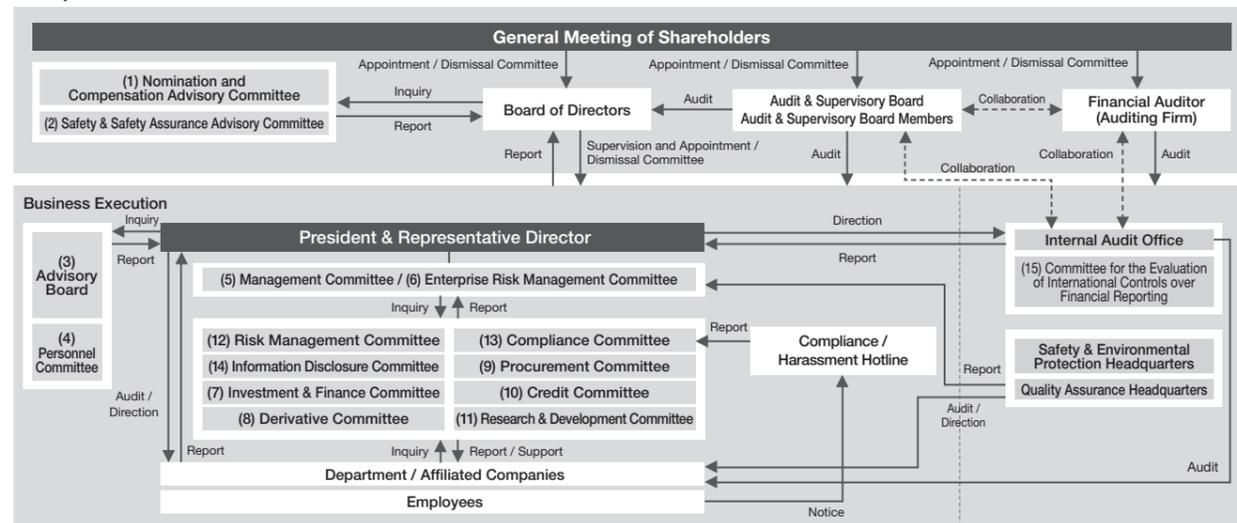
### ■ Overview of the Board of Directors

Chairperson	Takeo Kikkawa (Outside Director)
Number of Directors	11
Number of Independent Outside Directors (ratio)	4 (36%)
Number of female Directors (ratio)	2 (18%)
Term	1 year
Number of Board of Directors meetings held in FY2020	16

### ■ Overview of the Audit & Supervisory Board

Number of Audit & Supervisory Board Members	4
Number of Outside Audit & Supervisory Board Members (ratio)	2 (50%)
Term	4 years
Number of Audit & Supervisory Board meetings held in FY2020	17

### ■ Corporate Governance Structure

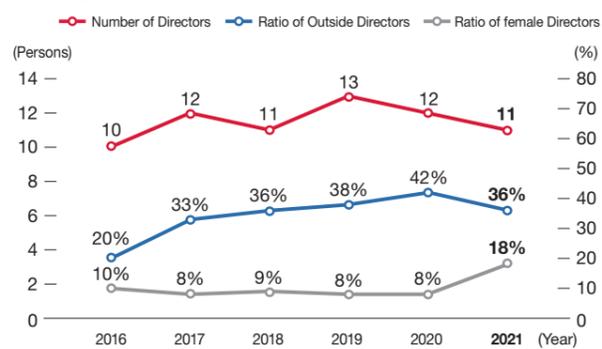


Members who bring to bear a wide range of knowledge and backgrounds. The Company sincerely takes heed of their unrestricted views, as it endeavors to continue operating in a transparent and fair manner.

## 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 through the April 2019 revision of 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. For FY2021, the chairperson was appointed from among the Outside Directors. With regard to matters other than those mentioned above, the Company shall delegate authority for business execution to the Representative Director and CEO as well as the heads of departments and other business units with a view to facilitating speedier decision making.

### ■ Changes in Corporate Governance Structure



## Overview of Each Committee

### (1) Nomination and Compensation Advisory Committee

To enhance the transparency and objectivity of its nomination and compensation functions, as an advisory body to the Board of Directors, the Company has in place the “Nomination and Compensation Advisory Committee consisting of only Independent Outside Directors.” This committee was created in July 2021 by merging the Nomination Advisory Committee and the Compensation Advisory Committee with an eye to facilitating consistent discussions regarding issues associated with nomination and compensation.

