



## Idemitsu Sustainability Report 2020

**Idemitsu Kosan Co.,Ltd.**

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<https://www.idemitsu.com/>



# The Ideas Inspiring Our Management Vision

The Root of Our Management Philosophy  
Our Shared Values

## People-Centered Management Nurturing People Through Business

### What Is People-Centered Management?

People are the core of Idemitsu. Highly ambitious employees constitute our greatest asset and strength. To ensure that the Company will remain sustainable, it is crucial to nurture a pool of individuals who can flexibly adapt to changes in any era. We are therefore committed to ensuring people remain at the center of management, a commitment we will continue to pass down, as we move forward.

### Management Vision

**We are an energy co-creation company that values diversity and inclusion, creates new values with customers and stakeholders, and seeks harmony with the environment and society.**

- We will deliver various forms of energy and materials in a sustainable manner.
- We will expand and share our problem-solving capabilities with the world.
- We will grow stronger by anticipating change and responding flexibly.

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## Editorial policy

In order to deepen stakeholder understanding of the Idemitsu Group's management and corporate activities as a whole, information is provided through the "Idemitsu Integrated Report," "Idemitsu Sustainability Report" and the "Sustainability Website."

### Idemitsu Integrated Report (Booklet version)

This report includes financial and non-financial information, the vision of the new integrated company, and an explanation of its business operations, all of which are aimed at helping people understand our group from a medium to long-term perspective.

### Idemitsu Sustainability Report (Web version)

This report goes over the non-financial information in the Idemitsu Integrated Report in greater detail to help people understand our environmental, social, and governance initiatives for realizing a sustainable society.

### Sustainability Website

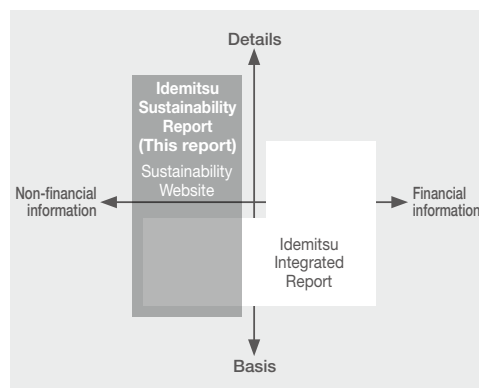
We disclose information on a wide range of topics from the environmental, social, and governance perspectives. We also provide information on the results of our efforts in a timely manner.

<https://sustainability.idemitsu.com/en>



### Scope of the reporting

As a general rule, this report covers Idemitsu Kosan Co.,Ltd. and its 242 group affiliates (major affiliates, general affiliates, subsidiaries, and equity-method affiliates) as of the end of September, 2020. When the scope differs, this fact is noted.



## Reporting period

Results for FY2019 (April 1, 2019-March 31, 2020) are included in this report. When the applicable period differs, this fact is noted. Activities since April 2020 are also included.

## Reference guidelines

In the compilation of this report, reference has been made to GRI's Sustainability Reporting Guidelines (Standard), ISO 26000, and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## Publication information


Japanese version:

Published annually since 2001, and the previous edition was published in February 2020.

English version:

Published annually since 2003, and the previous edition was published in March 2020.

## Performance data with independent practitioner's assurance

To ensure the reliability of the numerical data, we obtained independent practitioner's assurance of the data indicated with  in the Japanese version of this report by SOCOTEC Certification Japan. The Independent Practitioner's Assurance Report is presented at the end of this report.

\* Any plans, projections, or targets contained in this report that are not historical facts are based on decisions and assumptions made by the Company using information currently available. Actual results may differ substantially from forecasts due to various factors. Factors that may affect the results of operations include economic conditions, crude oil prices, petroleum product supply and demand, market conditions, and currency exchange rates, but are not limited to these factors.

\* As of April 1, 2019, Idemitsu Kosan Co.,Ltd. became the parent company and Showa Shell Sekiyu K.K. became a wholly owned subsidiary through a share exchange. The two companies also entered into an absorption-type company split agreement in which Idemitsu became the succeeding company to the absorption-type company split, effective on July 1, 2019. Through the absorption-type company split, Showa Shell's assets, liabilities, and rights and obligations have been transferred to Idemitsu, and the Company is advancing business integration and working to generate further synergies by integrating their organizations and businesses.

\* Shell has licensed its brand to Showa Shell. Under this license, Showa Shell uses the Shell trademark. The opinions expressed in this report are those of Showa Shell and are not stated on behalf of any other Shell Group company. Furthermore, these opinions do not necessarily reflect the opinions of the Shell Group.

## Contact point for inquiries about Idemitsu Sustainability Report

Idemitsu Kosan Co.,Ltd.

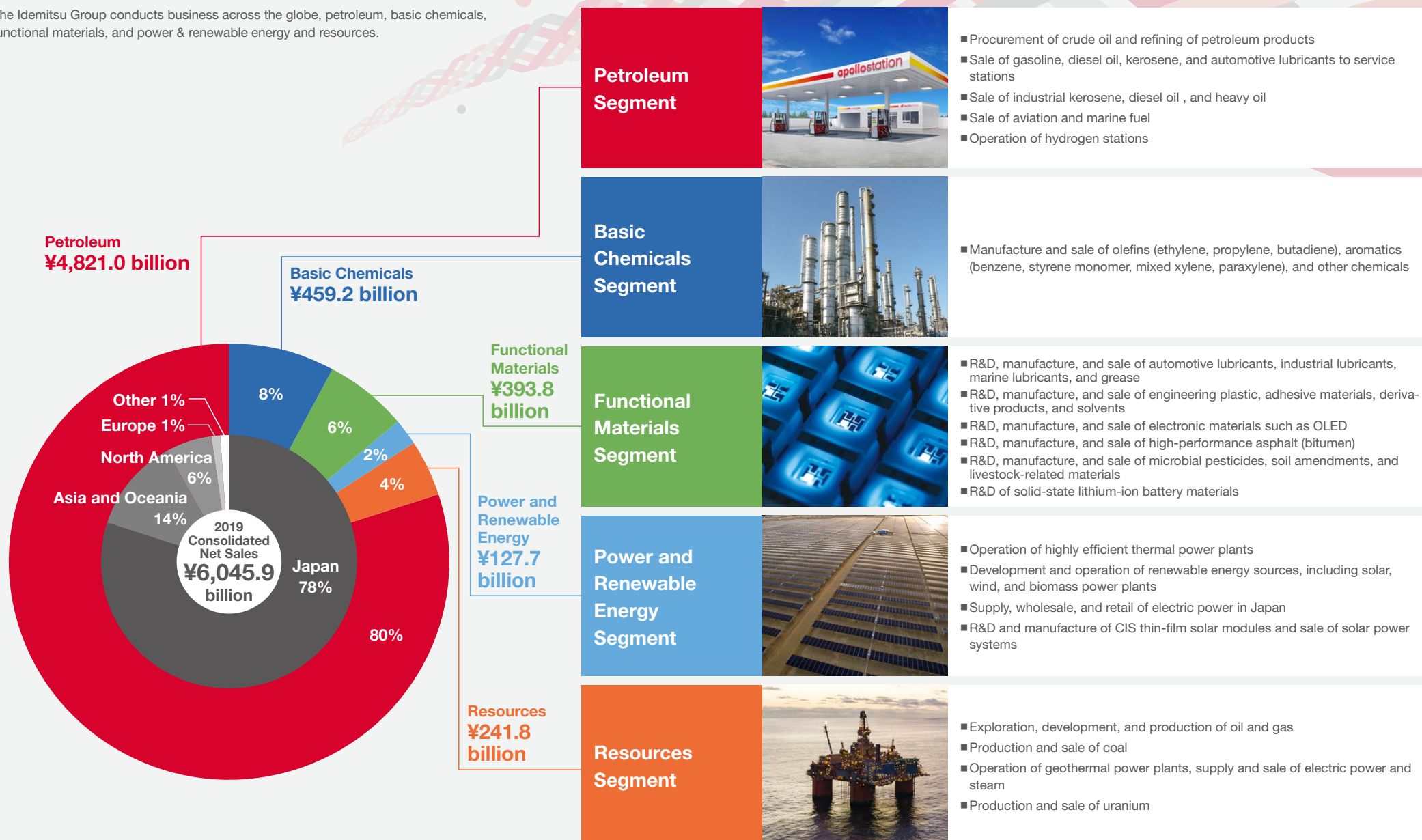
Contact form on the official website: <https://www.idemitsu.com/contact/flow/>





## Review of Operations

The Idemitsu Group conducts business across the globe, petroleum, basic chemicals, functional materials, and power & renewable energy and resources.





