

Medium-term Management Plan Revision (FY2020-2022)

May 11, 2021

Idemitsu Kosan Co., Ltd.

Securities code: 5019

Environmental changes following announcement of the medium-term management plan in 2019

Reduced demand for core products and lifestyle changes due to COVID

Accelerated decarbonization following the 2050 carbon neutral declaration

Increased resource price volatility amid capital excess

Need to reformulate medium-to-long-term strategy and accelerate initiatives

Steps for medium-term management plan revision



Anticipated long-term business environment



Reconfirm corporate purpose and establish a corporate vision for 2030



Basic strategy and management objectives towards 2030

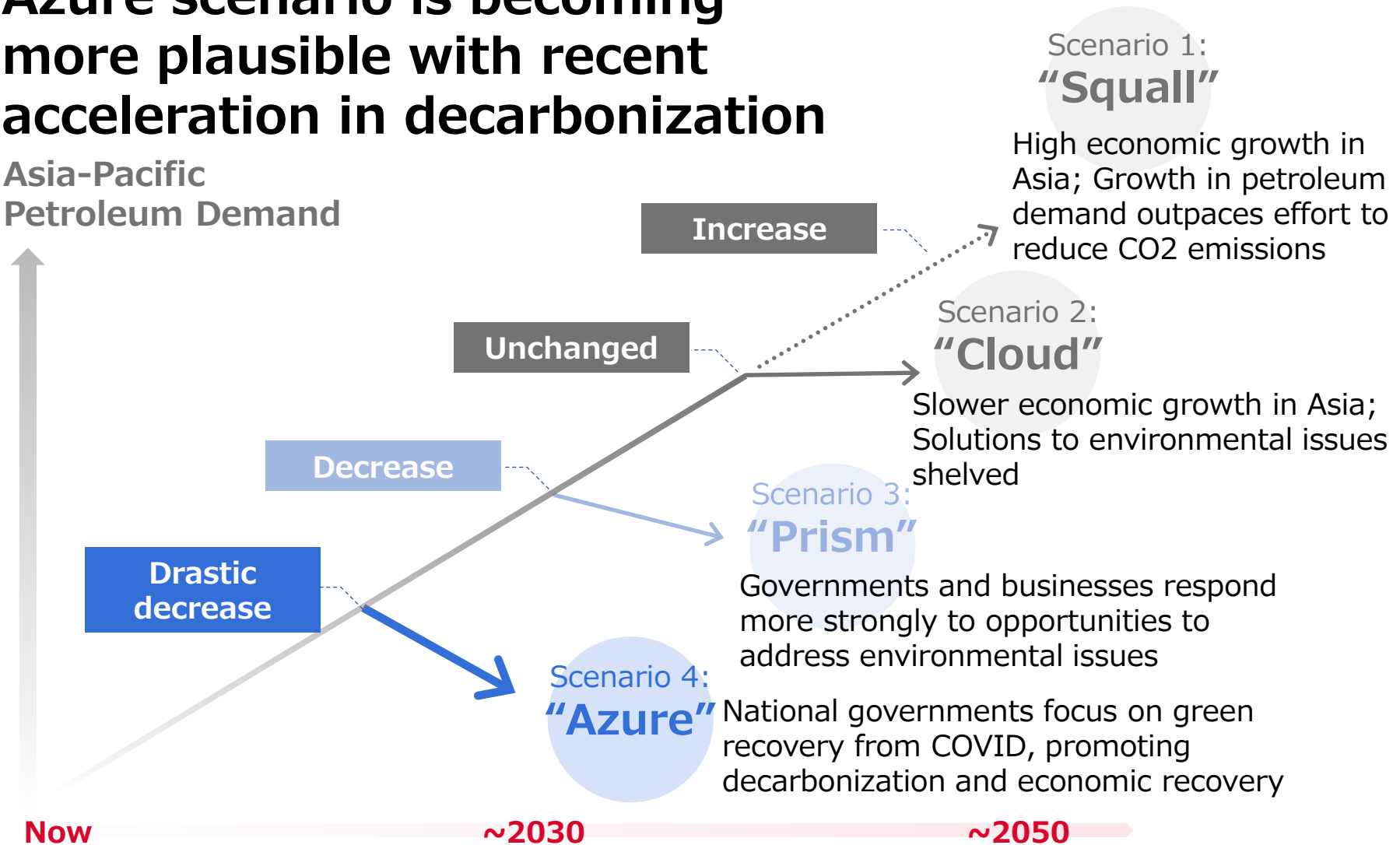


Revision of medium-term management plan (2020-2022)

Long-term energy business environment scenarios towards 2050

Azure scenario is becoming more plausible with recent acceleration in decarbonization

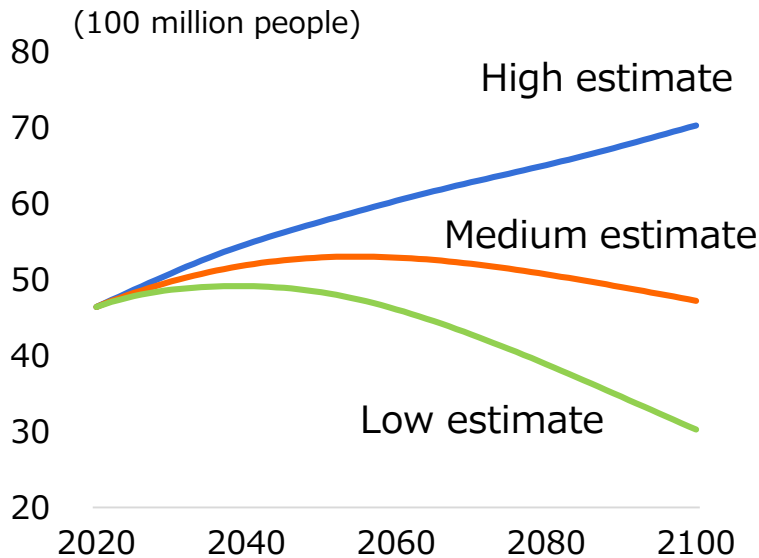
Asia-Pacific
Petroleum Demand



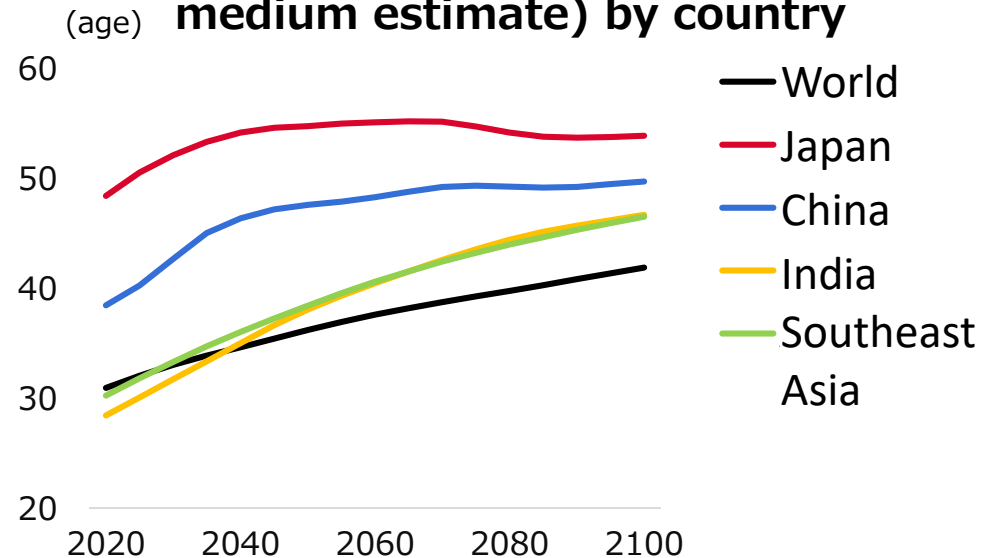
Anticipated long-term business environment

Many variables make the future business environment extremely uncertain, but **decarbonization and aging are very likely to become global trends**

Asian population forecasts



Median age forecasts (based on medium estimate) by country



It will become necessary to enhance our resilience while engaging in steady efforts towards the resolution of future social challenges

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Idemitsu's history and key values

At the root of both companies' histories before the merger, there was a shared value of **"nurturing people through our work, contributing to society by showing infinite possibility."** We have reconfirmed this to be our key purpose

Autonomous thinking and actions



Pioneer/innovator

Entry into CIS solar PV business

Participation in the Nghi Son Refinery Project

Launch of "Formula Shell Super X"

Commercialization of organic EL materials

Independence & autonomy

Nissho Maru Incident

Channel expansion for kerosene /candles

Seek to take the difficult path



Truly inspired

How often do we consider the countries and communities we touch, and how much empathy do we have for the people living there? Are we contemplating what's best for them and then doing our utmost to act in their interests?

Each day, we must reflect on our actions; we must strive to do better not only for ourselves, but also for others.
We make the impossible possible.

With integrity, solidarity, and determination, we will overcome any challenge we face.