With regard to nomination, this committee reports on proposals made by the President and Representative Director in connection with the submission to the General Meeting of Shareholders of candidates for election to the offices of Director and Audit & Supervisory Board Member or for the dismissal of current officeholders. Similarly, the committee offers advice regarding such matters as the election and dismissal of Executive Officers who fill specific positions and the determination of such positions. (The Company’s policy for the nomination of Director and Audit & Supervisory Board Member candidates is presented on page 61.)

With regard to compensation, the committee engages in multifaceted discussions and, upon the request of the Board of Directors, provides advice in line with the Company’s basic policies on compensation for Directors and Executive Officers. (The details of compensation are presented on page 63.)

#### ■ Composition of the Nomination and Compensation Advisory Committee

Chair	Outside Director	Mitsunobu Koshiba
	Outside Director	Takeo Kikkawa
	Outside Director	Yumiko Noda
	Outside Director	Maki Kado

### (2) Safety & Safety Assurance Advisory Committee / (3) Advisory Board

To maintain the transparency and soundness of business management, the Company has established the “Safety & Safety Assurance Advisory Committee” and the “Advisory Board,” both of which serve as advisory bodies to the Board of Directors and the President and Representative Director. With the inclusion of outside experts into their membership, these bodies are designed to ensure the reception of frank opinions on the Company from a third-party perspective and reflect said opinions in management improvements.

The “Safety & Safety Assurance Advisory Committee” is focused on providing the Board of Directors and the President and Representative Director with advice on the maintenance of safety assurance for the entire Group, to this end addressing issues associated with the strengthening of facility safety assurance, particularly technical issues. In addition, recent changes in the business environment have increased the importance of ensuring safety and safety assurance 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 business development and field outside experts’ recommendations on various themes.

The “Advisory Board” was established in April 2021 to take over from the Management Advisory Committee. It is designed to act as an advisory body to the President and Representative Director, with members consisting of Outside Directors and other outside experts, and is given ample opportunity to contribute recommendations on management issues. The “Advisory Board” met in April 2021 to issue recommendations regarding the revision of the Medium-term Management Plan and is expected to meet several times a year as necessary.

### (4) Personnel Committee

The “Personnel Committee” was established as an advisory body to the President and Representative Director, with the aim of facilitating the optimal allocation of human resources, including Executive Officers, to optimal positions. This committee also aims to ensure fair and impartial evaluation and enhance the transparency of relevant decision-making processes. The “Personnel Committee” is attended by the President and Representative Director, Vice President, the Officer in charge of personnel, and other officers appointed by the President to discuss and issue recommendations on such matters as the appointment and dismissal of Executive Officers and the selection of members of the Management Committee.

### (5)-(15) Management Committee, Enterprise Risk Management Committee, and Other Committees

The “Management Committee” (5) and the “Enterprise Risk Management Committee” (6) are charged with deliberating management strategies for the entire Group as well as for each executive department in addition to discussing management issues.

The “Management Committee” formulates and discusses strategies associated with Group management while striving to ensure smooth and appropriate decision making on important matters associated with business execution. Under this committee, there are five specialized committees established to study specialized risks affecting business execution: the “Investment & Finance Committee” (7), the “Derivative Committee” (8), the “Procurement Committee” (9), the “Credit Committee” (10), and the “Research & Development Committee” (11).

The “Enterprise Risk Management Committee” (6) discusses and decides on risk management-related matters associated with Group management and monitors said matters as necessary. Under this committee, the “Risk Management Committee” (12) and the “Compliance Committee” (13) work to strengthen the Company’s response to operational risks and secure a robust structure for deliberating and formulating risk management policies. The Management Committee and the Enterprise Risk Management Committee are both chaired by the President and Representative Director, with their membership primarily comprising individuals specializing in and/or supervising diverse business fields. This ensures that these committees are able to engage in comprehensive and effective discussions when addressing cross-sectional issues and risks.

The “Information Disclosure Committee” (14) works to ensure timely and appropriate information disclosure based on the Group’s information disclosure policy, while the “Committee for the Evaluation of Internal Controls over Financial Reporting” (15) operates within the Internal Audit Department to strengthen J-SOX compliance.