## New Brand

## Birth of the New Corporate Brand

We Are Heading to the Future That Apollo Sees Into. It Is Symbolizing Our March Forward.

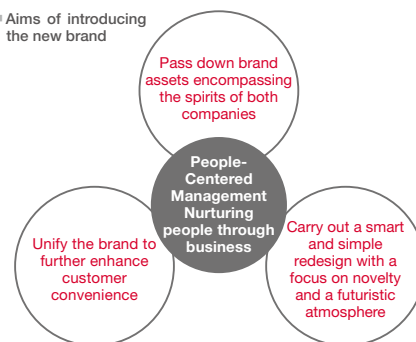
We introduced the new corporate brand from July 2020 and will introduce a new service station brand from April 2021 with the aim of creating a brand that can meet customer expectations.

Our New Corporate Brand



We want to be like Apollo, infusing the world with energy, to realize an ideal future. In line with that ideal, we positioned Apollo as more than a symbol or trademark. This inspiring icon serves as our role model. Focusing on the same goals together, each and every one of us will flexibly and unflinchingly take on challenges, with our eyes wide open on creating a better world. Apollo embodies that individuality and serves as a symbol of our determination to carry forward the new brand.

■ Aims of introducing the new brand



## Brand Framework

- To effectively enhance our brand value, we aim to unify our brands and raise domestic and international awareness.
- We aim to enhance our corporate value by demonstrating the total capability of the Idemitsu Group and leveraging its strengths.

Business Area	Idemitsu Group (including affiliates)	Japan	Overseas
Fuel oils outside of service stations (industrial, jet fuel, etc.)			
Lubricants			
Oil exploration, resources, and coal			
Basic chemicals, Advanced materials & performance chemicals			
Electronic materials and High-performance asphalt			
Power and renewable energy, Agri-bio, etc.			
All businesses			
Service Station Business			



Introduced from July 2020



To be introduced from April 2021



## Idemitsu Group by the Numbers



Net Sales

¥6.0 trillion



Employees

14,000 people

## Petroleum



Crude oil processing capacity

945,000 barrels/day



Fuel oil sales volume in Japan

41 million kL/year



Number of service stations in Japan

6,400 locations



Number of oil tankers managed by the company and regularly chartered

21 ships



Number of oil depots

35 locations



Overseas petroleum trading volume

21 million kL/year

## Basic Chemicals



Ethylene production capacity

1 million tons/year



BTX\* production capacity

2.5 million tons/year

## Resources



Crude oil production volume

21,000 barrels/day



Thermal coal production volume

12 million tons/year

\*BTX refers to benzene, toluene, and xylene, which form the basis of chemical products

## Functional Materials



Sales volume of engineering plastic

150,000 tons/year



Sales volume of lubricants

1.2 million kL/year



Sales volume of asphalt

380,000 tons/year



Adhesive material production capacity

75,000 tons/year



OLED material production capacity

10 tons/year



Sales volume of agri-bio products

13,000 tons/year

## Power and Renewable Energy



Electric power generation capacity

1.2 GW

Of which, renewable energy 0.2GW



Electricity sales volume

2.9 thousand GWh



Solar module production capacity

0.9 GW/year

## Overseas



Overseas bases

61 bases



Overseas employees

2,700 people

Notes: Results for the period between April 2019 and March 2020 or data as of the end of March, 2020. (Figures for power and renewable energy alone are as of the end of October, 2020.) The figures are estimates.





## Message from President



## Through people-centered management, we will continue creating new value and helping realize a sustainable society.

### Responding to the COVID-19 Pandemic

I would like to extend my sympathies to all those who have been affected by COVID-19, especially those who have lost friends and family members. And to all the healthcare workers giving their all to provide treatment on the front-lines, I would like to offer my most heartfelt thanks.

To fulfill Idemitsu Group's crucial social mission of protecting the stable supply of petroleum products and energy—an essential lifeline—even amid the COVID-19 pandemic, we established the task force in February 2020, which immediately acted by considering and implementing various measures. To prevent the spread of infection, we have been careful to ensure workers do not become infected while engaged in operations at refineries, plants, or other manufacturing locations. In all our business activities, we work hard to prevent outbreaks and have arranged a framework where, even if someone does by chance become infected, operations will not need to be suspended.

Shutdown maintenance was successfully completed at the Hokkaido Refinery between mid-June and early September 2020 without any infections. At service stations, where there are many opportunities to closely interact with customers, we confirm the health status of staff members every day, including through temperature checks, and ensure thorough handwashing and disinfection. Placing highest priority on our 6,400 service stations across Japan, we are striving to provide a stable supply of products and maintain the supply chain, from manufacturing to distribution and sales, with the cooperation of distribution and equipment maintenance companies.

Demand for petroleum products has sharply declined due to restrictions on travel around the world amid the pandemic. This is especially true for jet fuel, which had been holding steady at 80% below 2019 levels. Although domestic air routes are beginning to recover, the improvement in demand has

been limited to around 40% of the previous year's level. Demand for gasoline, a commonly used product in day-to-day life, was impacted by people staying home during the major holidays in May and the holiday season in August, customarily times when many people return to their home towns. As a clear illustration of this point, service stations located on highways saw a 50% year-on-year drop in sales.

On the other hand, demand for diesel oil, which fuels many large trucks, has fallen only modestly compared with other types of fuel. This is mostly attributable to an increase in e-commerce and transportation for supermarkets amid a rise in at-home consumption despite a period of weaker demand when general economic activity ground to a halt.

However, due to a decrease in the number of automobiles manufactured and sold, as well as a decrease in demand for displays, there was a decline in demand for lubricants, functional chemicals, and electronic materials. In sum, the pandemic has caused the global economy to stagnate. To a significant degree, almost all of our businesses have been impacted.

Realizing that we are not yet at a point where we can foresee the containment of the pandemic and that the punishing business environment will persist going forward, we are focusing on what we can do ourselves, such as reforming our operational processes, promoting digitization, and enhancing our cost competitiveness.

### Progress of the Medium-term Management Plan

The Medium-term Management Plan (FY2020–2022) announced in November 2019 has two main components: a business plan with specific quantitative goals and an overarching direction for structural business reforms with milestones set for 2030. Regarding the business plan, frankly, the drop in demand

## Message from President

for petroleum and other products and the plunge in crude oil prices touched off by the pandemic made it very challenging to achieve our quantitative goals. In light of the changes to the business environment caused by the pandemic and the trajectory of Japan's Basic Energy Plan, we intend to revise the Medium-term Management Plan, which we will then disclose.

Even if we were to revise the quantitative goals for 2022 downward, we would not be able to significantly alter our strategies or the direction we are taking for 2030 in our current state. Instead, confronting the pandemic has reinforced my belief that we need to accelerate our steps toward structural business reform.

To realize a resilient business portfolio, which is one of the basic policies of the Medium-term Management Plan, we will undertake the following measures that I collectively refer to as a three-stage rocket: the structural reform of the core revenue-generating businesses, the expansion of growth businesses, and the creation of next-generation businesses. In this way, we will continue accelerating structural business reforms.

First, I would like to go over the structural reform of the core revenue-generating businesses. In the near future, as domestic demand continues to decline in the petroleum business, the reorganization of our refineries will become a pressing issue. We will be able to enhance our competitiveness on a non-consolidated basis focusing on reforming operational processes using AI and digital technologies, but the extent will depend on an approach that enhances international competitiveness by strengthening our alliances with neighboring refineries and petrochemical complexes. One example of this is a project, related to our refinery in Aichi Prefecture, announced in November 2020. In this way, we will work hard to stabilize the revenue base underpinning Group businesses. By the way, operations are going smoothly at the Nghi Son Refinery in Vietnam, despite complications to profitability brought about by market factors. Moreover, we are making steady progress on measures aimed at improving profitability.