The starting point for our operations

人間尊重

Corporate vision for 2030

We believe it is our responsibility to contribute to social challenges in addition to providing stable energy supply.

Our corporate vision for 2030 is to become

Your Reliable Partner for Brighter Future

and will fulfill three responsibilities through our business activities:

Responsibility to protect the environment and lifestyles:

Energy/material transition to a carbon-neutral/circulatory society

Responsibility to support regional communities:

Next-generation mobility & community for an aging society

Responsibility to provide for society with technological capabilities:

New materials to make it possible to overcome such challenges

Steps for medium-term plan revision



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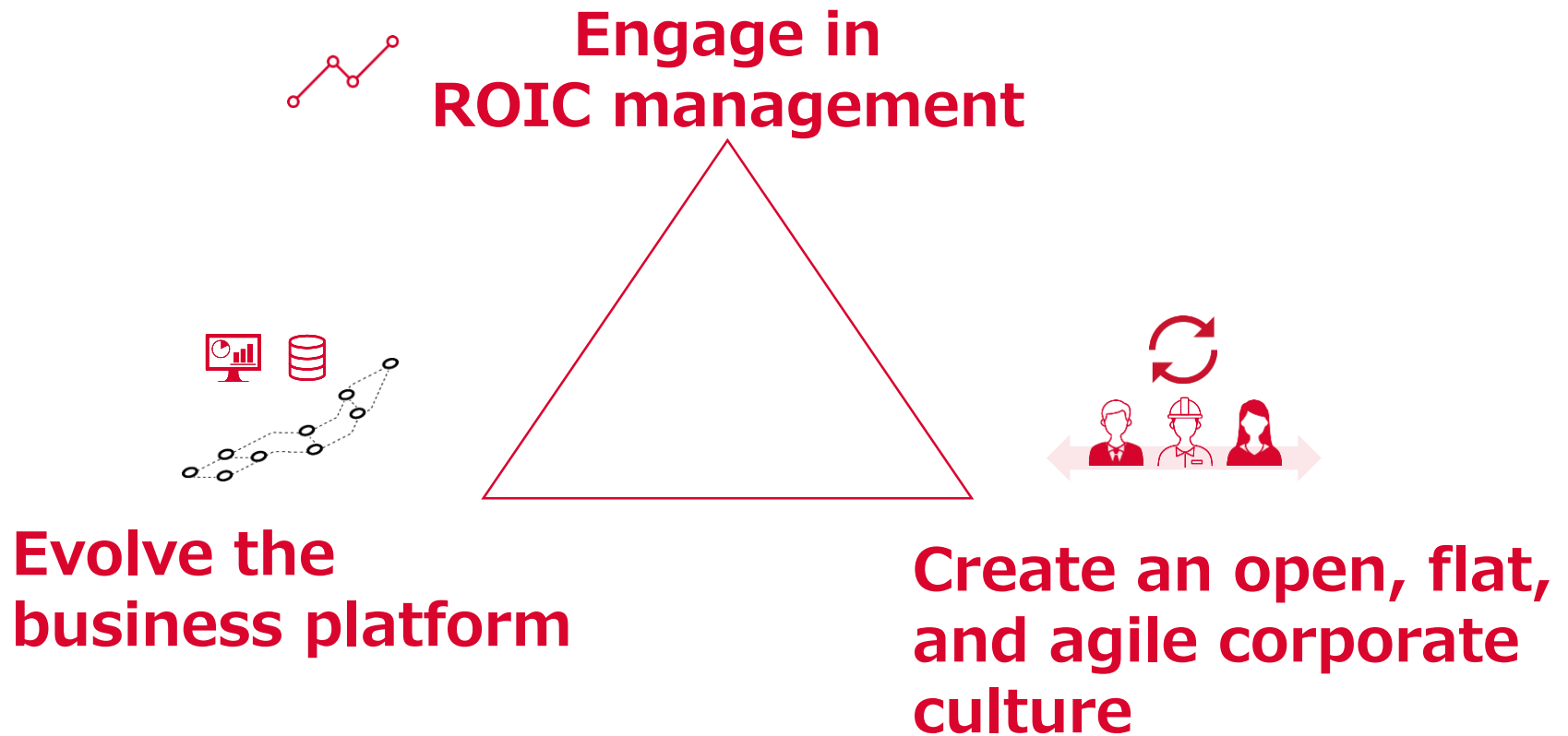
Basic strategy and management objectives towards 2030



Revision of medium-term management plan (2020-2022)

Basic strategy towards 2030

Aim to become a **resilient company** which can adapt flexibly to any environmental changes, amid extreme uncertainties in the long-term operating environment

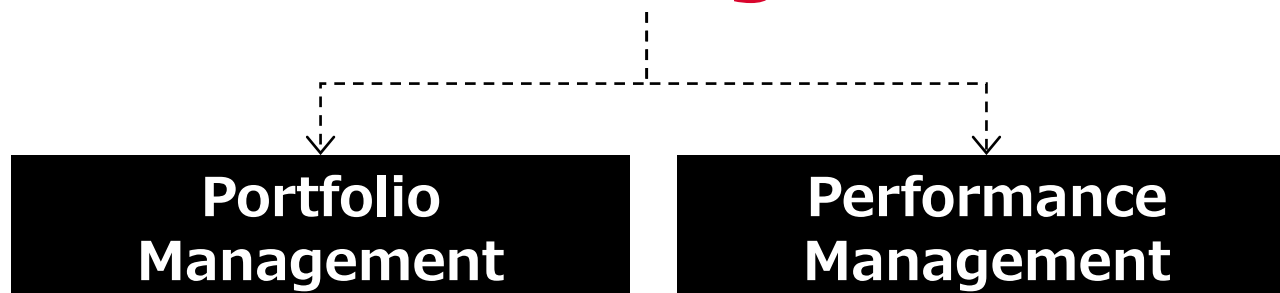


Basic strategy towards 2030

By engaging in ROIC Management

- Enhance capital efficiency and create a strong corporate structure to increase risk tolerance
- In addition to managing our portfolio, apply ROIC management methodology to accurately measure performance results of each business domain.
- Use of ICP (internal carbon pricing) for investment decisions

ROIC Management



Business strategy

Basic strategy towards 2030

Business strategy

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- Petroleum**
- Turn apollostation into a **“Smart Yorozuya (One-stop shop)”**
 - Review refinery/complex structure and establish a **“CNX* Center”**
- Basic**
- Reduce fixed costs ahead of decrease in demand
- Chemicals**
- Deepen integration between refining and petrochemical production
 - Enabling profit contribution from Nghi Son Refinery
-

- Functional**
- Commercialize lithium solid electrolytes
- Materials**
- Accelerate development of advanced materials (e.g. electronic materials, performance chemicals, lubricants, grease, functional paving materials, agri-bio)
-

- Power and**
- Expand development of renewable energy sources (solar/wind/biomass)
- Renewable**
- Develop distributed energy business centered around renewable energy
- Energy**
- Convert Solar Frontier’s module sales business into a system integrator business
-

- Resources**
- Oil E&P: Shift to Southeast Asian gas development, CCS initiatives using developed technologies
 - Coal: Reduce mine production, shift to low-carbon solutions business (black pellets, ammonia)
 - Expand domestic and overseas geothermal business

Basic strategy towards 2030



Evolve the business platform

Accelerate DX

- Shift from Digital “for Idemitsu” (operational reforms) to “for Customer”/“for Ecosystem” (provide customer/network value)
*Achieved DX certification on 4/1/2021 (DX-Ready)
-

Enhance corporate governance

- Smaller board with members suited to resolving existing management challenges to engage in active discussions
- Further improve the deliberation process for fair and transparent nominations and compensation, led by external directors
- Enhance group internal control, including local entities located overseas

Basic strategy towards 2030



Create an open, flat, and agile corporate culture

Internal dissemination of the corporate mission and vision

- Engage in internal branding efforts to establish a shared sentiment towards overcoming social challenges
- Establish a linchpin to adapt rapidly and flexibly to environmental changes