## Management Monitoring System

Along with supervisory functions provided by the Board of Directors as well as audits undertaken by the Audit & Supervisory Board Members and accounting auditors, the Company’s management monitoring system is supported by the “Internal Audit Department,” which operates independently of all executive departments and is run by dedicated staff directly under the President and Representative Director. This arrangement ensures that the department performs audits in accordance with “Internal Audit Rules” and evaluates internal control based on “Rules on the Evaluation of Internal Controls over Financial Reporting.” The scope of internal audits undertaken by the Internal Audit Department encompasses business sites and affiliates at home and abroad. Audit results are reported to the President and Representative Director, Directors in charge of executive departments subject to audit, and Audit & Supervisory Board Members, with the President and other senior management members issuing instructions to relevant departments as necessary. Recommendations and proposals regarding matters specified via audits as requiring improvement are communicated to the departments concerned, which, in turn, prepare and submit improvement plans to the head of the Internal Audit Department and execute improvements accordingly. Moreover, the Internal Audit Department provides 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.

## 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 Nomination and Compensation 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 and Compensation 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 and Compensation Advisory Committee.

When deemed necessary, the Nomination and Compensation Advisory Committee deliberates on the dismissal of Directors and reports its conclusions to the Board of Directors. Currently, discussions are under way to determine the details of the process entailed in the appointment and dismissal of candidates for Representative Director successors.

Skill Matrix	Terms in office (years)	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 Resource Recycling/Regional Revitalization	Human resources development	Marketing/sales/retail marketing	Manufacturing/supply	
Reappointment	Shunichi Kito	8	●	●	●			●	●		
Reappointment	Takashi Matsushita	8	●			●	●			●	
Reappointment	Susumu Nibuya	1	●	●			●		●		
Reappointment	Atsuhiko Hirano	1	●			●	●		●		
New appointment	Noriaki Sakai	—	●	●	●			●			
Reappointment	Masakazu Idemitsu	2	●	●							
Reappointment	Kazunari Kubohara	2		●	●		●				
Reappointment	Takeo Kikkawa	Outside Independent	4			●	●	●			
Reappointment	Mitsunobu Koshiha	Outside Independent	2	●	●		●	●			
New appointment	Yumiko Noda	Outside Independent	—	●		●	●	●			
New appointment	Maki Kado	Outside Independent	—	●		●	●	●	●		

Notes: Outside Directors account for 36% of the Board of Directors. The cells marked by ● indicate areas in which the Company particularly expects the relevant Director to contribute and do 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 Company's "Independence Requirements for Outside Officers" in a way that secures diversity in terms of expertise and backgrounds.

## Outline of Agenda Items Discussed by the Board of Directors, etc.

In FY2020, the Board of Directors placed a particular focus on deliberating the revision of the Medium-term Management Plan. Specifically, the Board of Directors engaged in active discussion on multiple occasions to address such matters as those associated with codifying the Company's corporate mission, formulating a corporate vision for and basic strategy towards 2030, shifting the business portfolio and implementing other strategies as well as taking on the challenge of achieving carbon neutral-

ity in 2050. In the process, the Board of Directors also utilized such opportunities as Outside Director meetings aimed at sharing information with Outside Directors. The revised Medium-term Management Plan (see pages 11 to 20) has thus been finalized via a resolution at a Board of Directors meeting held in May 2021 and publicly announced. In addition, the Board of Directors discussed strategic issues identified via the FY2019 assessment of the effectiveness of its operations.