Next, let's look at the expansion of growth businesses. We are making steady progress on the overseas expansion of operations involving products for which we expect to see demand rise going forward, in particular, we have started up our second lubricant plant in China (Huizhou) and an OLED material manufacturing plant (Chengdu). In addition, in the businesses related to environmental measures, we are installing new compact mass-production equipment for solid-state electrolytes for use in all-solid-state lithium ion batteries. Moreover, we began test cultivation of crops for fuel use in biomass power generation and for creating wood pellets. In these and other ways, the seeds we have sown are beginning to bear fruit, as can be seen in the faster commercialization of R&D the Group has undertaken over many years.

Finally, let's turn to the creation of next-generation businesses, that is,

business that we plan to commercialize from 2030 onward. In this area, our intention is to commercialize solutions to anticipated social issues while leveraging the resources of existing businesses, rather than using core revenue-generating businesses or growth businesses as a jumping off point.

The first next-generation business theme is regional revitalization. As the population declines and ages and the birthrate falls, we aim to shift our network of 6,400 service stations from a specialized structure for selling petroleum products to a broader component of social infrastructure that supports the day-to-day life and mobility of the communities we serve. Given space constraints, I would like to illustrate with the example of ultra-compact EVs. Surprisingly, in 2019 alone, 600,000 seniors voluntarily surrendered their driving licenses. This includes many seniors who live in regional cities with poor public transportation, making it difficult for them to do their daily shopping or go to the hospital. For these people with few transport options, ultra-compact EVs provide a way for them to get where they want to go when they want to go.

We are currently conducting pilot tests of Auto Share, a car sharing service offering ultra-compact EVs, in Hida and Takayama, Gifu Prefecture as well as Tateyama, Chiba Prefecture. Moreover, when ultra-compact EVs and charging ports become more widely available, we expect to see expansion in businesses using solid-state electrolytes for lithium ion batteries that the Group helped develop and functional plastics under development for the bodies of EVs.

The second theme is contributing to a carbon-neutral society. We consider Prime Minister Suga's declaration of carbon neutrality by 2050 as a good opportunity for structural business reform and technological development. We will strive to further accelerate and promote such circular economy businesses as renewable energy development, storage battery-related businesses, carbon recycling, and solar panels.

In addition, under the guidance of the Digital Innovation Department established in January 2020, we will digitize the maintenance operations to make them more sophisticated and efficient, begin using digital marketing that leverages the customer base established by our service stations, and create new business, through our participation in the "SmartCityX" Project, which is supported by cooperation among several companies.

## Second Year of the Integration —Expanding the Inclusion of Employees

When the newly integrated company was created, I released a message, both internally and externally, that was filled with the keywords *integration* and *harmony*. Recently, however, some people within the company have said that the

words *original company* and *integration* are no longer necessary, that we are past the stage where we need to emphasize harmony among employees. In the morale survey conducted every year, visible signs of success have emerged, including a year-on-year increase in the percentage of employees who report that their work is rewarding. Going forward, we aim to roll out initiatives aimed at further expanding inclusion by encouraging employees to recognize their diverse individuality while fostering a greater sense of unity. I'm looking forward to this internal momentum growing as the whole Group works hard to overcome the pandemic, stably supply energy, and maintain infrastructure.

As a representative measure of the newly integrated company, we took early action to revamp the corporate brand in July 2020 and, from April 2021, we will steadily unify the two companies' service station brands under the *apollostation* brand. The service station transformation will extend even further than the logo. We will gradually combine the POS systems and enable the mutual acceptance of station cards to help enhance customer convenience.

## Practicing People-Centered Management and Diversity & Inclusion

One of the Group's most unique characteristics is its people-centered management. We do not subscribe to the idea that personnel development is merely a means to achieving maximum corporate value; rather, we believe that business management itself is developing personnel. In other words, the development of personnel who are respected by and useful to the world is the ultimate purpose of the Group, and business is a means to achieve that. Of course, to develop people, capital is needed, and if there is no income, the business cannot continue. However, nobody knows what the future holds, as exemplified by the global ramifications of the COVID-19 pandemic that unexpectedly erupted in 2020. We are, however, certain that if we develop personnel who are reliable during emergencies, they will be able to find new solutions and maintain a sustainable corporate structure no matter what situation arises. I regularly communicate these thoughts of mine to executive officers and the general managers of departments.

When looking to fully harness the tremendous potential of human beings, health management serves as the foundation. We must maintain and promote the health of employees. Therefore, with the pandemic remaining uncontained, we have prioritized ensuring the health and safety of not just employees but also customers and the workers at partner companies.

Furthermore, we aim to foster a workplace environment that respects human rights with no discrimination or harassment. In our Management Vision, we outlined diversity and inclusion that leverages diverse values,

## Message from President

careers, and expertise regardless of disability, sex, or nationality, as we strive to create new value.

After the emergency declaration in April 2020, at most of our facilities, excluding some manufacturing sites such as refineries, 90% of our employees worked from home. I think we were able to switch to a work-from-home framework relatively smoothly due in part to our early efforts to prepare for the Tokyo Olympics set to be held in summer 2020. Currently, around half of our employees continue to work from home, and this has become very ordinary. Going forward, we will not backtrack to our previous working framework. We will make additional revisions to our internal rules, go paperless, change meeting methods and approval processes, and amend the rules of employment so that our diverse employees can choose more flexible workstyles.

When working from home, most meetings take place online, but some outcomes can only be attained through face-to-face communication. I want each employee to realize new workstyles, while assessing the pros and cons of face-to-face and other forms of communication, then adeptly choosing the appropriate option. I also want each person to enhance their productivity and focus on working creatively, in addition to allocating their lessened commute time to chores, hobbies, and other activities that improve their quality of life.

### Accelerating Environment, Society, and Governance (ESG) Initiatives

As a corporate group that operates an energy supply business, we are aware that harmony between the global environment and society is a theme we should address as a top priority. Everyday life would come to a halt without petroleum or petrochemicals. Nevertheless, energy companies that handle fossil fuels, including Idemitsu, still tend to have a negative reputation regarding the environment. Going forward, we will focus on stably supplying energy and maintain our tireless efforts to reduce CO<sub>2</sub>.

As specific initiatives, we launched a research group to conduct development aimed at establishing a carbon recycling technology for recovering CO<sub>2</sub> from the petroleum product manufacturing process. This technology could be utilized in the production of fuel and chemicals, as well to establish a technology that combines industrial waste and CO<sub>2</sub> to manufacture carbonate, a raw material of concrete. In the area of coal, we launched a business to supply black pellets (wood biomass), which are half carbonized rubber tree material, with the aim of reducing CO<sub>2</sub> emissions through coal-fired biomass mixed combustion. In addition, we are rolling out various other measures aimed at biofuel production, such as cultivating crops suited to the production of biomass pellets on the sites of closed coal mines. In addition, we will continue to steadfastly work to reduce CO<sub>2</sub> emissions by actively participating in venture

capital and government funds promoting renewable energy. Furthermore, we will establish specialized in-house organizations, such as the Next Generation Business Department and Innovation Strategy Planning Department. In these and other ways, we will leverage the Group's long-standing strength in dealing with CO<sub>2</sub> to roll out activities for contributing to a carbon neutral society, which we regard as a pillar of our next-generation businesses, as previously mentioned.

We are also accelerating our broader social initiatives. We matched individual businesses with the targets of the sustainable development goals (SDGs) and identified priority topics (materiality) that the Group should diligently and directly address. As a provider of energy supply, it goes without saying that ensuring safety and quality assurance are central issues for Idemitsu's continued co-existence with society. To maintain safe and stable operations at refineries and complexes, we will enhance our safety assurance, foster a culture of safety, and steadily work to build a robust energy supply chain. We continually strive to strengthen the supply foundation for petroleum, gas, and electric power, which are all indispensable to daily life and economic activity. Despite the high incidence of such natural disasters as typhoons, torrential rain, and earthquakes in recent years, we remain determined to continue fulfilling our role providing essential lifelines during emergencies.

Lastly, let's turn to governance. Comprised of members boasting diverse expertise and careers, the Board of Directors holds deliberations on the Medium-term Management Plan and other matters as well as discussions on long-term issues. To evaluate the effectiveness of governance, we began conducting a survey of all directors and Audit & Supervisory Board members in FY2019. The results are subsequently discussed by the Board of Directors to identify potential issues. Going forward, to further enhance the Group's corporate value, we will continue holding active discussions related to a variety of issues and initiatives.