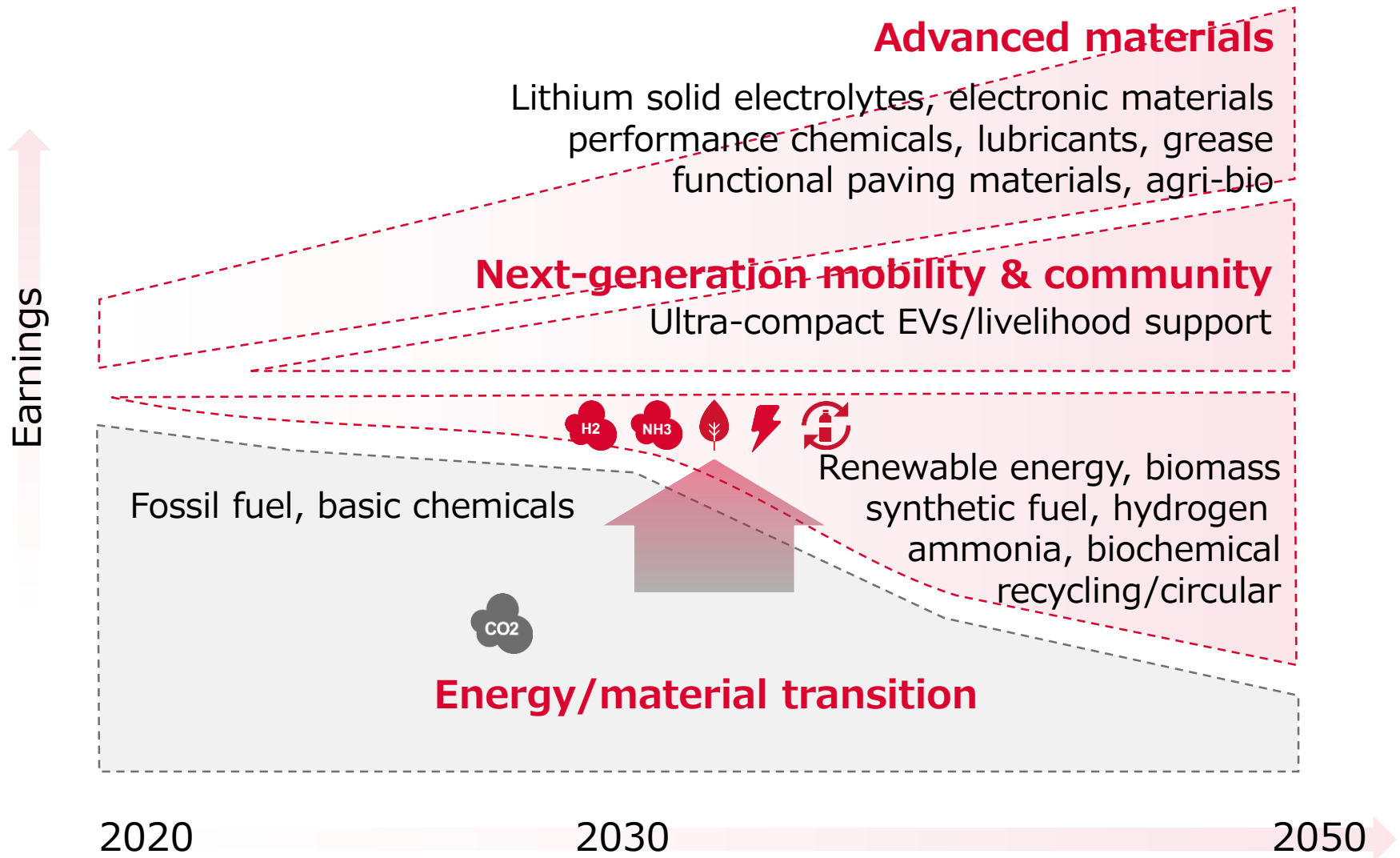
Organizational reforms

- Simplify hierarchy to accelerated decision-making; enhance productivity by streamlining administrative divisions
- Increase in growth opportunities through proactive delegation
- Enhance quality of management by optimizing span of control

Workstyle reforms

- Revamp the working environment to suit various value sets and lifestyles, providing equal opportunities for all
- Promote search for knowledge through reforms of existing operations; shift to high value-added operations
- Improve operational speed and quality by eliminating perfectionism and promote co-creation

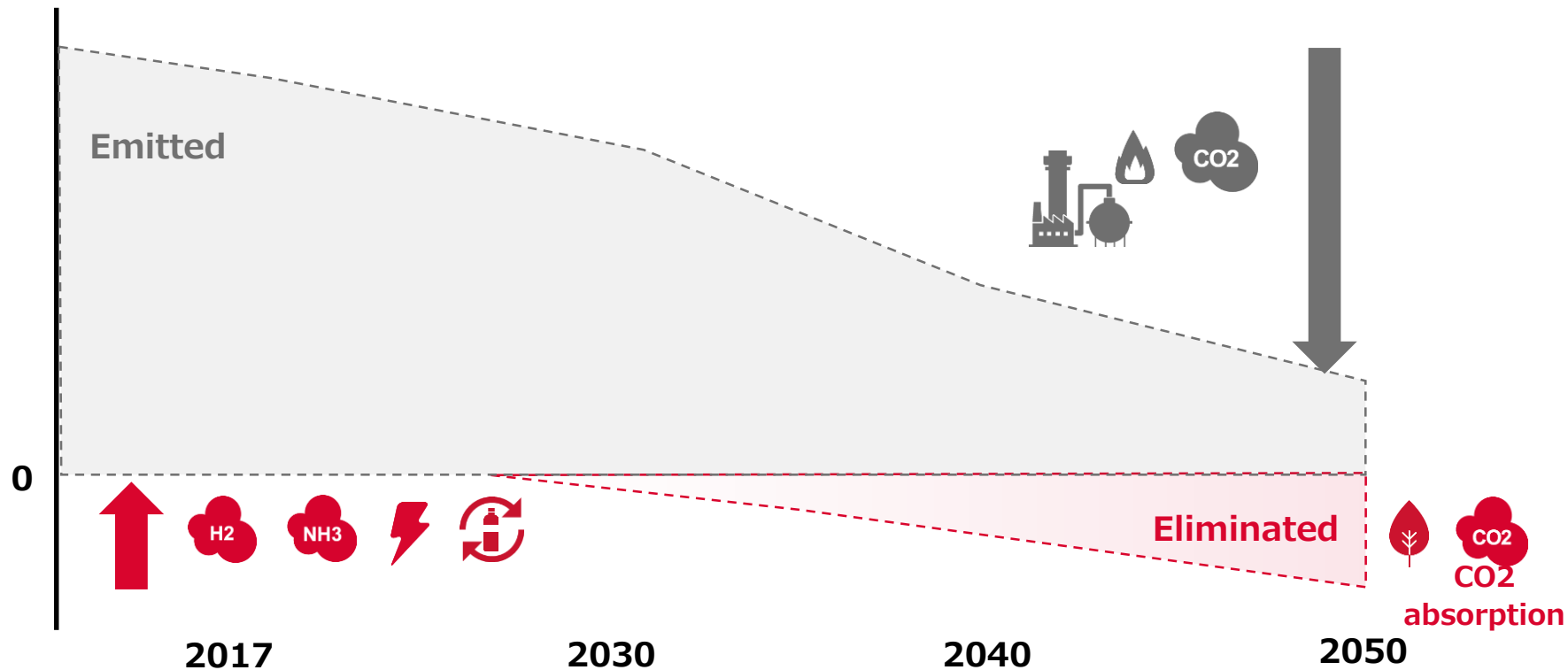
Portfolio evolution for the future



Pursuing carbon neutrality by 2050

We aim to achieve carbon neutrality (net zero CO2 emission) from in-house operations (Scope1+2) by 2050

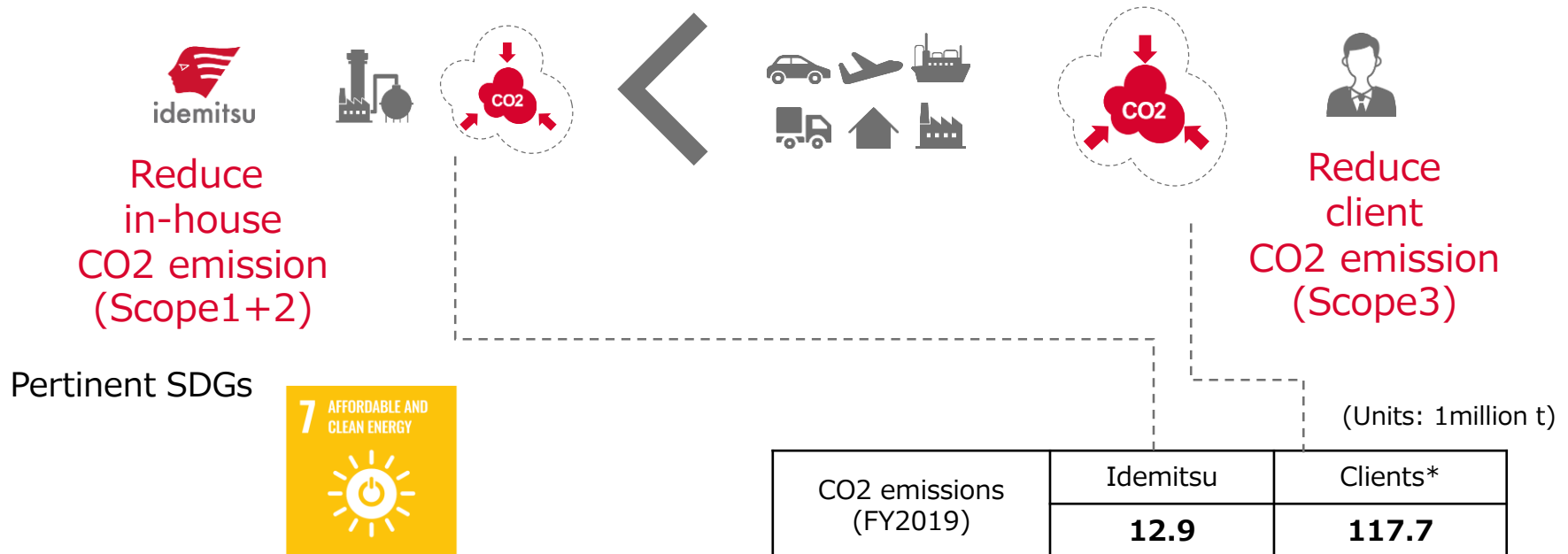
CO2 volume emitted/eliminated



Reduction of CO2 emissions across the entire value chain

We will not only **promote reduction of in-house CO2 emissions**, but also **contribute to reducing client CO2 emissions** by providing energy/materials which support the realization of a carbon-neutral, circulatory society