### Main Agenda Items Discussed by the Board of Directors

Management and Business Strategies	Governance	IR, Shareholder Returns and General Meeting of Shareholders
<ul style="list-style-type: none"> <li>■ Codifying a corporate philosophy and passing it down to future generations ➡ p. 5</li> <li>■ Long-term energy business environment scenarios toward 2050 ➡ p. 15</li> <li>■ Shifting the business portfolio toward the future ➡ p. 19</li> <li>■ Developing apollostation, a new service station brand ➡ p. 41</li> <li>■ Making Nghi Son Refinery a profit contributor ➡ p. 42</li> <li>■ Changes in the business environment due to the COVID-19 pandemic and its impact on the Company's management plan</li> <li>■ Future vision for listed subsidiaries</li> <li>■ Basic plan for FY2022 (earnings/expense, investment and funding)</li> </ul>	<ul style="list-style-type: none"> <li>■ Methods used for the assessment of the Board of Directors' effectiveness ➡ p. 62</li> <li>■ Results of the assessment of the Board of Directors' effectiveness (its mode of operations, measures to enhance the quality of discussion, etc.) ➡ p. 62</li> <li>■ Revision of process for appointing Executive Officers</li> <li>■ Basic policy on internal control systems</li> <li>■ Medium-term initiatives to improve internal control systems</li> <li>■ Strengthening of governance for overseas subsidiaries</li> <li>■ Revision of KPIs used for the determination of compensation for Representative Directors (inclusion of non-financial criteria) ➡ p. 63</li> <li>■ Audit policies for Audit &amp; Supervisory Board Members</li> </ul>	<ul style="list-style-type: none"> <li>■ Policies for shareholder returns ➡ p. 36</li> <li>■ Introduction of a system enabling shareholders to submit questions prior to General Meeting of Shareholders as part of efforts to enhance dialogue with them</li> <li>■ Introduction of a system enabling online participation of the General Meeting of Shareholders in response to the COVID-19 pandemic</li> <li>■ Review of the recent General Meeting of Shareholders and future direction</li> </ul>

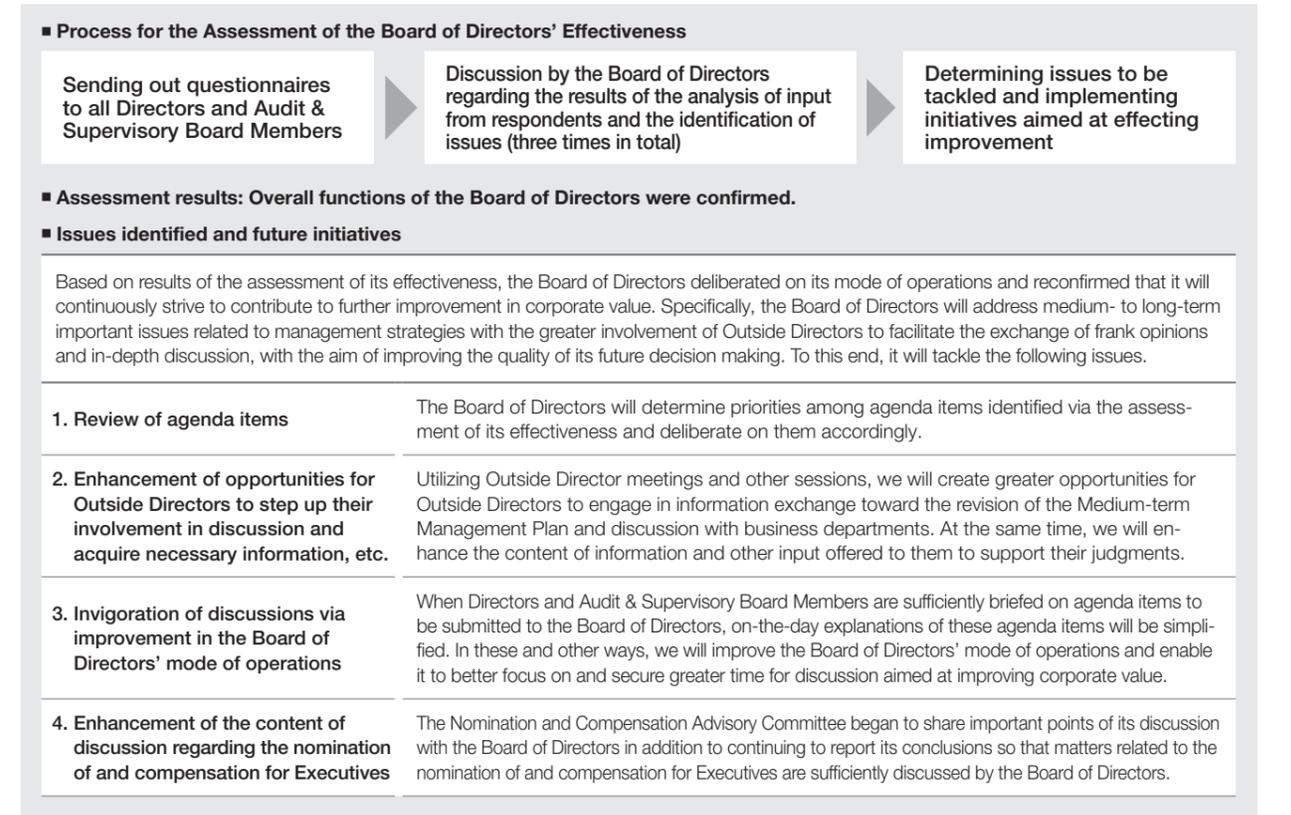
Note: The above list is a partial representation of agenda items. The Board of Directors has also deliberated on other matters deemed necessary under laws, regulations, and the Articles of Incorporation of the Company and passed resolutions on these matters.