### Message to Stakeholders

The Group's primary social mission is to efficiently supply the energy people need at a low cost. This is not simply a matter of carrying on. Rather, we are working to enhance the resilience and sophistication of our operations to support energy security and protect lifelines, as well as to enhance our competitiveness, in ways that allow customers to use energy in a more beneficial manner. I believe these efforts have resulted in the strengthening of our revenue base.

Going forward, we aim to ensure Idemitsu is resilient and able to flexibly and deftly adapt to any kind of change in the business environment. As an



energy co-creation company, we strive to create new value in partnership with all our stakeholders. We look forward to hearing your frank opinions and requests regarding the Group. Thank you very much for your continued understanding and support.

Idemitsu Kosan Co., Ltd.  
President and Representative Director

**Shunichi Kito**





## Medium-term Management Plan

Idemitsu Group unveiled its Medium-term Management Plan (FY2020-2022) in November 2019. We are taking on the challenge of creating new values. We are doing this together with all of our customers in Japan and overseas, members of the communities in which we operate, closely linked dealers, logistics and maintenance subcontracting companies, business partners in Japan and overseas, including oil-producing countries, and our employees with diverse backgrounds. This is what we mean by “Co-creation.”

### With our Customers and Communities

- All customers in Japan and overseas
- The 42 countries and regions where we operate

### With our Business Partners

- Dealers embedded in communities
- Logistics and security subcontractors
- Oil-producing countries
- Suppliers
- Many business partners in Japan and overseas

### With Group Employees

- Approximately 14,000 employees (including 2,700 overseas)

### Medium-term Management Plan Theme “Co-creation”

We will  
continue to  
“co-create”  
new values

Based on the long-term energy business environment scenarios we created ourselves, we envisioned the Group's business environment in 2030 from the following three perspectives.

In light of the current business environment, we also established two basic policies geared toward 2030 to guide both our promotion of business activities and efforts to solve social issues.

### Structural changes to energy demand

Developed countries	Decreased demand for fossil fuels and increased energy diversification (electrification, shift to distributed energy, shift to renewable energy)
Emerging countries	Increased demand for energy due to strong economic growth

Idemitsu Group's  
business  
environment  
in 2030

### Advancement of technological innovation

- Increased demand for new materials for use in new technologies (such as EVs and robotics)
- Industrial structural changes due to the advance of digital innovation

### Changing lifestyles and demands from society

- Advancement of a recycling-oriented society as consumers' ecological awareness increase
- Changing customer needs (from owning to sharing)
- Progression of aging society and depopulation in Japan
- Increasing demand for corporate social responsibility in areas entailing practical contributions to the achievement of the SDGs (environmental measures, contributing to communities, strengthening governance, improving workplace environments, promoting diversity, etc.)

## Basic Policies for 2030

### Realizing a resilient business portfolio

#### Priority Topics and Main Initiatives

#### Structural reforms to core revenue-generating businesses

- Pursuing profits in the petroleum business(maximizing integration synergies, making refineries more reliable)
- Enabling Nghi Son Refinery to contribute to profits

#### Expansion of growth businesses

- Expansion of business scale and domains(M&As on a scale of ¥100 billion during the Medium-term Management Plan period)
- Increasing the share of functional materials business to 30% by 2030
- Increasing total power generated from renewable energy overseas to 5GW by 2030 (of which, 4GW is renewable energy)
- Transformation of solar-power business

#### Creation of next-generation businesses

- Creating new businesses with an eye on societal changes, diversifying customer needs, and lessening environmental impact

### Building a business platform suited to the needs of society

#### Priority Topics and Main Initiatives

#### Harmony with the global environment and society

- Efforts to reduce GHGs(2030: ▲2 million t-CO<sub>2</sub> compared to 2017)

#### Progress in governance

- Enhancing the roles and functions of the Board of Directors

#### Acceleration of digital innovations

- Utilizing digital technologies to create new values

## Management Targets for the Medium-term Management Plan Period (FY2020-2022)

At present, we established the following quantitative targets for the period of the medium-term management plan and for 2030. However, we intend to make revisions and disclose new targets in light of changes in the business environment brought about by the COVID-19 pandemic and developments in Japan's basic energy plan.

	Three-year cumulative total
Net income	¥480 billion
Operating income + equity earnings of affiliated companies	¥720 billion
ROE (Return on equity)	10% or higher
FCF (Free cash flow)	¥400 billion

## Quantitative Targets for 2030

	FY2030
Operating income + equity earnings of affiliated companies	¥300 billion
Operating income ratio of 3 businesses (petroleum, exploration, coal)	Less than 50%
Operating income ratio of functional materials business	30% or more
Cumulative total power development (of which, overseas)	5GW or more (4GW or more)

## Highlights of Our Progress

- 🔧 Structural reforms to core revenue-generating businesses
- 🌱 Expansion of growth businesses
- 🏢 Creation of next-generation businesses
- 🌍 Harmony with the global environment and society

### Revamping the Service Station Brand



### Initiatives to Make Our Refineries More Competitive



### Starting Production at Our Lubricant Manufacturing Plant in Huizhou, China



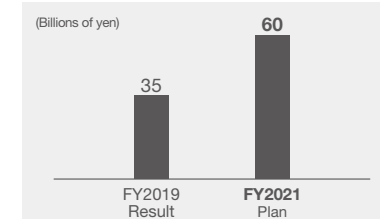
### Working Toward the Commercialization of Black Pellets



## Creating Integration Synergies

Our goal is to realize synergies of ¥60 billion by FY2021. In FY2019, we achieved synergies of ¥35 billion in the areas of supply and demand, manufacturing, logistics, procurement, and corporate affairs. From FY2020 onward, we will work to integrate our brand policies, revise our sales strategies, optimize refining costs, and improve operational efficiency through our company-wide DTK (Dattara Ko Shiyo) Project (=Business Process Redesign) with the aim of creating further synergies while achieving the ¥60 billion goal by FY2021.

### ■ Business Integration Synergies





## Our Initiatives to Counter Fallout from the COVID-19 Pandemic

In addition to preventing the spread of COVID-19, our company is leveraging its overall strengths to maintain a stable supply of petroleum products, energy, and materials that are essential to economic and social activities.

Placing the utmost emphasis on ensuring the safety of customers, employees, business partners, and all other stakeholders, we will take a flexible approach to securing business continuity and contributing to society.