Features of CO2 emissions throughout our value chain



*Associated with use of Idemitsu products

FY2030 Management Targets

	FY2020		FY2030
Operating+ equity income (excl. inventory impact)	¥92.8 bn	→	¥250 bn
ROIC	3 %	→	7 %
CO2 reduction (Scope1+2)	—	→	-4 million t

*vs. FY2017; includes group refineries

*FY2020Act : Calculating

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Revision of medium-term management plan (2020-2022)

Management plan

Net income
(excl. inventory
impact)

(3-year
cumulative)

¥220 bn

**Operating+
Equity income**
(excl. inventory
impact)

(3-year
cumulative)

¥410 bn

ROE

(FYE 2022)

8 %

FCF

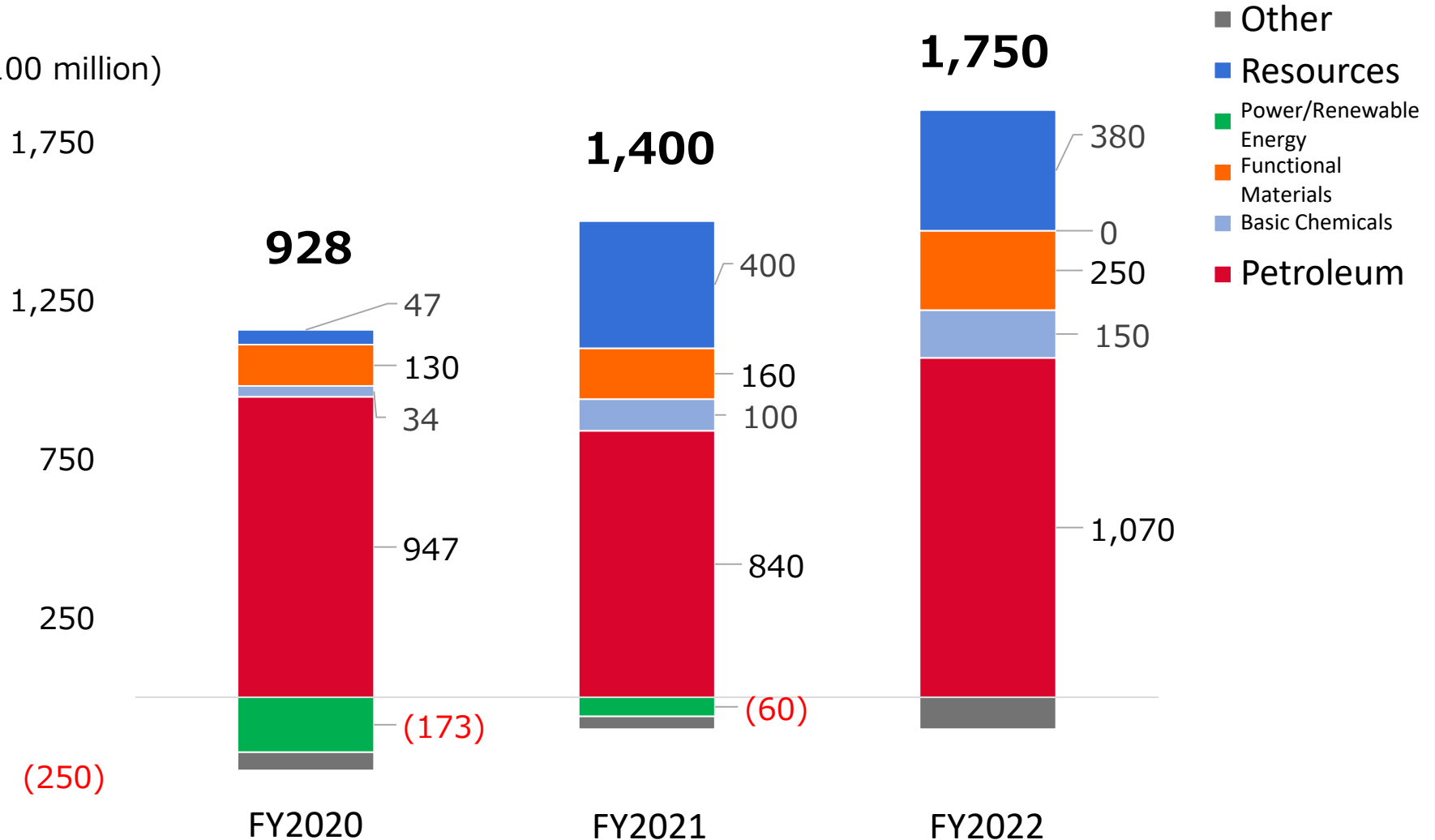
(3-year
cumulative)

¥230 bn

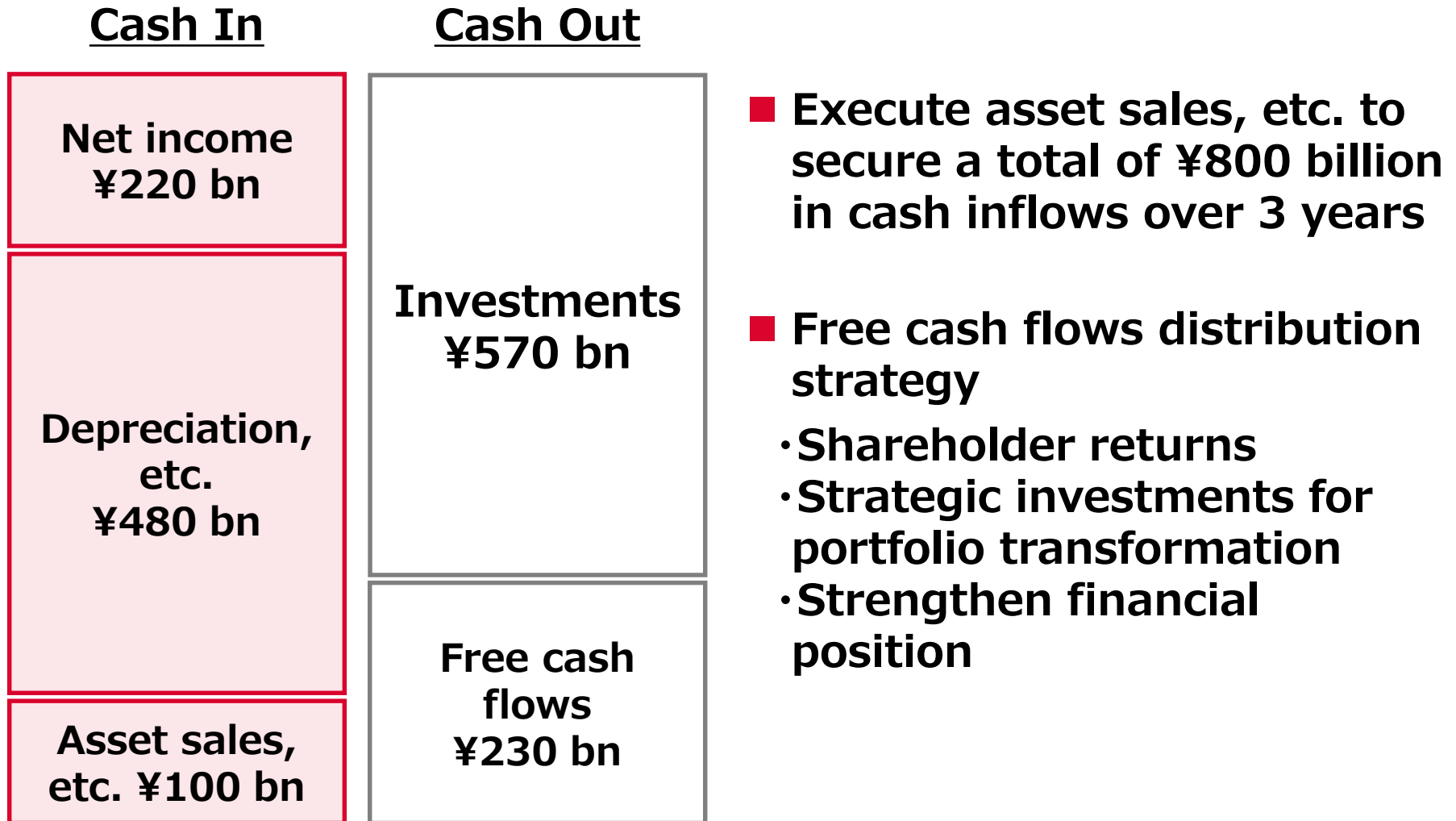
(Key assumptions)	Units	FY2021	FY2022
Crude oil <Dubai>	\$/BBL	60.0	
Naphtha <customs>	\$/t	560	
Coal <NEWC>	US\$/t	80.0	75.0
Foreign Exchange <USD>	¥/\$	105.0	