## Assessment of the Effectiveness of the Board of Directors

### Assessment Methods

Based on the results of questionnaires sent out to all Directors and Audit & Supervisory Board Members in November 2020, the Board of Directors met on three occasions to assess the effectiveness of its operations, thereby identifying issues to be tackled and initiatives to be implemented going forward.

The questionnaires used in this round were designed to confirm conformity with Japan's Corporate Governance Code while incorporating items aimed at qualitative improvement. We employed the advice of an expert organization to determine the content of these items and analyze input from respondents.



## Compensation for Executives

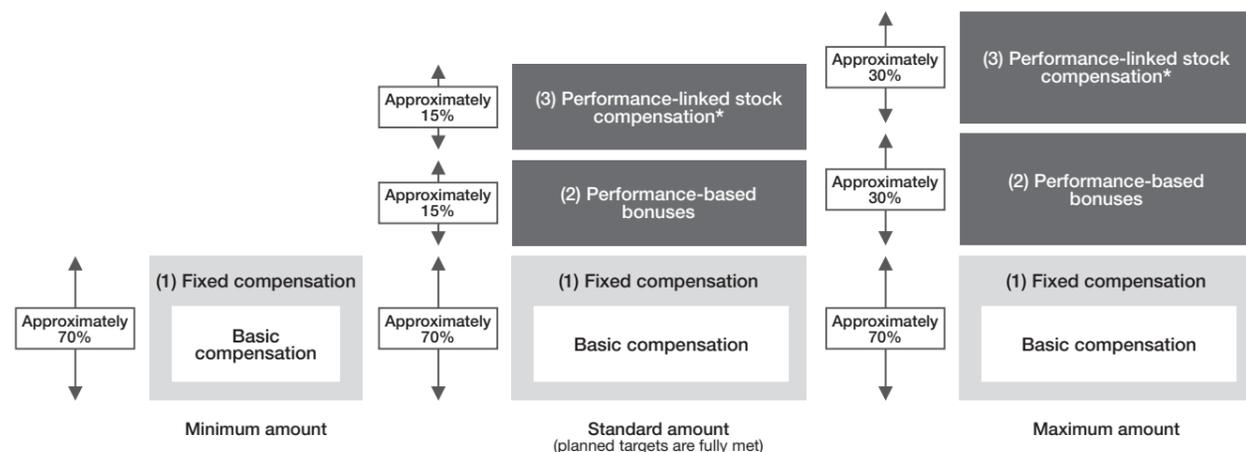
### Basic Policy on Executive Compensation

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 corporate mission and 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.

### Amount and Composition of Compensation

Compensation for Directors and Executive Officers consists of 1) fixed compensation, 2) performance-based bonuses, and 3) performance-linked stock compensation. When paid in the standard amount, the above three components account for around 70%, 15%, and 15%, respectively, of overall compensation. In the course of determining such compensation, the Company utilizes data obtained from a consulting firm that is independent from the Company to assess its appropriateness. Moreover, the level of compensation is being reviewed as necessary in light of its appropriateness vis-à-vis changes in the business environment and input gleaned via external surveys. 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 addition, no specific limitations are set for the number of the Company shares that can be owned by Directors and Executive Officers, nor does a clawback provision apply to shares granted to these individuals.

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



\*Stock compensation is granted only after the recipients have stepped down from their positions. To provide the recipients with medium- to long-term incentives, the value of stock compensation is designed to reflect fluctuations in stock prices during their terms in office.

