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Press Release

Company Name: Idemitsu Kosan Co., Ltd.
Representative Director & Chief Executive
Officer: Shunichi Kito
(Company Code: 5019, TSE Prime Market)
Contact person: Daisuke Mogi, General
Manager, Investor Relations Office, Finance
& Accounting Department
(TEL: +81-3-3213-9307)

Announcement on the Continuation and Revision of the Performance-linked Stock Compensation Plan

Idemitsu Kosan Co., Ltd. (“Idemitsu” or the “Company”) hereby announces that its board of directors adopted a resolution on the revision of the performance-linked stock compensation plan (the “Plan”) for directors (excluding part-time directors, outside directors and non-residents of Japan; the same applies hereinafter) and officers ranked senior executive officer or above (excluding non-residents of Japan; the same applies hereinafter; collectively referred to hereinafter as “Directors, etc.”) initially introduced in fiscal year 2018, and decided to submit a proposal on such revision as an agenda item for its 108th annual general meeting of shareholders to be held on June 22, 2023 (the “AGM”), as detailed below.

1. Overview of the Plan

The Plan is a performance-linked stock compensation plan where the shares of the Company that are acquired through the trust (the “Trust”) with compensation to Directors, etc. to be paid by the Company as well as the money equivalent to the converted value of such shares (hereinafter referred to as “Company Shares, etc.”) are delivered and granted to Directors, etc. in accordance with their official positions and the degree of achievement of performance targets, etc. (such delivery and grant shall be referred to as the “Delivery, etc.”). In general, Delivery, etc. of Company Shares, etc. to the Directors, etc. occurs after their retirement.

In continuing this Plan, the Company will extend the predetermined trust period for the Trust and make a revision to the Plan. This revision of the plan (the “Plan Revision”) will be subject to shareholder approval at the AGM.

2. Objectives of the Revision

In November 2022, Idemitsu announced its medium-term plan (fiscal years 2023-2025) as the means to achieve its medium-to-long-term vision of becoming a key player in energy and carbon neutrality solutions by 2050. The Company decided to implement the Plan Revision to further strengthen the motivation of Directors, etc. towards achieving the targets of the medium-to-long-term vision and the medium-term plan (fiscal years 2023-2025) by defining performance indicators linked to a transition of the business portfolio, improving capital efficiency, and implementing further ESG efforts.

The Company has set up the Nomination and Compensation Advisory Committee, which

consists of independent outside directors, as a voluntary advisory body to the board of directors in order to ensure transparency and objectivity in the compensation decision process. The Plan Revision has already been reviewed by the Nomination and Compensation Advisory Committee and reported to the Board of Directors Meeting.

Please refer to the Attachment for details on the Plan Revision. Unless otherwise stated in the Attachment, the Plan Revision does not make any fundamental changes to the Trust.

< Attachment >

1. Description of the Plan Revision

In continuing the Plan, Idemitsu will make the following changes with respect to indicators to measure the degree of achievement of performance targets, in order to strengthen its link with the Company’s medium-to-long-term vision and the medium-term plan (fiscal years 2023-2025).

(Current)

- Degree of achievement of performance indicators such as consolidated operating income and net income attributable to owners of the parent during each fiscal year of the medium-term plan period (note that the degree of achievement is evaluated based on indicators excluding the impact of inventory valuation gains or losses.)

(As Revised)

- Degree of achievement of targets relating to indicators emphasized in the Company’s medium-to-long-term vision and medium-term plan
- Degree of achievement towards 1) financial indicators: indicators relating to transition of the business portfolio (ROIC, ROE, % profit contribution from the fossil fuel business) and 2) non-financial indicators: indicators consistent with materiality as set forth by the Company (CO2 reduction necessary to achieve a carbon neutral/recycling-oriented society, employee engagement indicators to evaluate initiatives aimed at maximizing employee growth and satisfaction) in the 3 fiscal years from the fiscal year ending March 31, 2024, to the fiscal year ending March 31, 2026

Note that the weight carried by each performance indicators in the revised Plan will be as follows.

Performance Indicator	Weight for Evaluation
Capital efficiency (ROIC, ROE)	40%
% Profit contribution from the fossil fuel business	20%
CO2 reduction	20%
Employee engagement	20%

At a certain time of each year during the trust period, Directors, etc. are given “grant points,” which are calculated by multiplying a predetermined “basic points” for each position by a payment rate based on the degree of achievement of performance targets for each fiscal year during the applicable period.

(Formula for the basic points)

Basic amount by official position / Average closing price (rounded off to the closest whole number) of the Company's stock at the Tokyo Stock Exchange as of July 2023. *

* If the trust period is extended, the month preceding the month in which the fiscal year to which the extension date belongs starts is applied.

(Formula for the grant points)

Basic points × Payment rate based on the degree of achievement

By further strengthening the link between the Plan and the Company's medium-to-long-term vision and the medium-term plan (fiscal years 2023-2025) through the Plan Revision, the Company believes that the Plan will function properly as an incentive to the Directors, etc. who will lead efforts to realize the medium-to-long-term strategy and that created value can be shared with its shareholders and other stakeholders.

For details on the Plan, please refer to "Announcement on the Continuation and Partial Revision of the Performance-linked Stock Compensation Plan" announced on May 10, 2022, "Announcement on the Partial Revision of the Performance-linked Stock Compensation Plan and Additional Contribution to the Trust" announced on May 15, 2019, and "Announcement on the Introduction of a Performance-linked Stock Compensation Plan" announced on May 15, 2018.

(Reference)

<Description of the Trust Agreement>

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|-----------------------------------|---|
| 1) Trust type | Entrustment of cash other than money trusts for designated standalone investments (third-party-benefit trust) |
| 2) Objective | Grant incentives to Directors, etc. |
| 3) Assignor | Idemitsu |
| 4) Assignee | Mitsubishi UFJ Trust and Banking Corporation
(co-assignee: The Master Trust Bank of Japan, Ltd.) |
| 5) Beneficiary | Retired Directors, etc. who meet the conditions for a beneficiary |
| 6) Trust executor | Third party with no conflicts of interest with the Company (certified public accountant) |
| 7) Trust contact date | August 15, 2018 |
| 8) Trust period | August 15, 2018~ August 31, 2023
(Expected to be extended to August 31, 2026, by revising the trust agreement) |
| 9) Plan start date | August 15, 2018 |
| 10) Exercise of voting rights | No exercise |
| 11) Type of shares to be acquired | Idemitsu common shares |
| 12) Additional trust contribution | About 300 million yen (expected; including trust fees and expenses) |
| 13) Stock acquisition method | Additional shares under the Plan Revision will be acquired from the open market |
| 14) Stock acquisition period | August 14-30, 2023 (expected)
(Excludes the period from 5 days before the end of reporting periods (including interim and quarterly reporting periods) to the final day of such reporting periods) |
| 15) Rightsholder | Idemitsu |
| 16) Residual assets | Residual assets that the rightsholder Idemitsu can receive are limited to trust expense reserves, calculated as trust money minus stock acquisition costs |