### List of Initiatives Undertaken by the Idemitsu Group










Scope	Details
<b>The entire Idemitsu Group</b>	<p>We established the Emergency Task Force Headquarters in February 2020 and have been continuously operating it as of November 2020. The headquarters engages in comprehensive discussions covering such matters as preventing the spread of infection and maintaining the stability of the product supply as well as all other necessary measures relevant to the Idemitsu Group.</p>
<b>Ensuring the stable supply of products</b>	<p>We have implemented the following initiatives to maintain a stable product supply in a way that ensures customer safety and security.</p> <p><b>Initiatives at service stations</b></p> <ul style="list-style-type: none"> <li>■ Confirming the health of service station staff on a daily basis by, for example, monitoring body temperature and encouraging frequent hand washing and hand sanitizer use</li> <li>■ Enforcing the general rule of wearing a mask while on duty (with the aim of preventing heatstroke among service station staff, they were allowed to take off their masks in the summer on occasions when sufficient distance from customers could be maintained)</li> <li>■ Regularly disinfecting the nozzles, touch panels, and indoor spaces frequented by customers</li> <li>■ Distributing sanitation goods to service stations from May 2020 onward</li> </ul> <p><b>Initiatives in the logistics chain</b></p> <ul style="list-style-type: none"> <li>■ Confirming the health of drivers on a daily basis by, for example, monitoring body temperature and encouraging frequent hand washing and hand sanitizer use</li> <li>■ Enforcing the general rule of wearing a mask while on duty (with the aim of preventing heatstroke among drivers, they were allowed to take off their masks in the summer on occasions when sufficient distance from others could be maintained); drivers were also instructed to remain conscious of social distancing in the course of loading and unloading fuel oil at service stations.</li> </ul> <p><b>Initiatives at refineries and complexes</b></p> <ul style="list-style-type: none"> <li>■ Confirming the health of employees on a daily basis by, for example, monitoring body temperature and encouraging frequent hand washing and hand sanitizer use</li> <li>■ Enforcing a general rule of wearing a mask while on duty</li> <li>■ Installing partitions on an as-necessary basis to prevent the spread of virus in offices</li> <li>■ Encouraging employees to frequently gargle while periodically ventilating operational spaces and disinfecting handrails, door knobs and other areas used by unspecified individuals</li> <li>■ Checking the body temperatures of visitors via the use of non-contact thermometers and otherwise confirming their health, with individuals registering a fever (37.5°C or above) being denied entry into our facilities</li> </ul>
<b>Securing employee safety</b>	<p><b>Encouraging or instructing employees to work from home</b></p> <ul style="list-style-type: none"> <li>■ We allow employees whose duties can be executed remotely to work at home as general rule. We also introduced flexible working hours and removal of core time that had been imposed on employees who already use flexible working hours.</li> <li>■ Pursuing targets set for the ratio of employees commuting to our facilities (by area and job category) in light of changes in COVID-19 infection rates <ul style="list-style-type: none"> <li>■ From April to June 2020: All employees were asked to work from home in principle</li> <li>■ July 2020: Curb the ratio of employees who commute to our facilities to below 50%</li> <li>■ From August to mid-September 2020: Curb the ratio to below 30%</li> <li>■ From mid-September to mid-November 2020: Curb the ratio to below 50%</li> <li>■ From late November 2020 onward: Curb the ratio to below 30%</li> </ul> </li> <li>■ Established guidelines for online communications and meetings to promote novel working styles</li> <li>■ Purchased additional computers and other terminals while augmenting network servers</li> <li>■ Held training sessions and meetings (Board of Directors meetings, executive training, overseas branch manager meetings, etc.) online</li> </ul> <p><b>Initiatives for employees who have to commute to our facilities</b></p> <ul style="list-style-type: none"> <li>■ Distributing masks for use while commuting or on duty</li> <li>■ Ensuring hand sanitizers are always available at office entrances</li> <li>■ Placing marks on such places as the floors of meeting rooms, dining halls and other facilities used by a large number of employees to help secure social distancing</li> <li>■ Certain employees who cannot work from home but are forced to stay home due to the nature of their work duties, are exempt from wage cuts</li> </ul> <p><b>Initiatives for employees who strive to strike a balance between duties and child rearing and/or nursing care</b></p> <ul style="list-style-type: none"> <li>■ Certain employees who have to shorten their working hours due to compelling family reasons, such as the need to take care of their child at home because of the shutdown of schools or childcare facilities and/or the need to take on nursing care, are exempt from wage cuts</li> <li>■ Flexibly accommodating requests from employees who wish to extend childcare leave, giving due consideration to the nature of their work duties and/or extraordinary circumstances when childcare facilities request that children not attend</li> </ul> <p><b>Initiatives to maintain the mental and physical health of employees</b></p> <ul style="list-style-type: none"> <li>■ Began distributing useful tips on health maintenance via the intranet portal for those working from home</li> <li>■ Held seminars for line managers aimed at helping them maintain staff health</li> </ul>
<b>Adjusting our approach to recruiting activities</b>	<ul style="list-style-type: none"> <li>■ Switched physical jobseeker briefings for university students to online seminars from March 2020</li> <li>■ Introduced web-based interviews and otherwise incorporated non face-to-face methods that provide jobseekers with opportunities to deepen their understanding of our company in the course of selection process</li> </ul>
<b>Contributing to society</b>	Idemitsu Unitech produced 30,000 faceguards using its products and donated them to Himeji City, Hyogo Prefecture and other municipalities



## Idemitsu Group's Sustainability

At the Idemitsu Group, we value contributing to society through our business. Our mission is to continue supplying energy, which supports people's lifelines, while contributing to social development. In recent years, the environmental impact of energy use has become a major social issue, and we recognize that harmony with the global environment and society is a pressing issue. Accordingly, with a long-term perspective, we have identified materialities to prioritize during the Medium-term Management Plan. The entire Group will work as one to resolve these, with the aim of achieving sustainable development with the global environment and society. We analyze the risks and opportunities when promoting our materialities from the perspective of the impact on the Group as well as on society as a whole.

### Relationship Between Priority Topics (Materiality) and SDGs

Materiality	Major initiatives	Main relevant SDGs	Risks and opportunities (● : Impact on society; ■ : Impact on the Idemitsu Group)
<b>Structural reforms to core revenue-generating businesses</b>  <p>Build a strong supply chain and further strengthen stability and competitiveness through collaboration with partners in the core revenue-generating businesses centered on petroleum products and chemicals.</p>	<ul style="list-style-type: none"> <li>■ Pursuing profits in the petroleum business (maximizing integration synergies, making refineries more reliable)</li> <li>■ Enabling Nghi Son Refinery to contribute to profits</li> <li>■ Utilizing the Pacific Rim supply chain to capture growing demand in Asia</li> <li>■ Gas development in Southeast Asia</li> </ul>	   	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>● Increased use of resources (energy, water, materials and land) by businesses may lead to the consumption of natural capital</li> <li>■ Stagnant energy demand and lower resource prices due to greater energy conservation and economic deceleration caused by, for example, U.S.-China trade tensions</li> <li>■ Unforeseeable events, such as large-scale disasters or pandemics, impacting the supply chain</li> <li>■ Lower profitability due to higher social demand for climate change action</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>● Reduced GHG emissions through the development and promotion of renewable energy</li> <li>● Contribution to local communities through the stable supply of energy and the job creation on a global scale</li> <li>■ Increasing energy demand in Asia region backed by population growth and economic development</li> <li>■ Higher demand for petrochemical products due to lifestyle changes in Japan and expansion of new markets</li> <li>■ Enhanced competitiveness and realization of stable energy supply through the business integration</li> </ul>
<b>Expansion of growth businesses</b>  <p>Expand business scale and scope by strengthening R&amp;D in growth fields such as functional materials and renewable energy, which are becoming increasingly necessary in the world.</p>	<ul style="list-style-type: none"> <li>■ Expansion of business scale and domains (M&amp;As on a scale of ¥100 billion during the Medium-term Management Plan period)</li> <li>■ Increasing the share of functional materials business to 30% by 2030</li> <li>■ Increasing total power generated from renewable energy overseas to 5GW by 2030 (of which, 4GW is renewable energy) ➡ P.23</li> <li>■ Transformation of solar-power business</li> <li>■ Black pellet development (biomass fuel) ➡ P.23</li> <li>■ Strengthening development of functional materials utilizing open innovation ➡ P.26</li> </ul>	   	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>● Consumption of food and plant resources due to development and promotion of biofuels derived from edible sources</li> <li>■ Delayed development of renewable energy due to changes in government policies and programs in Japan and overseas</li> <li>■ Delayed adaptation to changes in the demand structure due mainly to technological advancements and the emergence of new products</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>● Changes in consumption reflecting the creation of high-performance and environmentally friendly products attributable to government policy incentives and technological innovation</li> <li>■ Growing need for energy-efficient products against the backdrop of climate change</li> <li>■ Growing demand for functional materials geared toward EVs, electronic components, AI, and IoT devices</li> </ul>
<b>Creation of next-generation businesses</b>  <p>Accelerate technological innovation and innovation beyond organizational frameworks to create new businesses with an eye to the future.</p>	<ul style="list-style-type: none"> <li>■ Creating new businesses with an eye on social changes, diversifying customer needs, and lessening environmental impact ➡ P.15, 26</li> <li>■ Development of next-generation service stations business</li> <li>■ Distributed energy business</li> <li>■ Circular business ➡ P.27-28</li> </ul>	   	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>● Delayed action on social issues due to increasing difficulty of market entry by changes in government policy and programs in Japan and overseas</li> <li>● Potential inability to contribute to industrial and social transformation due to delayed action on technological development and open innovation</li> <li>■ Deterioration in value of new investments due to rapid changes in the business environment</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>● Solutions to social issues through new products and services created through revolutionary R&amp;D and innovation</li> <li>■ Launch of regional revitalization activities leveraging the growing social need for distributed energy, such as a more resilient energy supply in Japan, local production for local consumption, and home energy generation and consumption</li> <li>■ New business development at service stations in Japan that serve as local hubs for day-to-day life</li> <li>■ Ensuring employee growth and job opportunities</li> </ul>
<b>Harmony with the global environment and society</b>  <p>Promote measures to realize a low-carbon and circular economy in consideration of climate change risks, and promote diversity and inclusion in partnership with business partners, communities, and employees.</p>	<ul style="list-style-type: none"> <li>■ Efforts to reduce GHGs (2030: ▲ 2 million t-CO<sub>2</sub> compared to 2017) ➡ P.21</li> <li>■ Contributing to the areas where we operate business ➡ P.32, 56-59</li> <li>■ Implementing diversity and inclusion initiatives ➡ P.36-41</li> <li>■ Making work more rewarding for employees ➡ P.47-49</li> <li>■ SDGs educational activities ➡ P.12</li> </ul>	   	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>● Delayed response to drastically stronger environmental regulations, including on GHG reduction</li> <li>● Possible difficulty in ensuring a stable supply of energy due to supply chain disruptions caused by large-scale disasters</li> <li>■ Delayed environmental action due to stalled international cooperation and the increased cost of addressing social division</li> <li>■ Impact of increasingly competitive labor market on challenges the Company faces in hiring and retaining employees</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>● Promoting solutions to social issues by advancing the SDGs</li> <li>● Creating businesses and contributing to solutions through cooperation with local communities</li> <li>■ Expanding business opportunities due to social demand for low carbonization</li> <li>■ Seizing business opportunities by acquiring excellent personnel who support the Group's vision and policies</li> </ul>
<b>Progress in governance</b>  <p>Strengthen governance functions to maintain the trust of shareholders and all other stakeholders.</p>	<ul style="list-style-type: none"> <li>■ Enhancing the roles and functions of the Board of Directors ➡ P.64-67</li> </ul>		<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>■ Potential reputational damage if efforts to introduce appropriate governance functions are abandoned</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>■ Enhanced corporate value through highly transparent and fair management</li> <li>■ Business expansion enabled by swift business execution seizing various opportunities</li> <li>■ Appropriate promotion of sustainable growth and the medium-term management plan</li> </ul>
<b>Acceleration of digital innovations</b>  <p>Capitalize on evolving digital technologies to transform existing business processes and management in response to the business environment and customer needs.</p>	<ul style="list-style-type: none"> <li>■ Utilizing digital technologies to create new value ➡ P.15</li> </ul>	 	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>■ Growing risk of data leaks due mainly to computer viruses and hacking</li> <li>■ Rising initial investment costs due to the introduction of new systems and troubles during the transition</li> </ul> <p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>■ Solutions to social issues through technological innovation</li> <li>■ Lower costs through more efficient operations and higher added value by freeing up time</li> </ul>