<b>1. Fixed compensation</b>	Paid monthly in an amount determined in light of the recipient's duties.
<b>2. Performance-based bonuses (Short-term incentives)</b>	The amount of these bonuses varies based on the level of achievement vis-à-vis the recipient's duties and the Company's operating results (net income, consolidated operating income, etc.), with the payment ratio ranging from 0% to 200%. Bonuses for Representative Directors are paid in every June upon the assessment of matters including the level of their achievement vis-à-vis non-financial targets (associated with medium- to long-term Companywide strategic issues, ESG issues, human resource development, and corporate culture reforms, etc.) aimed at improving corporate value over the medium to long term. Bonuses for Directors who concurrently serve as Executive Officers, excluding Representative Directors, and bonuses for other Executive Officers, are paid in the same month upon the assessment of such matters as the level of their achievement vis-à-vis their individual targets in areas under their supervision (initiatives to address medium- to long-term issues, human resource development, etc.).
<b>3. Performance-linked stock compensation (Medium- to long-term incentives)</b>	Performance-linked stock compensation is paid to all officers and determined based on the level of achievement vis-à-vis the Company's operating results (net income and consolidated operating income), with the payment ratio ranging from 0% to 200%. Stock compensation is granted only after the recipients have stepped down from their positions. The value of stock compensation is thus designed to reflect fluctuations in stock prices during their terms in office.

\*Determined in line with weighting allocated to net income and consolidated operating income as follows.  
Directors and Executive Officers (Senior Executive Officers or higher): 60%:40%  
Other Executive Officers: 40%:60%

### FY2020 Compensation

With regard to its FY2020 targets vis-à-vis performance indicators, the Company opted to set conservative targets when target values to be assessed in the determination of performance-linked compensation were discussed at the beginning of the fiscal year. This was due to a looming sense of uncertainty regarding the external environment influenced by the COVID-19 pandemic. As a result, the Company's operating results were in excess of these targets. However, taking into account special circumstances attributable to the pandemic, the Company has determined that target values defined at the beginning of the fiscal year (consolidated operating income of ¥60 billion and net income of ¥5 billion) shall be considered reference values in the course of calculating performance-linked compensation, and the amount of such compensation was determined accordingly following discussion by the Nomination and Compensation Advisory Committee.

### Total Amount of Compensation, etc. by Executive Category

Total amount of compensation and other wages paid to Directors in FY2020, 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)	10	360	43	127	531
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	62	—	—	62
Outside Directors and Outside Audit & Supervisory Board Members	7	101	—	—	101
<b>Total</b>	<b>19</b>	<b>524</b>	<b>43</b>	<b>127</b>	<b>695</b>

Note: Figures presented above include compensation paid to three Directors who stepped down from their positions at the closure of the 105th annual General Meeting of Shareholders held on June 25, 2021.

### 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. At the end of FY2020, the Company's strategic holdings of listed shares comprised 18 stocks, a decrease of four stocks from the end of FY2019. This represents a decrease of 47 stocks compared with the end of FY2014,\* prior to the enforcement of Japan's Corporate Governance Code.

\*Comparisons based on the simple sum of stocks held by pre-merger companies.

### ■ Main Agenda Items Discussed by the Nomination and Compensation Advisory Committee

Timing of committee meetings	Main agenda items
April 2020	Assessment of targets for Directors who concurrently serve as Executive Officers, excluding Representative Directors, in connection with areas of their supervision
June 2020	Compensation for newly established executive positions and medium- to long-term issues associated with officer compensation
August 2020	Incorporation of non-financial targets into indicators used to determine performance-based bonuses for Representative Directors and the determination of targets for Directors
November 2020	Treatment of performance-linked compensation for Directors and Executive Officers who step down from their positions during their terms of office
February 2021	Confirmation of the level of officer compensation

## 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.

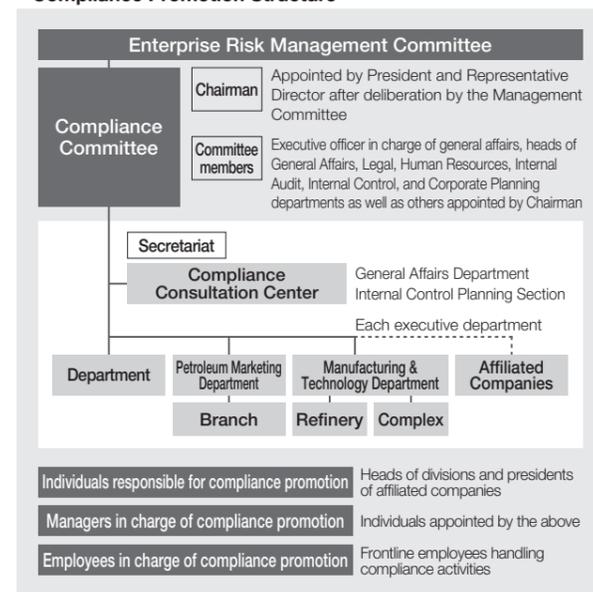
Based on this definition, every Group employee is expected to live up to high ethical standards and act appropriately and sincerely while maintaining self-discipline.

