

Basic Policy on Corporate Governance

Chapter 1 General Provisions

1. Basic Approach to Corporate Governance

In its revised medium-term plan announced in May 2021, Idemitsu set forth its vision for 2030 to become “Your Reliable Partner for a Brighter Future.” In formulating this Medium-term Plan, the Company saw the need to consider the future of energy and its vision from a long-term perspective. The Company therefore established a new vision for 2050. Specifically, we aim to achieve “Shaping change” by implementing initiatives towards becoming “Your Reliable Partner for a Brighter Future” until 2030, and steadily realizing results from such initiatives and engaging in “social implementation” of such results through 2040 and 2050.

Amid accelerating global trends towards carbon neutrality (CN), Idemitsu believes it likely that energy systems and social infrastructures will under drastic changes by 2050. Various challenges including nonconsecutive technological innovation will arise in the process, and a leader to provide such technologies in a manner acceptable to society will become crucial. Idemitsu aims to fulfill its “Responsibility to support people and their daily lives” and its “Responsibility to protect the global environment” by promoting social implementation of such advances by leveraging its know-how from providing stable energy supply and its close relationships with regional societies to resolve social challenges and adapt to changes in the environment going forward.

The Company recognizes the importance of constructing positive relationships with all stakeholders, including customers, shareholders, business partners, local communities and employees, by 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 through Dialogue with Shareholders. The Company which strives to become a socially respected and highly trusted company believes that it must comply with the code in principle.

The Company openly discusses its business status and management circumstances with Independent Outside Directors and Independent Outside Audit & Supervisory Board Member with a wide range of knowledge and backgrounds and sincerely absorbs their unrestricted views, thereby endeavoring to continue operating in a transparent and fair manner.

Chapter 2 Corporate Governance System and the Board of Directors

1. Corporate Governance System

While the Board of Directors of the Company shall make important business decisions and supervise the execution of business, the Company, as a company with Audit & Supervisory Board, shall ensure that Audit & Supervisory Board Members and the Audit & Supervisory Board that are independent of the Board of Directors shall audit the execution of duties by officers and employees.

2. The Board of Directors and Directors

(1) Roles of the Board of Directors

The Board of Directors of the Company is composed of a diverse range of Directors, and Audit & Supervisory Board Members, who attend Board meetings without voting rights but with oversight responsibilities. All members bring a wealth of experience, deep insight, and advanced expertise. Based on our management philosophy of "Truly Inspired," the Board of Directors of the Company will fulfill the following responsibilities through open and candid discussion in order to achieve sustainable growth of the Company and improve our corporate value.

- a. The Board of Directors of the Company will determine management policies that indicate a major direction based on medium- to long-term environmental assumptions and promote structural reform of businesses to realize our future business portfolio.
- b. In addition to facilitate decision-making on management, the Board of Directors of the Company will provide highly effective supervision of the Company's critical issues and business execution.
- c. The Board of Directors of the Company will maintain a risk management system for

overall management, assess the status of its operations, and continually improve it to ensure practical functionality.

(2) Policy of the Board of Directors for the appointment/dismissal of top-management executives and the designation of Director and Audit & Supervisory Board Member candidates

The Company considers that, in order for the Board of Directors to fulfill its roles and responsibilities, it requires a certain number of Directors who, as members of the Board of Directors of the Company, have a detailed knowledge about the Company's businesses and challenges and thus can help to determine the Company's strategic direction and that, in order to ensure the independence and objectivity of the Board of Directors, it is essential for it to be comprised of directors with diverse knowledge, experiences and abilities.

Based on the above concept, the Company shall designate a certain number of top - management executive and other executive director candidates who have a detailed knowledge of the Company's businesses and challenges and are capable of managing the Company in an appropriate, fair and efficient manner.

Meanwhile, the Company's basic policy shall, in order to fulfill functions of supervision, require it to designate Independent Outside Director and Independent Outside Audit & Supervisory Board Member candidates who have sufficient knowledge and experience to provide useful advice on management of the Company out of those who meet the "Independence Requirements for Outside Officers" set forth below, while taking into account their diverse knowledge and backgrounds. The number of Independent Outside Directors shall be one third or more of the directors and the number of Independent Outside Audit & Supervisory Board Member shall be half or more of Audit & Supervisory Board Members.