## Idemitsu Group's Sustainability

### Materiality Identification Process

To ensure we are able to continue working with our diverse stakeholders to generate new value as an energy co-creation company, we have identified six materialities, taking into careful consideration its long-term priorities as well as environmental and social issues. These materialities are closely linked to company-wide and departmental strategies as well as the materialities laid out in the materialities Management Plan.

#### Step 1 Identification of the issues

With reference to such international guidelines as the GRI Standards and evaluation criteria of the SDGs and ESG evaluation organizations, we identified environmental and social issues that may be related to our business activities.

#### Step 2 Confirmation of their importance to stakeholders

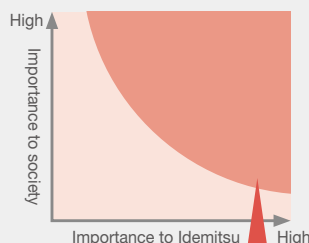
We conducted a wide-ranging survey to determine each issue's importance to stakeholders, both internal and external.

#### Step 3 Alignment with the corporate strategy

We ensured consistency with the Medium-term Management Plan, verifying the priority level and relevance of each issue.

#### Step 4 Management discussions and decisions

Final decisions were made after discussion via the Management Committee chaired by the President.



Based on social and management relevance, issues considered a priority for both internal and external stakeholders were sorted into the following 6 materialities

1. Structural reforms to core revenue-generating businesses
2. Expansion of growth businesses
3. Creation of next-generation businesses
4. Harmony with the global environment and society
5. Progress in governance
6. Acceleration of digital innovations

### Correlations between Materiality and the SDGs

When considering the effect on the SDGs of key initiatives that impact materiality, we took into account the fact that each SDGs is interconnected. Rather than being confined to one specific goal, the impact of any business activity targeting materiality will, to varying degrees, extend to all the SDGs. That said, we believe we can especially contribute to the achievement of the following three SDGs on the right through our business activities.

Our efforts to achieve these goals may lead to increased environmental burden in the form of higher resource consumption and GHG emissions. Recognizing that our business activities might impose a burden in the following five areas and keep us from achieving the goals, we realize the necessity of making serious efforts to address this. We are considering measures to minimize or eliminate the negative impact of our operations on these social issues. Specifically, we will set reduction targets for GHG emissions related to the use of petroleum resources and the risk of climate change, and will consider measures to achieve them. The entire group will also work together to promote the recycling of solar panels and petrochemicals, including plastics.

#### SDGs where we make a larger difference



#### SDGs requiring attention due to risks arising from business activities



### Sustainability Promotion Structure

To conduct management from the perspective of sustainability, we established the Corporate Sustainability Department to coordinate and manage ESG issues across departments, including climate change and human rights.

Each ESG issue is overseen by a designated department, with its progress reported to the Management Committee by the director in charge of ESG. The Management Committee discusses important policies and measures related to sustainability, reporting the details to the President and, when needed, the Board of Directors.

Under this management structure, we are committed to solve environmental and social issues and strive to achieve sustainable growth.



### Our Efforts to Promote Understanding of the SDGs

As we pursue sustainable growth together with society, the SDGs serve as a valuable reference since they reflect the views of experts from diverse fields, member countries, and stakeholders. We are confident that by raising awareness of social issues among all our employees through SDGs-related efforts, we will enhance awareness of the linkage between business activities and social issues, prompting the creation of measures to address these issues. Specifically, we will promote the SDGs through internal communication to ensure that the key points of the SDGs are reflected in future corporate strategy and materiality. We will conduct educational activities so that our employees become fully aware that social issues also belong to them, and take initiative in solving them. Essentially, we will promote essential understanding of the SDGs through workshops and internal information media.

### Signing of the United Nations Global Compact and Accompanying Initiatives

In July 2019, we announced its support for the 10 principles of the United Nations Global Compact (UNGC) on human rights, labor, the environment, and anticorruption. In addition, we joined the Global Compact Network Japan (GCNJ). We support the UNGC's 10 principles, which relate to protecting human rights, eliminating unfair labor practices, protecting the environment, and preventing corruption. Furthermore, we are working to raise awareness of social issues among all employees and will continue to contribute to the realization of a sustainable society through our business operations as a global energy co-creation company.

WE SUPPORT





## Idemitsu Group's Sustainability

### Dialogue with Stakeholders

The Group's Management Vision makes it clear that we continue to create new values together with stakeholders.

Through responsible dialogue with a wide range of stakeholders, we strive to sustainably improve our corporate value and contribute to social development through our business activities.