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 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



### Compliance Promotion Activities

#### ■ Major Compliance Violations in FY2020\*: 0

\*Violations disclosed as having a serious impact on Group management

#### Raising Employee Awareness

To raise compliance awareness among Group employees, we implement the following initiatives.

- Distribute compliance-related information via the intranet portal and Group newsletters
- Provide compliance education (e-learning)
- Issue the Compliance Book in Japanese, English, and Chinese to communicate specific compliance standards based on the Compliance Code of Conduct

#### 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. We regard anticorruption as a particularly important issue for compliance at overseas sites, and are raising awareness of the importance of specific preventive measures. In addition to strictly adhering to these rules, we have included articles on such topics as the prohibition of bribery, such as the bribery of public officials and limitations on excessive gifts and entertainment, in our Compliance Book to raise employee awareness.

#### Prevention of Anti-Competitive Practices

We have established the “Rules for Compliance with the Anti-Monopoly Law,” which stipulate basic matters that must be observed to ensure compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade as well as competition laws enforced in each country in which we operate in addition to other relevant regulations. These rules also define necessary compliance promotion structures. Specifically, the Representative Director and President is responsible for providing overall supervision of activities aimed at ensuring the proper observance of these rules and preventing employees’ involvement in prohibited practices. The division heads of the Company and presidents of its subsidiaries are tasked with putting these rules into practice. To this end, they strive to ensure that appropriate self-management measures are implemented in a way that gives due consideration to risks associated with the characteristics of their businesses and organizational structures as well as country-specific circumstances and local antimonopoly laws.

#### Tax Policy and Tax Compliance

We consider ensuring the transparency of tax payments to be an essential part of social responsibilities to be fulfilled by good corporate citizens. Furthermore, due to the globalization of our business, we are likely to face a growing need to handle a more diverse range of increasingly complex tax-related operations. Accordingly, we recognize that the coordinated handling of tax compliance is a matter of increasing importance.

With this in mind, we have appointed a Director who serves as CFO and a Managing Executive Officer to be responsible for tax governance across the Group, and established the Group Basic Tax Policy, outlined below, in addition to the Group Tax Regulations, the Group Tax Practices Guide and other relevant rules that provide specific operational guidelines. In these ways, we are striving to fulfill our corporate social responsibilities by paying taxes in a proper and fair manner in conformity with all applicable tax laws enforced in countries where we operate while maintaining appropriate information disclosure to enhance the transparency of our tax payment.

#### ■ Group Basic Tax Policy

##### (1) Compliance with Tax Compliance

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

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.

## Risk Management

### 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.

- Risks arising from changes in international affairs and the economic environment
- Risks attributable to changes in the external environment surrounding our business (market risks associated with our products, procurement risks, country risks, and foreign exchange risks)
- Risks associated with climate change and environmental regulations
- Risks associated with business investment
- Compliance-related risks
- Intellectual property-related risks
- Risks arising from natural disasters and accidents
- Risks associated with the management of personal information
- Risks arising from the outbreak of COVID-19

### 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. With the President serving as the chair, committee members consist of Executive Officers and heads of relevant departments. 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,” which is tasked with handling “Operational Risk” and is promoting company-wide risk management by taking necessary measures in a timely and prompt manner. With a Director or Executive Officer appointed by the Management Committee serving as the chair, committee members consist mainly of the Executive Officer in charge of general affairs as well as the heads of the General Affairs, Safety, Environment & Quality Assurance, Accounting, Finance, Legal, Corporate Planning, Human Resources, and Public Relations departments. 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. 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.

### 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.

Furthermore, 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 to ensure that thoroughgoing information management measures are practiced by each. 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.