"Independence Requirements for Outside Officers"

Independent Outside Directors and Independent Outside Audit & Supervisory Board Members must not fall under any of the following:

- (i) A person who has become an executive officer of the Company or its subsidiaries in the present or in the past.
- (ii) A person who is a major shareholder or currently affiliated with an organization that is a major shareholder with a 10% or higher share ratio in the Company's latest shareholder list.
- (iii) A person who is currently affiliated with the Company's business partners or their consolidated subsidiaries with a total annual transaction amount of 2% or more of consolidated net sales in the three most recent business years.
- (iv) A person who is a consultant, accounting professional, legal expert, accounting auditor, or contractor (if they are corporations, associations, or other organizations, those who actually belong to those organizations) who receives money or other properties of ¥10 million or more per annum from the Company other than remuneration for a Director or Audit & Supervisory Board Member in the three most recent fiscal years.
- (v) A person who is currently affiliated with non-profit organizations that have received 2% or more of their gross or ordinary income from the Company in the three most recent fiscal years.
- (vi) In the case where a person has belonged to any of the organizations or business partners described in (ii) to (v) above, three years have not elapsed since (s)he left the organization or business partner.
- (vii) A person who is the spouse or relative within the third degree of kinship of an officer (excluding those that are not important) of the Company or a specified associated company of the Company.

In order to make the composition of the Board of Directors conform to the business strategy and make it more effective, the Company selects candidates for Directors by considering the overall balance, utilizing personnel standards, skill career matrices, etc.

(Skill career matrix: a table of qualifications and diversity elements that the board considers necessary. It visualizes which directors have which qualifications for the purpose of strategic consideration.)

- (3) Procedure that the Board of Directors shall follow for the appointment/dismissal of top

management executives and the designation of Director candidates

a. Number of Directors

The Articles of Incorporation of the Company stipulate that the number of Directors shall be 15 or less, so as to enable the Board of Directors to engage in substantive talks and deliberations and make prompt decisions.

b. Nomination and Compensation Advisory Committee

In order to secure the transparency and objectivity of functions related to the nomination of directors, the Company shall establish the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors.

The Nomination and Compensation Advisory Committee, in response to consultation inquiries by the Board of Directors, shall submit a report on matters concerning proposals for a General Meeting of Shareholders regarding the election and dismissal of Directors and Audit & Supervisory Board Members and matters concerning the appointment/dismissal of executive officers with positions, and their positions, etc., proposed by the CEO.

The Nomination and Compensation Advisory Committee shall be composed of Independent Outside Directors. The committee shall be chaired by an Independent Outside Director.

c. Election of Director candidates and dismissal of Directors

In the election of Director candidates, after discussions among representative directors, the CEO shall submit a draft to the Nomination and Compensation Advisory Committee on 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 make a decision based on a report submitted by the Nomination and Compensation Advisory Committee.

The Nomination and Compensation Advisory Committee, when it deems it necessary, deliberates on the dismissal of directors and reports the results to the Board of Directors.

(4) Directors' terms of office

In accordance with the provisions of the Articles of Incorporation, Directors' terms of office shall continue until the conclusion of the General Meeting of Shareholders for the last business year which ends within one year from the time of their election.

(5) Directors serving as officers or the like of other companies

In cases where the Company's Directors also serve as officers or the like of other companies, they shall do so to the extent that they can perform their duty of care and duty of loyalty as a Company Director and attend at least 75% of the meetings of the Company's Board of Directors.

To be more precise, in cases where they also serve as officers or the like of listed companies, the maximum number of companies they are allowed to serve shall be five, including the Company. In addition, they shall be required to disclose their major interlocking directorate positions on an annual basis.

(6) Policy of the Board of Directors and procedures that it shall follow for the determination of compensation paid to top-management executives and directors

a. Basic policy of compensation for Directors and Executive Officers

(a) The compensation shall lead to the company's performance and the improvement of corporate value over the medium- and long-term to realize our corporate vision for 2030.

