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Press Release

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Announcement on the Formulation of the Medium-term Management Plan (FY2023-2025)

Idemitsu Kosan Co., Ltd. (“Idemitsu” or the “Company”) hereby announces that its board approved its medium-term management plan for fiscal years 2023-2025 (this “Medium-term Plan”) on the date thereof, as detailed below.

1. Vision for 2050 and Directionality

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 non-consecutive 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.

(1) 3 Business Domains and Core Businesses towards 2050

The Company defined 3 new business domains in this Medium-term Plan and plans to engage in social implementation in all 3 domains to evolve its business portfolio.

1) Energy one step ahead (stable supply of diverse, eco-friendly CN energy)

Carbon-free ammonia, carbon-free hydrogen, transition of refineries and offices to CNX centers

2) Diverse resource conservation/circulation solutions

(CN solutions for industrial activities and general consumers)

Electrification solutions, bio/life solutions, ICT solutions, etc.

3) Smart Yorozuya (Diverse energy and mobility centers that support regional lifestyles)

Super-miniature EVs, EV recharging/maintenance, MaaS, etc.

(2) Roadmap to Carbon Neutrality in 2050

In order to achieve a carbon neutral society in 2050, Idemitsu believes that it must coordinate its efforts with various stakeholders to establish frameworks and systems aimed at achieving CN.

The Company will aim to achieve CN from its own operations (Scope 1+2) by 2050. As an interim goal, the Company aims to reduce GHG emissions by about 7.3 million tons (46%) from 2013 to 2030, thereby establishing a clear roadmap to CN by 2050.

2. Management Targets and Basic Policies towards 2030

The year 2030 will be positioned as a transition period to achieve a partial transition towards CN in 2050 while continuing to fulfill the Company's current responsibility to provide a stable supply of existing energy and materials. The Company will pursue further earnings growth and capital efficiency while aiming to reduce the profit contribution of the fossil fuels business to no more than 50%.

(1) FY2030 Management Targets

Financial Targets		Non-financial Targets	
Income (excluding inventory impact) Operating + Equity Income	¥270 billion	GHG Emission CO2 emission(Scope1+2) vs 2013	-46%
		Human Capital Investments Idemitsu Engagement Index*2	80% or more
Capital Efficiency		Promoting D&I Female Recruiting Ratio	50% or more
		ROE	10%
		Females in Key Positions	10% or more
Business Portfolio Transition		ROIC	7%
		% Males Taking Childcare Leave	100%
		Annual Education Investments per Employee	¥100,000 or more
Fossil fuels business profit contribution*1	50% or less		

*1 Fossil fuel business profit contribution = percentage of company-wide profits from the petroleum and resources businesses (operating + equity income) [excluding inventory impact]

*2 Indicator to monitor the commitment level of the employee towards the organization

(2) Basic Policies for 2030

In order to achieve its vision for 2030 to become “Your Reliable Partner for a Brighter Future,” Idemitsu will engage in the following initiatives based on the 3 basic policies set forth in the previous medium-term plan.

- 1) Convert the business portfolio through ROIC-based management
 - Aim for 7% ROIC by enhancing capital efficiency and expanding new businesses that contribute to CN
 - Invest ¥1 trillion yen in business structure reforms by 2030
- 2) Maximize employee growth and motivation
 - Establish KPIs for human capital strategy and monitor progress
- 3) Evolve the business platform
 - Execute DX strategy, increase the proportion of performance-based compensation, and link compensation to both financial and non-financial targets in order to promote corporate governance

3. Medium-term Management Plan (FY2023-2025)

This Medium-term Plan is positioned as the execution phase towards the 2030 vision of becoming “your reliable partner for a brighter future.” The Company aims to maximize profit from existing businesses while creating new revenue streams during the 3-year period.

(1) FY2025 Management Plan

Financial Targets		Non-financial Targets	
Income (excluding inventory impact)		Human Capital Investments	
Operating + Equity Income	¥190 billion	Idemitsu Engagement Index	75% or more
Net Income	¥135 billion	Promoting D&I	
Capital Efficiency		Female Recruiting Ratio	50% or more
ROE	8%	Females in Key Positions	5% or more
ROIC	5%	% Males Taking Childcare Leave	80% or more
Business Portfolio Transition		Annual Education Investments per Employee	
Profit Contribution of the Fossil Fuels Business	70% or less		¥100,000 or more

(2) Operating + Equity Income excluding Inventory Impact

With respect to income by segment in FY2025, the Company expects a ¥30 billion increase relative to FY2022 due to cost reductions in existing businesses and restructuring efforts, despite forecasting a ¥35 billion negative impact from reduced domestic fuel demand etc.