Stakeholders	Initiatives	Details	
All	Information disclosure via website	<ul style="list-style-type: none"> <li>■ We operate an official website to provide our stakeholders with timely corporate disclosure of the latest information on the activities of the Idemitsu Group. Contacts are also presented on the website to accommodate various types of inquiries as part of our proactive communication efforts.</li> </ul>	 Official website
Shareholders and Investors	Information disclosure to individual investors	<ul style="list-style-type: none"> <li>■ In regions around Japan, we hold corporate briefings while participating in IR events for individual investors, with the Executive Officer in charge of IR, the General Manager of the Finance Department and other personnel giving presentations on the business overview, management strategies and operational status.</li> <li>■ In addition to holding the annual general meetings of shareholders in June, we issue the <i>Idemitsu IR Newsletter</i> (Japanese only) twice a year.</li> </ul>	 Investor Relations
	Information disclosure to analysts and institutional investors	<ul style="list-style-type: none"> <li>■ We hold quarterly financial results briefings while holding IR meetings on an individual basis and hosting small-group meetings with analysts.</li> <li>■ Top management team members visit institutional investors in Europe, the United States, and Asia to update them on our management strategies and operational status.</li> </ul>	
Customers	Customer center counters in place ➡ P.14	<ul style="list-style-type: none"> <li>■ We respond to inquiries that require specialized technological expertise regarding fuel oil, lubricants, and other products while accepting complaints about customer reception at service stations, the quality of gasoline, and the driving manners of our tanker truck drivers. Inquiries and complaints receive proper treatment through the customer center, via collaboration with relevant departments, and are utilized to make necessary improvements.</li> </ul>	 Customer center counters
	PR activities involving advertising	<ul style="list-style-type: none"> <li>■ We constantly engage in advertising activities to enhance the general public's understanding of the business operations and other initiatives being undertaken by the Idemitsu Group.</li> </ul>	
Corporate Customers	Holding customer seminars ➡ P.14	<ul style="list-style-type: none"> <li>■ We maintain close communication with corporate clients and promote the development of products and solutions suited to their needs. Our branches throughout Japan hold seminars for corporate clients to deliver information on the latest technical trends in the energy-saving and environment-related fields, as well as on regulatory conditions and other topics directly useful to their operations.</li> </ul>	
Community	Holding community briefing sessions	<ul style="list-style-type: none"> <li>■ We hold community briefing sessions at least once a year. In doing so, we invite heads of neighborhood associations and other representatives from communities in the vicinity of our refineries, complexes, and plants. We explain our safety and environment-related efforts and hear the opinions of attendees.</li> </ul>	
	Implementation of environmental education ➡ P.17, 32, 57	<ul style="list-style-type: none"> <li>■ We hold environmental classes focused on global warming, climate change, and other environmental concerns to help elementary school students and other young people from communities near our refineries, complexes, and plants deepen their understanding of these topics.</li> </ul>	
	Implementation of environmental protection activities ➡ P.17, 32	<ul style="list-style-type: none"> <li>■ We participate in cleanup activities in the vicinity of refineries, complexes, and plants, as well as local forest and beach conservation activities. In addition to contributing to local communities, these activities facilitate interaction between employees.</li> </ul>	
Employees	Next Forum ➡ P.47-48	<ul style="list-style-type: none"> <li>■ In a concerted effort to create an even better company, we hold this forum twice a year to provide a place for employees to engage in face-to-face dialogue with top management and exchange their opinions and proposals with regard to company-wide issues. Forum committee members appointed by each department sit with top management to directly communicate what their colleagues have to say about company-wide issues.</li> </ul>	
	Holding townhall meetings and dialogue with management ➡ P.48	<ul style="list-style-type: none"> <li>■ In FY2020, we also began holding town hall meetings to provide a place for employees to engage in dialogue with top management. In May 2020, the first round was held in the form of online meetings livestreamed under the theme of "Management Status and New Brand."</li> </ul>	
	Conducting an employee engagement survey ➡ P.47	<ul style="list-style-type: none"> <li>■ We conduct this survey on an annual basis to enable the ongoing and quantitative analysis of work engagement among employees, including whether they find their jobs rewarding and if they have a sense of mutual trust and unity. The 2020 survey was conducted in the period from late July to early-August 2020, and targeted a total of 11,848 individuals at Idemitsu and its affiliated companies, with 97.5% of these individuals responding.</li> </ul>	





## Idemitsu Group's Sustainability

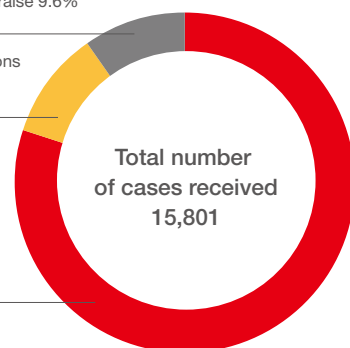
## Dialogue with Stakeholders

■ Number of inquiries and complaints received  
by Customer center counters (FY2019)

Compliments and other praise 9.6%  
(1,514 cases)

Complaints and suggestions  
for improvement 10.2%  
(1,619 cases)

Inquiries 80.2%  
(12,668 cases)



## ■ Major customer seminars held in FY2019

	Location	Number of events (times)	Participants	Number of corporate participants (groups)	Number of participants (individuals)
The 16th Apollo Energy Meeting	Tokyo	1	Customers in the coal and petroleum products fields	155	301
Environmental seminars	Nationwide	43	Customers in the petroleum products field	331	842
The 41st Cutting Oil Workshop	Tokyo and Osaka	2 (one for each location)	Customers in the lubricants field	108	170
The 43rd Thermal Treatment Workshop	Tokyo and Osaka	2 (one for each location)		134	262
Practical Seminar on Lubricant Engineering	Chiba	1		8	9
Seminar on Lubricants Basics	Chiba	1		16	22
Electricity Sales Workshops for Corporate Clients	Tokyo	1	Oil dealers (industrial energy, lubricant, and gas sectors, etc.)	46	81

## Inclusion in ESG Indices

2020



Sompo Sustainability Index

In recognition of its efforts related to environmental, social and governance (ESG) issues, Idemitsu has been selected for inclusion in the SOMPO Sustainability Index operated by Sompo Asset Management Co., Ltd., for nine consecutive years, since 2012.



## Digital Transformation Initiatives

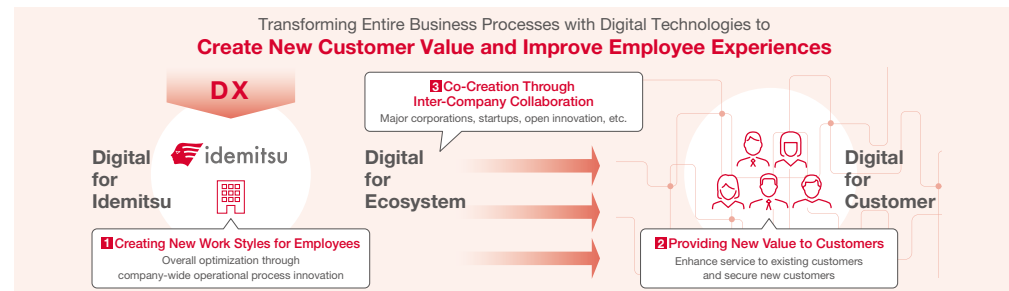
### Transforming Entire Business Processes with Digital Technologies to Create New Customer Value and Improve Employee Experiences

The business environment of the energy industry is forecast to undergo major changes going forward. For Idemitsu to continue to grow, proactively applying digital transformation (DX) to all business processes, enhancing operational sophistication, and continuously providing services that meet new needs will be essential.

Based on this understanding, we have made the acceleration of digital innovations a priority topic of its Medium-term Management Plan and is advancing initiatives in the three areas listed below.

Positioning 2020 as a year for reinforcing our foundations, we established the Digital Innovation Department in January, have implemented multiple on-site pilot tests with an eye to formulating company-wide digital strategy, and are advancing internal awareness raising aimed at developing our corporate culture.

#### Idemitsu's DX Initiatives



#### 1 Creating New Work Styles for Employees (Digital for Idemitsu)

In order to advance company-wide operational process innovation, in April 2020 we began on-site pilot tests that will help generate synergies between business departments and realize overall optimization. After confirming the results of these efforts, we began steadily moving forward with small starts and other steps.

In addition, following the April 2020 declaration of a state of emergency in Japan, more than 90% of our employees (excluding manufacturing divisions) moved to a work-from-home setup. While circumstances in our business environment were extremely harsh, in terms of DX, the resulting advances in the use of online meetings, paperless technologies, and digital approval systems have helped foster an awareness in employees that it is possible to significantly change existing modes of working. We held online seminars for employees aimed at developing corporate culture in June and October, explaining the need and goals for DX at the Company, providing examples from within the company, and holding panel discussions with outside experts. By thus using a wide range of content, we are advancing initiatives aimed at company-wide innovation.