(b) The compensation system and decision process shall have transparency, rationality and integrity so as to be accountable to stakeholders including customers, shareholders, business partners, environment and society, and employees.

The compensation for Directors (excluding outside directors and part time directors) and Executive Officers shall consist of (1) basic compensation, (2) short-term performance-linked compensation, and (3) long-term performance-linked compensation (stock compensation.)

The level of the compensation shall be reviewed in a timely and appropriate manner, based

on external survey data and the like, in response to changes in the business environment.

b. Nomination and Compensation Advisory Committee

In order to secure the independence and objectivity of functions related to the determination of director and executive officer compensation, the Nomination and Company shall establish the Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors.

The Nomination and Compensation Advisory Committee shall respond to inquiries by the Board of Directors and submit a report about matters concerning Directors' compensation.

The Compensation Advisory Committee shall be composed of Independent Outside Directors. The committee shall be chaired by an Independent Outside Director.

c. Compensation paid to Directors shall be determined as follows:

(a) The Nomination and Compensation Advisory Committee deliberates the adequacy of the director's evaluation, and then, based on the basic policy described in the clause a. above, deliberates the amount of compensation, etc. for each director, and reports to the Board of Directors.

(b) After the report by the Nomination and Compensation Advisory Committee, the Board of Directors determines the amount of compensation, etc. to each director within the total amount of compensation, etc. of all directors resolved at the general meeting of shareholders.

The Board of Directors determines the compensation level by job title based on a report submitted by the Nomination and Compensation Advisory Committee.

(7) Independent Outside Directors

a. Meeting for explanation of the agenda of the Board of Directors meeting

In order to understand the agenda of the Board of Directors meeting more deeply, Independent Outside Directors and Independent Audit & Supervisory Board Members shall

hold a meeting to receive an explanation of the agenda and exchange their views.

b. Meeting by Independent Outside Directors and Independent Outside Audit & Supervisory Board Member

Independent Outside Directors and Independent Outside Audit & Supervisory Board Members shall hold a meeting about 4 times a year after a meeting of the Board of Directors and discuss the following matters concerning the Company's execution of business, supervision of business, etc. from the viewpoint of further improvement in corporate value and corporate governance:

- Medium-term management plan and business strategy;
- Contents of opinions of, and requests from, institutional investors and individual shareholders received by the Investor Relations Office;
- Information provided by the Internal Audit Office or concerning internal control including contents of whistle-blowing, etc.

c. Meeting with outside Accounting Auditor

Independent Outside Directors shall participate in regular meetings with an outside Accounting Auditor, Deloitte Touche Tohmatsu LLC, and Audit & Supervisory Board Member which are held once every three months.

(8) Effectiveness assessment

The Company has all of its Directors and Audit & Supervisory Board Members jointly assess the effectiveness of the Board of Directors as a whole at least once a year, and discloses an outline of the result.

3. The Audit & Supervisory Board and Audit & Supervisory Board Members

(1) Roles of the Audit & Supervisory Board

The Audit & Supervisory Board shall, as an organ independent of the Board of Directors, audit the execution of duties by directors as well as internal control systems, financial conditions, etc. of the Company and its subsidiaries, by requesting the Company and its

subsidiaries to submit their business reports, investigating conditions of their businesses and property, exercising rights to appoint or dismiss an accounting auditor, etc. in accordance with laws and regulations.

(2) Composition of the Audit & Supervisory Board

Audit & Supervisory Board Members shall include those who possess sufficient knowledge about finance and accounting. The Articles of Incorporation of the Company stipulate that the number of Audit & Supervisory Board Members shall be six or less.

(3) Policy of the Board of Directors and procedure that it shall follow for the designation of Audit & Supervisory Board Member candidates

a. Policy for the designation of Audit & Supervisory Board Member candidates

Audit & Supervisory Board Member candidates shall be elected, with prior consent of the Audit & Supervisory Board, on the premise of having appropriate experience/abilities and necessary knowledge about finance, accounting or legal affairs, as well as based on the following policy.

Inside Audit & Supervisory Board Member candidates shall be elected from those who have a detailed knowledge about businesses and challenges of the Company and are capable of auditing and supervising the Company in an appropriate, fair and efficient manner.