(Units: JPY billions)

Segment	FY2022 Forecast	FY2025 Plan	vs. FY2022	Major Reasons for Change
Petroleum	70	84	+14	Decrease in domestic fuel demand Cost reduction prior to the reduced demand Overseas sales expansion
Basic Chemicals	18	33	+15	Recovery in the aroma market Reduction in maintenance and renewal investments Earnings contribution from Chita Office
Functional Materials	17	42	+25	Lubricants: Overseas sales expansion, etc. Functional chemicals: Business structure reforms Electronic materials: Increase in sales due to development of new materials, etc.
Power/Renewable Energy	(9)	6	+15	Power: Sales adjusted to scale of power generation SF: Transition to an Sler
Resources	84	42	(42)	Resources: Stable operations at gas fields in Vietnam Coal: Decrease in production volume, market decline
Other	(20)	(17)	+3	Reduction of corporate costs
Total	160 *1	190	+30	

*1. FY2022 forecasts are revised figures reflecting the impact of coal prices, crude oil prices, and foreign exchange rates

(3) Investment Plan (3 years)

Idemitsu will allocate funds to business structure reforms during the Medium-term Plan period to achieve a transition of its business portfolio. The Company plans to invest a total of ¥290 billion in energy one step ahead (including SAF manufacturing equipment and to establish ammonia base), diverse resource conservation/circulation solutions (including commercialization of lithium solid electrolytes), and Smart Yorozyua (including manufacturing of super-miniature EVs). The Company plans to invest a cumulative total of ¥690 billion over 3 years, including investments to strengthen the business foundation of existing operations and for maintaining operations.

(Units: JPY billions)

Investment Category	Amount	Description
New businesses	290	
Energy one step ahead	190	Chiba SAF manufacturing equipment (100,000 KL) Establish Tokuyama ammonia base Expand Idemitsu green energy pellets
Diverse Resource Conservation/ Circulation Solutions	80	Expand lithium solid electrolytes Recycle used plastics M&A in key domains (electrification, bio / life, ICT)
Smart Yorozyua	20	Manufacture ultra-compact EV EV charging
Strengthening the Business Foundation	130	Development of fuel oil SS, Strengthen overseas trading, M&A in functional materials, Development of renewable energy sources Develop renewable energy sources
Maintenance investments	270	
Total	690	

(4) Shareholder Returns Policy

As in the current medium-term plan period, Idemitsu plans to return at least 50% of cumulative net income excluding inventory impact from FY2023-2025 to shareholders. The Company plans to provide stable basic dividends of ¥120 per share.

(5) Cash Flow Allocation (3 years)

In addition to securing net income, Idemitsu will continue to engage in asset sales to achieve ¥910 billion in cash in FY2023-2025. The Company aims to limit investments in existing businesses within the scope of depreciation expenses and to use the remaining ¥510 billion in free cash flows for business structure reforms investments and to provide shareholder returns.

(Units: JPY billions)

Cash Inflows	Amount	Cash Outflows	Amount
Depreciation	400	Investments in Existing Businesses	400
Net Income	380	Free Cash Flows	510
Asset Sales, etc.	130	(Free Cash Flow Allocation) <ul style="list-style-type: none"> • Business Structure Reform Investments : ¥290 billion • Shareholder Returns • Maintaining a healthy financial position 	
Total	910		910

Disclaimer on Forward-looking Statements

Information on performance forecasts, strategy, and management policies, etc. stated herein other than historical facts are forward-looking statements which have been prepared by Idemitsu's management based on currently available information.

Many factors with potential risks and inherent uncertainties may affect actual performance, including macroeconomic trends, crude oil prices, trends in demand for petroleum products, market conditions, foreign exchange rates, and interest rates.

As a result, please be advised that actual performance may differ significantly from forecasts, etc. due to fluctuations in such factors.