Segment operating + equity income (excluding inventory impact)

(¥100 million)



Cash balance



Investment plan

Investment breakdown

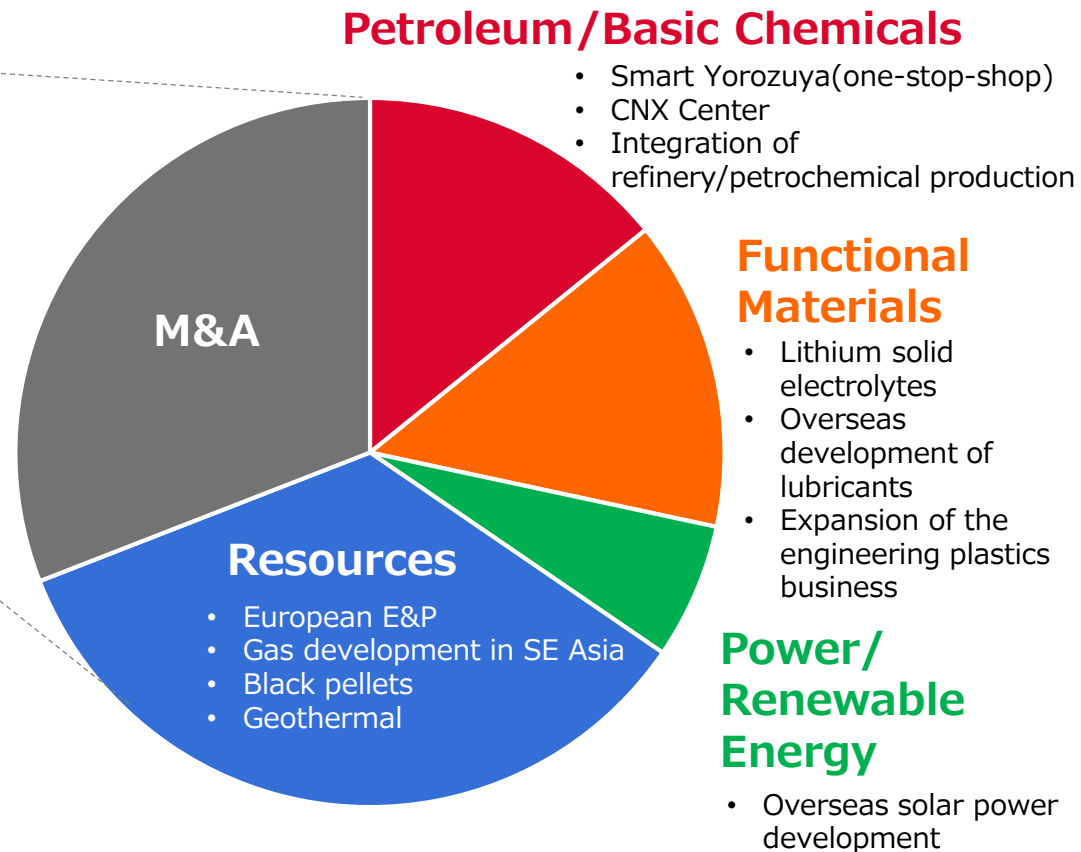
¥570 bn

Strategic investments
¥270 bn

Of which M&A:
¥100 bn

Maintenance investments
¥300 bn

Breakdown of strategic investments



Shareholder returns

Shareholder returns are positioned as a key management priority

- **Total payout ratio of over 50% on cumulative net income excluding inventory impact from FY2020–2022**
- **Stable dividends of ¥120/share**

Reference Materials

-
- ① **Smart Yorozuya (one-stop-shop) concept and initiatives**
 - ② **CNX Center concept and initiatives**

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- ① **Smart Yorozuya (one-stop-shop) concept and initiatives**
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Smart Yorozuya (one-stop-shop) concept

Evolve apollostation network into a next-generation **“Yorozuya (one-stop-shop)”** which enriches the lives of **regional residents!**

- Leverage network of **6,400** service stations nationwide
- Ecosystem which solves **region-specific challenges**
- Provide various services **at the appropriate time and place**
- Provide an **OMO*** platform that integrates **“place”** × **“real contact”** × **“energy”** × **“digital”**

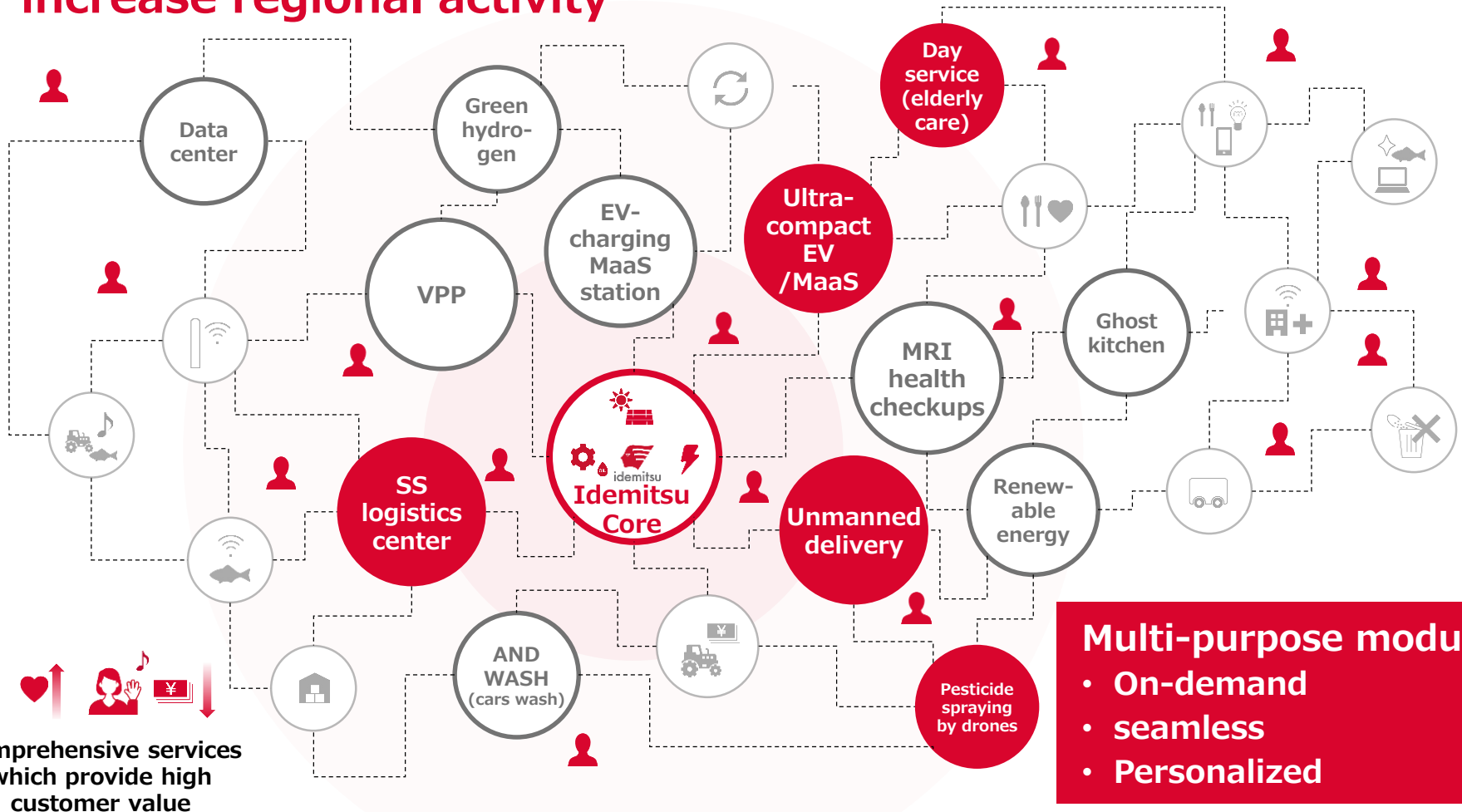
Apply domestic know-how to resolution of overseas social challenges



From Service Station to **Mobility & Community Station**

Spread of the ecosystem

Solve all regional problems collectively by linking various internal and external business modules to **improve local resident's QoL** and **increase regional activity**



Providing a brand new category of mobility

Ultra-small EV /MaaS

Go beyond development/sales of ultra-compact EVs and engage in **development of new mobility and community services** which contribute to the resolution of regional challenges