The Company's basic policy shall, in order to fulfill the functions of audits and supervision, require it to designate Independent Outside Audit & Supervisory Board Member candidates who have sufficient knowledge and experience to provide useful advice on management of the Company out of those who meet the "Independence Requirements for Outside Officers" set forth in 2. (2) above, while taking into account their diverse knowledge and backgrounds.

b. The Nomination and Compensation Advisory Committee

The Nomination and Compensation Advisory Committee shall submit a report on matters concerning the election of Audit & Supervisory Board Member candidates proposed by the

CEO to present at a General Meeting of Shareholders, in response to consultation inquiries by the Board of Directors.

c. Election of Audit & Supervisory Board Member candidates

In the election of Audit & Supervisory Board Member candidates, with discussions among representative directors and prior consent of the Audit & Supervisory Board, the CEO shall submit a draft to the Board of Directors on a full assessment of the abilities, knowledge and performance of individual candidates, regardless of whether they are from inside or outside of the Company.

(4) Audit & Supervisory Board Members' terms of office

In accordance with the provisions of the Articles of Incorporation, Audit & Supervisory Board Members' terms of office shall continue until the conclusion of the General Meeting of Shareholders for the last business year which ends within four years from the time of their election.

(5) Audit & Supervisory Board Members serving as officers or the like of other companies

In cases where the Company's Audit & Supervisory Board Members also serve as officers or the like of other companies, they shall do so to the extent that they can perform their duty of care and duty of loyalty as an Audit & Supervisory Board Member and attend at least 75% of the meetings of the Company's Board of Directors.

To be more precise, in cases where they also serve as officers or the like of listed companies, the maximum number of companies they are allowed to serve shall be five, including the Company. In addition, they shall be required to disclose their major interlocking directorate positions on an annual basis.

(6) Compensation paid to Audit & Supervisory Board Members

It was decided at the 91st General Meeting of Shareholders held on 27 June, 2006, that the total amount of compensation for Audit & Supervisory Board Members of the Company

shall be up to 120 million yen per year. The amount of compensation for individual Audit & Supervisory Board Members is determined upon consultation among them.

4. Executive Advisor/Consultant

(1) Executive Advisor

The Company has abolished the position of Executive Advisor, which was delegated to a former Chairman or a former CEO after his resignation as Director.

(2) Consultant

The Board of Directors shall decide the delegation to Consultant who is a former Chairman or a former CEO after his resignation as Director in accordance with the delegation criteria based on the relevant report to be submitted by the Nomination and Compensation Advisory Committee in response to consultation inquiries.

5. Training

The Company shall, when Directors and Audit & Supervisory Board Members, including those independent from and outside of the Company, take office, provide them with opportunities to acquire necessary knowledge on the Company's businesses, financial affairs, organizations, etc. and have a full understanding of the roles and responsibilities they are required to assume. In addition, with the aim of helping them to continually update the knowledge and understanding mentioned above during the term of office, the Company shall provide them with opportunities for training tailored to the needs of individual directors and Audit & Supervisory Board Members, encourage them to participate in similar training that takes place outside the Company, and provide them with financial support for such purposes.

Chapter 3 Ensuring Shareholders' Rights and Equality, Dialogue with Shareholders, etc.

1. Policy

In order to ensure shareholders' rights and equality in a practical way, the Company shall endeavor to create an environment that allows appropriate exercise of shareholders' rights. The Company also shall develop a system which enables it to have constructive dialogue

with shareholders even outside the general meeting of shareholders, so as to contribute to the Company's sustainable growth and improvement in the corporate value over the medium to long term.

2. General Meeting of Shareholders

(1) Basic concept

Keenly aware of the fact that the general meeting of shareholders is the Company's highest decision-making body and an important occasion to hold constructive dialogue with shareholders, the Company shall take adequate measures to develop an environment that will help shareholders' intentions to be reflected in the Company's management in an appropriate manner.

(2) Information providing

In order to ensure that shareholders are able to allot a sufficient amount of time to examining the propositions of the General Meeting of Shareholders, the Company shall dispatch convocation notices to them at least three weeks prior to the date of such a meeting and make relevant announcements by electronic means before convocation notices are dispatched, by, for example, posting details of the meeting on the Company website.

(3) Meeting schedule

The Company shall set the date for the General Meeting of Shareholders, etc. in an appropriate manner to ensure that constructive dialogue with shareholders can take place at the meeting with the attendance of a large number of shareholders.

3. Dialogue with Shareholders

The Company shall, in accordance with this Basic Policy and the "Basic Policy on Information Disclosure" which set forth basic policy on information disclosure, endeavor through cooperation among the Representative Director and CEO, officers in charge of Investor Relations Office and related departments to use various opportunities to engage in constructive dialogue with shareholders, so as to contribute to the Company's sustainable growth and improvement in the corporate value over the medium to long term.

4. Strategically-held Listed Shares

(1) Policy on strategic holdings of listed shares

The Company strategically holds listed shares which are found to be necessary to maintain and expand relationships with business partners over the medium to long term. And yet, the Company shall validate the appropriateness of such holdings annually in the following way, and has been reducing those share holdings.

More specifically, the Company shall scrutinize those share holdings in terms of both quantitative evaluation, which analyzes whether the benefits and risks of holding such shares are commensurate with the relevant cost of capital, and qualitative evaluation, which analyzes the degree of contribution to improving business stability, etc., and the appropriateness of selling shares shall be decided after the deliberation of the Board of Directors.

As for shares which are decided to be sold, the Company shall have sufficient dialogues with the relevant business partners to get their understanding, and then proceeds with the stock sales while considering the impact on share prices.

(2) Standards for exercising voting rights of strategically-held listed shares

The Company shall exercise voting rights of strategically-held listed shares only when it finds that such exercise will improve on a sustainable basis the corporate values of both the Company and the company whose shares it strategically holds.

The Company shall examine whether or not the exercise of voting rights improves on a sustainable basis the corporate value of the company whose shares it strategically holds, based on management strategies, business results, etc. of the said company. Depending on the agenda, the Company shall ask the said company for an explanation before exercising voting rights.

In cases where the agenda of the company whose shares the Company strategically holds may be in conflict with the interests of the Company and if the need arises, the Company shall exercise voting rights based on Independent Outside Directors' and outside experts' opinions.

Chapter 4 Other Matters Concerning Corporate Governance

1. Related Party Transaction

In cases where the Company's Director engages in any competing transaction or transaction involving a conflict of interest as stipulated in laws and regulations, he/she shall, prior to the transaction, disclose material facts about it to, and obtain approval from, the Board of Directors of the Company.

In addition, any Director who has carried out such a transaction shall immediately report material facts about it to the Board of Directors even if prior approval mentioned above has been obtained.

2. Diversity

【Idemitsu Group DE&I(Diversity, Equity & Inclusion) Policy】

Through the promotion of DE&I (Diversity, Equity & Inclusion),the Idemitsu Group aims to:

- Create new value through the interaction and synergy among people with different backgrounds, knowledge, and experiences
- Transform into an organization that continuously generates innovation without being bound by existing values

To this end, we will pursue the following:

- We will not tolerate discrimination of any kind based on job status, employment status, age, gender*, educational background, place of birth, nationality, race, disability, beliefs, religion, or marital status.
- We respect the diversity of each individual's personality, values, and life career.

- We will strive to give appropriate consideration from a fair perspective to enable each individual to maximize their potential.
- We will proactively incorporate and utilize diverse perspectives, values, and abilities.
- We will create a workplace culture in which employees trust each other, enhance each other's skills, and maximize the power of the organization as a whole.

*Gender refers to sex, sexual orientation, gender identity, and gender expression.

3. Fulfilling the Function as the Asset Owner of Corporate Pension

The Company shall have the administration officer from the Treasury Office manage the corporate pension fund and negotiate with the relevant asset management financial institution(s). Furthermore, it shall appropriately manage the asset management expertise as well as potential conflicts of interest between corporate pension beneficiaries and the Company by consulting the Asset Management Committee, of which meetings are held regularly.