April 2021
**Idemitsu
Tajima EV**
established

October 2021
**New vehicle
announced**

2022
**New vehicle
on sale**



SS network/
Materials
development
technology



Vehicle design
technology



Comprehensive coordination agreement with Ichihara, Chiba

Ultra-compact EV /MaaS

Introduced **Autoshare**, a car-sharing service using ultra-compact EVs, in Ichihara city

Leveraging advanced technologies to support Ichihara city's sightseeing and global warming initiatives, to promote coordination in logistics and disaster prevention efforts, to contribute to the advancement of regional society, and to improve resident lifestyles

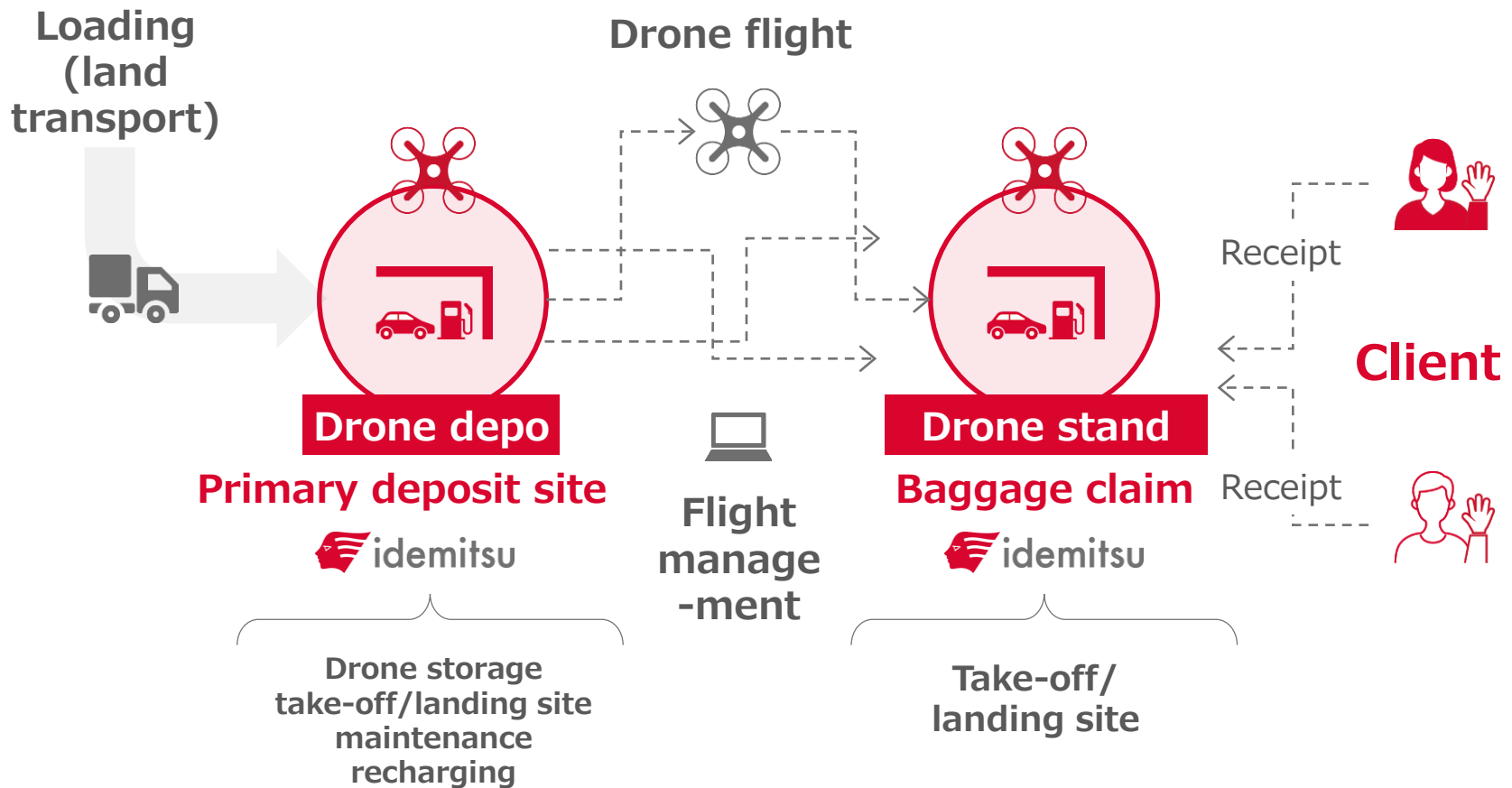
Placed 2 ultra-compact EVs in front of Kazusaushiku Station on the Kominato Line



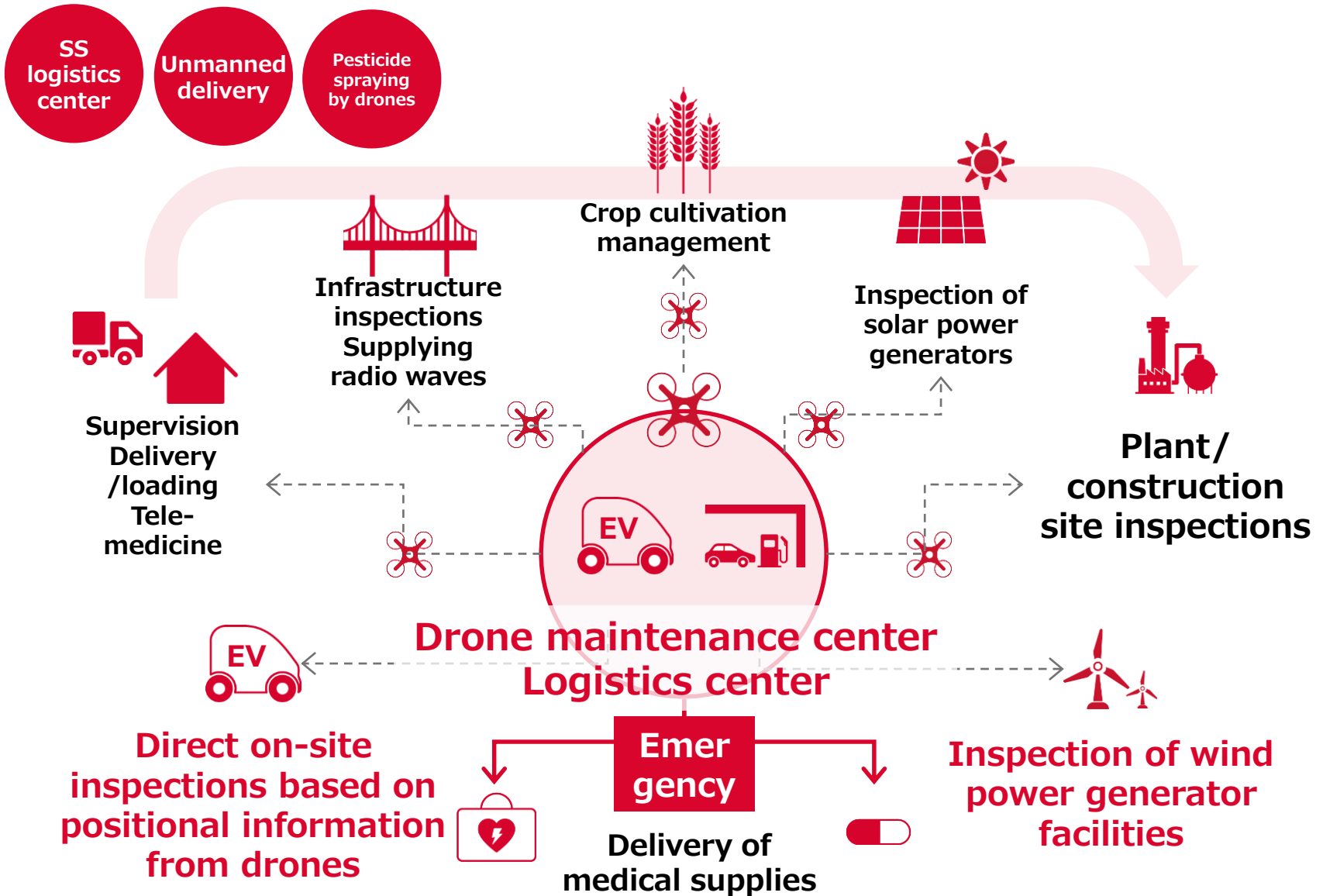
Last-mile logistics verification test



Validated **potential of Service Station as a logistics center** through last-mile verification test using drones



Future vision on the use of drones



Senior citizen healthcare business

Day service (Elderly care)

Promoting development of directly-operated and franchised day service facilities to support autonomous lifestyles

Also entering new businesses covered by nursing care insurance and developing services not covered by insurance



March 2018

Capital/business agreement with REHA CONTENTS



April 2021

Acquired all shares in QLC PRODUCE



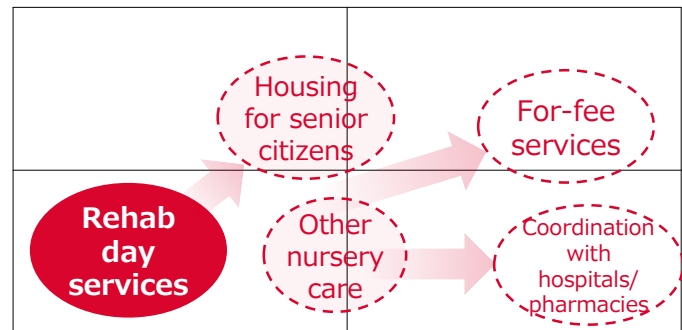
Spread of senior/healthcare businesses starting from rehabilitation day services



Establishing a comprehensive care system which allows senior citizens to maintain their desired lifestyles

For seniors with potential need of care

For seniors certified as being in need of care



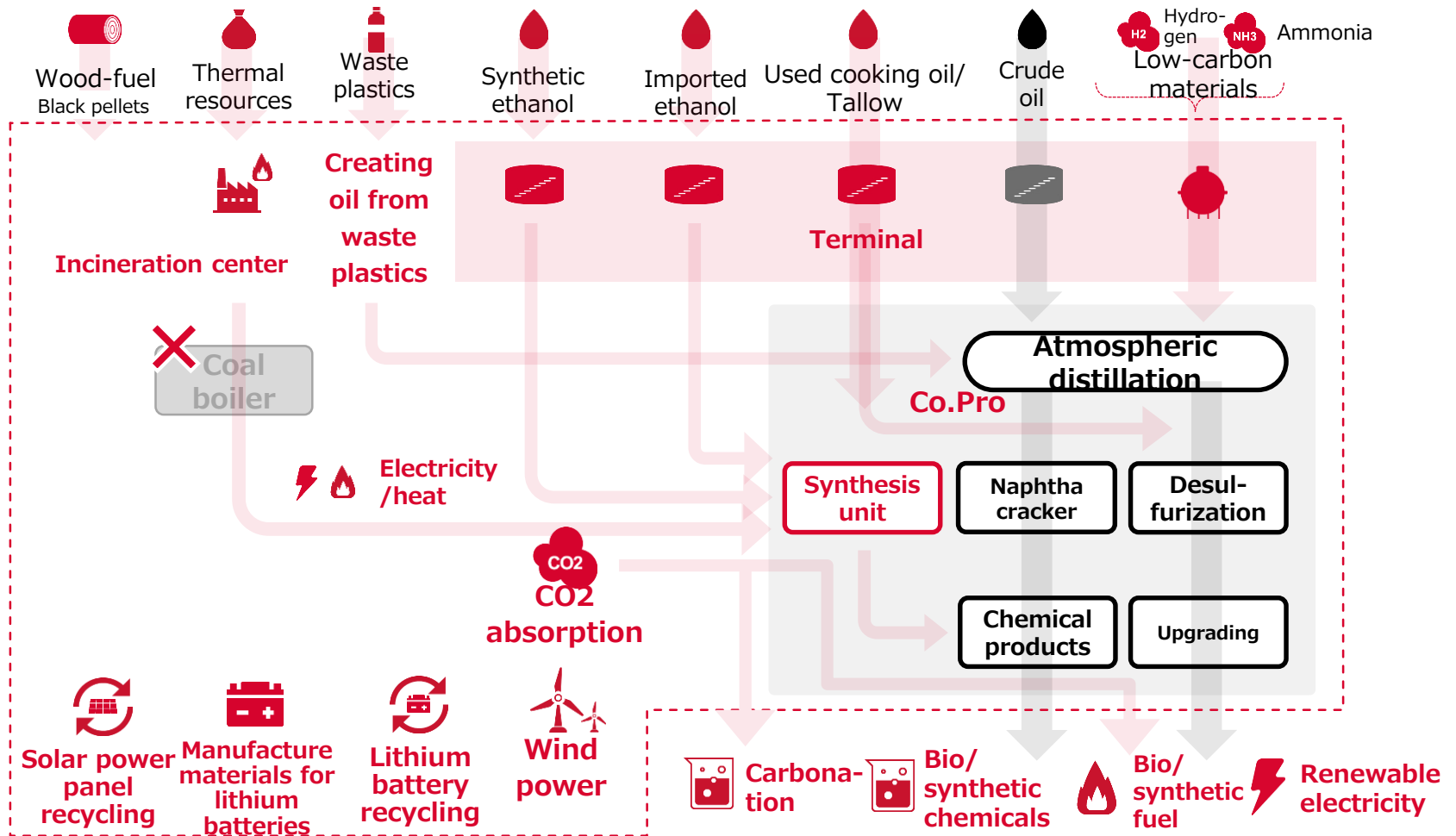
Covered by nursing care/medical insurance

Not covered by nursing care/medical insurance

-
- ① Smart Yorozuya (one-stop-shop) concept and initiatives
 - ② **CNX Center concept and initiatives**

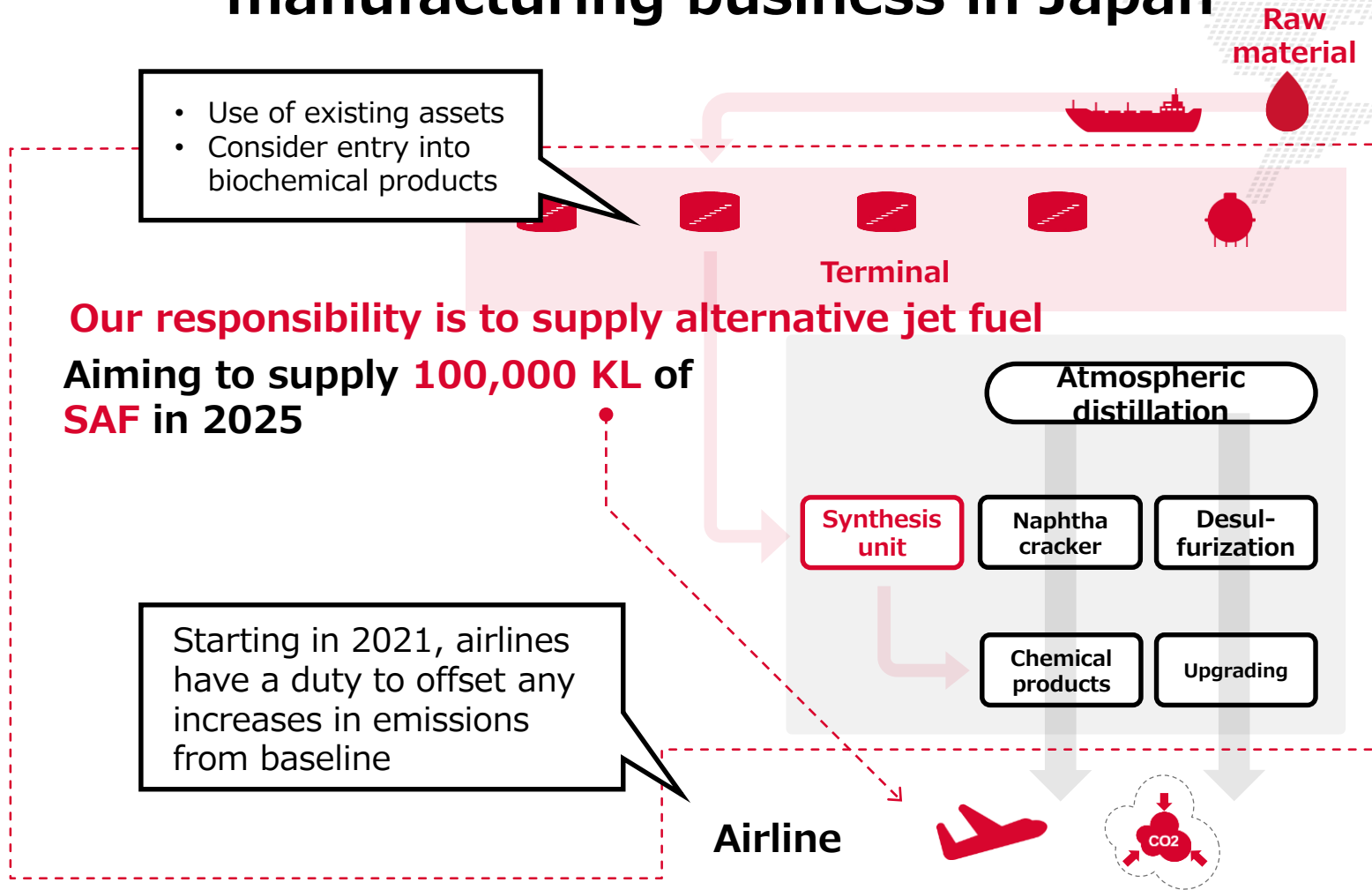
CNX Center concept

Establish the CNX Center model by 2030



Implementing the SAF business

Develop the first commercial-size SAF* manufacturing business in Japan



Implementing the waste plastic recycling business

Establish Japan's first waste plastics recycle chain (at Chiba complex)

- Car manufacturers
- Retail
- Home appliances

 **Waste plastic collecting company**

New recycling process are necessary, as less than 30% of the approx. 9 Mt of waste plastics are recycled (excluding thermal recovery)

 **Waste plastics 15,000 t/year**

Creating oil from waste plastics

Disintegration and synthesis at the molecular level to recycle into new resources and create high-quality chemical products

Invite Environment Energy Co., Ltd.

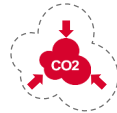


HiCOP technology*

*Catalytic degradation

Oil produced from waste plastics refined using existing facilities

Produced oil



Atmospheric distillation

Synthesis unit

Naphtha cracker

Desulfurization

Chemical products

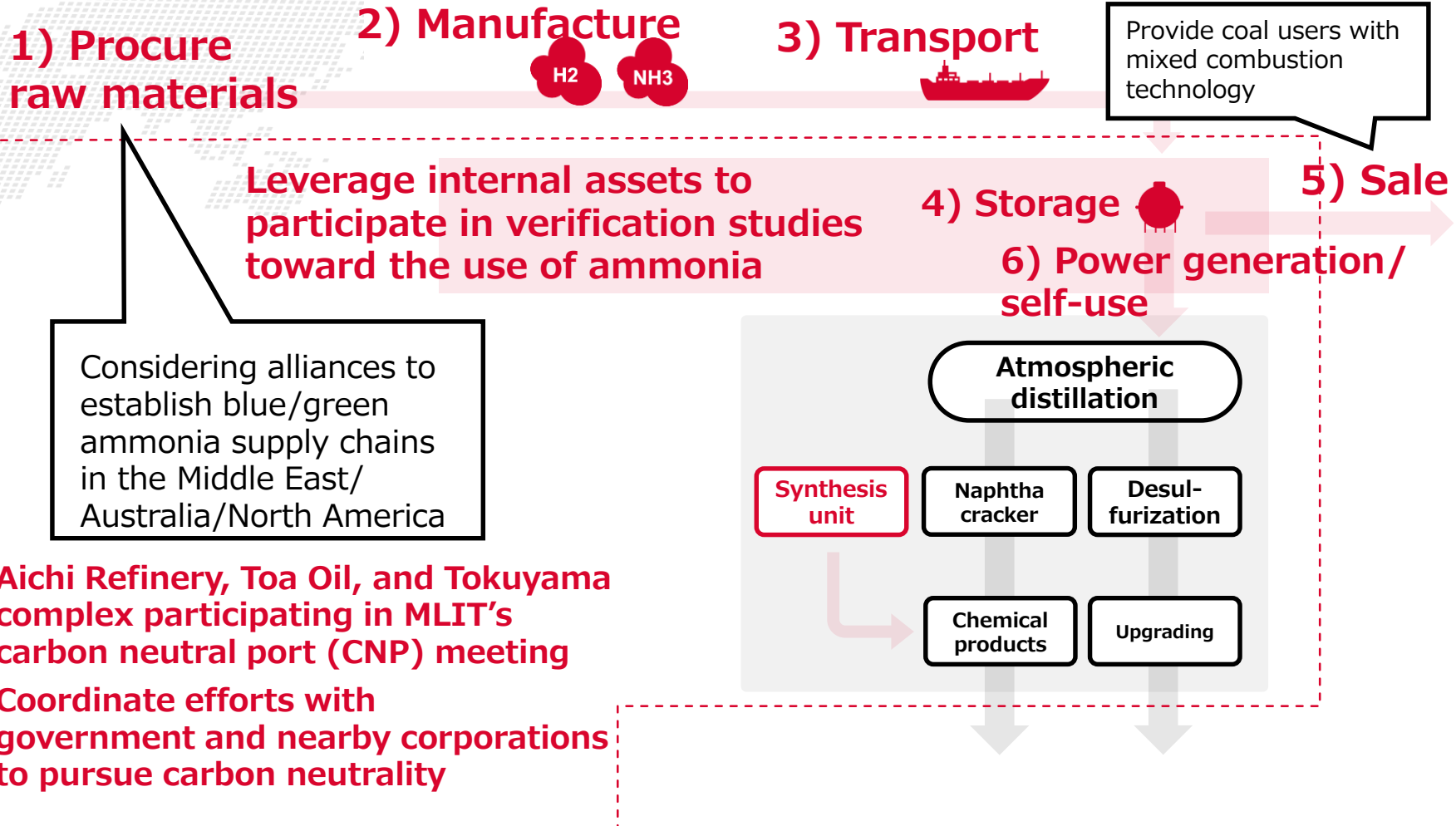
Upgrading

Recycled resources



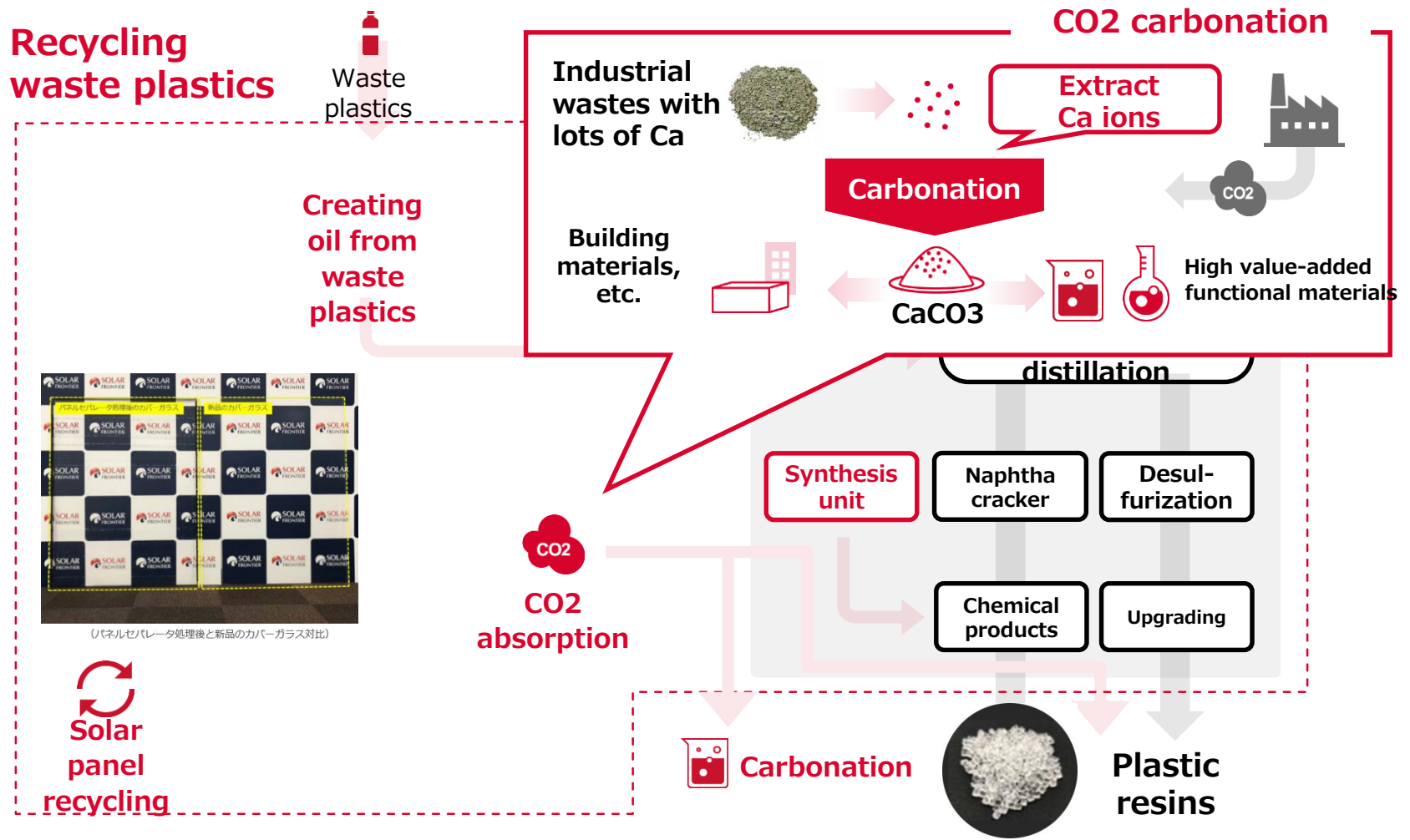
Ammonia and hydrogen-related efforts

Establish CO2-free ammonia supply chain for power/industrial divisions



Development of circular businesses

Establishing a circular society



<Conceptual Diagram> CNX Center



<Conceptual Diagram> Smart Yorozuya (one-stop-shop)



Precaution Statement about Forecasts

Any information about forecasts for the Company's operating results, management strategy and management policy contained in this documents other than historical facts is prepared, according to judgments made by the top management of the Company based on information available as of the publication of the document.

Actual business environments contain potential risk factors and uncertainties including economic situations, crude oil prices, trends in petroleum products, market conditions, currency exchange rates and interest rates.

Consequently, actual operating results of the Company may substantially differ from forecasts due to changes in the important factors mentioned above.