#### Enhancing the Sophistication of Refinery Maintenance Operations and Reinforcing Safety through DX

In the petroleum business, one of our core businesses, we have built robust production sites and supply chains. However, in light of forecast declines in oil demand, in order to win out over the competition going forward, we must further enhance productivity and efficiency. At the same time, we face numerous issues, such as rising costs related to the aging and maintenance of facilities in Japan and the retirement of veteran technicians who have long been vital to production site operations. Digital technologies offer useful tools to address such issues. We have made innovating maintenance operations a DX project, and, using different, new approaches (Agile and Design thinking\*), have revised existing operational methods while verifying the effects of changes. As a result, we were able to identify opportunities for reinforcing competitiveness by reducing maintenance costs and improving operational efficiency. Accordingly, we have set up a framework for promoting DX within refineries, made a small start in introducing ongoing operational process improvement, and begun considerations aimed at expanding the scope of such innovations. We aim to apply the insights gleaned from these pilot tests at other plants to generate synergies across our businesses.

\* Agile: A method of lean, fast, and adaptive software development

Design thinking: A method of thinking about the design of products and services by designating goals from the perspective of customer value



#### 2 Providing New Value to Customers (Digital for Customer)

New initiatives that make maximum use of our assets are essential to creating new customer value in existing businesses. For example, rather than passively waiting for customers to come to refuel at our service stations, we must proactively put out information and transform our service stations to offer new experiences. In order to provide optimized service with optimal timing to meet diverse customer needs, we will leverage accumulated data to realize individually personalized service.

##### Digital Marketing Leveraging our Service Station Customer Base

We are advancing initiatives to create new customer value through DX leveraging our network of approximately 6,400 service stations nationwide.

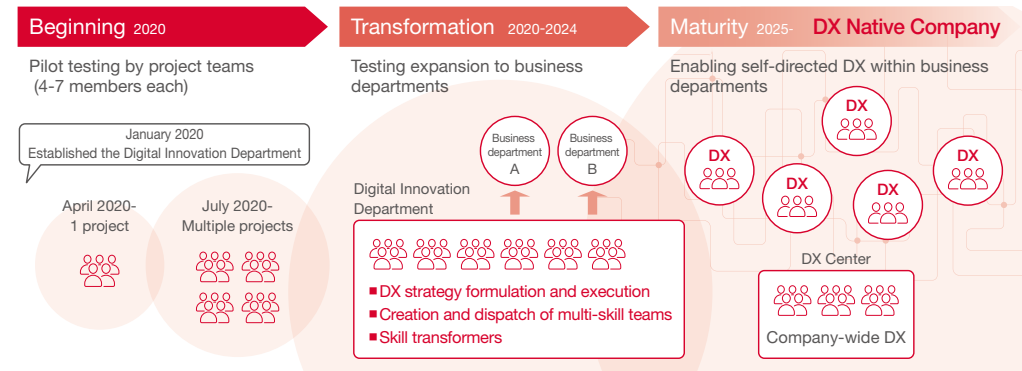
One such initiative is the use of PIT in plus, through which customers can reserve car services at a service station in advance online. This allows us to understand the services required by customers ahead of time and reduce waiting time, thereby both improving the work efficiency of service station staff and enhancing customer satisfaction. In particular, during the COVID-19 pandemic, customers want more than ever to avoid waiting, which has helped drive an increase in reservations. As of August 2020, we have rolled out this system at 1,566 service stations (up 430 service stations from March 31).

We are also advancing pilot testing of a variety of other new services, such as a carwash reservation app, a coin laundromat business, and compact EV sharing. In doing so, we are advancing DX to realize service stations that support local living and mobility by, for example, using algorithmic digital technologies and combining new services with existing businesses to provide new solutions.

#### 3 Co-Creation Through Inter-Company Collaboration (Digital for Ecosystem)

Our third category of digital innovation initiatives is creating entirely new businesses that contribute to local communities. This, however, is something that we cannot do alone. We therefore plan to advance initiatives in collaboration with companies that have strengths in a wide range of fields, such as healthcare, housing, food, and education. In 2020, we took part in "SmartCityX", a project focused on designing smart cities through inter-company collaboration.

#### Idemitsu's DX Roadmap



As a result of the COVID-19 pandemic, the development of a culture of working online has rapidly accelerated, and values are changing significantly across society. To ensure that we can continue to provide irreplaceable value suited to each of our increasingly diverse stakeholders over the long term, every Idemitsu employee will ambitiously strive to advance innovation. DX is the powerful foundation supporting the efforts of the entire company to take on new challenges.

Idemitsu Kosan Co.,Ltd. Executive Officer, General Manager of Digital Innovation Department  
**Yukio Saegusa**





## Details of Our Environmental Management and Environmental Policy

### Approach to the Environment

The Idemitsu Group works to reduce the environmental impact of its business activities through more efficient energy use and other measures in order to contribute to the creation of a sustainable society with harmonious coexistence between the economy and environment. We aim to protect the global environment by appropriately allocating and utilizing our resources and actively promoting advanced initiatives to solve such environmental problems as global warming. To achieve this aim, we have established a policy regarding environmental conservation, both global and regional, as an important value to be prioritized in all our business activities.

#### Environmental Protection Policy

1. Make all-out efforts to prevent leaks or contamination, and contribute to environmental protection.
2. Actively contribute to the prevention of global warming and work to reduce greenhouse gases emitted through our business activities.
3. Effectively use resources in all our business activities.
4. Promote green procurement when purchasing material, construction work, services, etc.
5. Be aware of the importance of biodiversity and actively contribute to its maintenance.
6. Work to develop and popularize technologies and products that create a better environment.
7. Set environmental objectives based on the annual basic policies, and facilitate concerted efforts to achieve those objectives via internal and external collaboration.
8. Continually improve the Environmental Management System to enhance environmental performance.
9. Actively disclose environmental information and promote communication with parties outside the Company to ensure reliability and improve our corporate value.

### Environmental Management System

#### Safety & Environmental Protection Headquarters

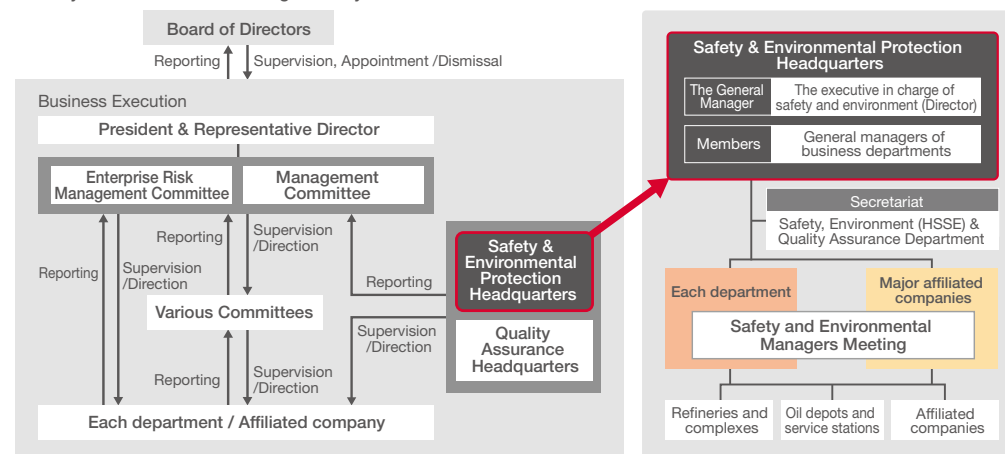
We have traditionally positioned “Safety, Health and the Environment” as key concepts supporting our management foundation, and have established the “Safety & Environmental Protection Headquarters” to promote initiatives to secure employee safety and health as well as to preserve the environment. Members of the headquarters consist of the General Manager and co-head as well as division heads in charge of supervising business sites and others who are appointed by the General Manager, in addition to the secretariat. The executive in charge of safety and environment (Director) is appointed by the President and Representative Director to serve as the General Manager of the Safety & Environmental Protection Headquarters, overseeing the headquarters as the individual bearing the highest responsibility regarding safety, health, and the environment. Safety, Environment (HSSE) & Quality Assurance Department serves as the secretariat.

The primary role of the headquarters is (1) to determine the medium-term management plan, the annual basic policies, and priority HSSE issues, (2) to assess and evaluate performance through audits, (3) to maintain, review, and improve the Environmental Management System (P. 17), and (4) to instruct all departments and major affiliated companies on how to secure the management resources necessary to establish, implement, maintain, and continually improve this Management System. As a general rule, the Safety & Environmental Protection Headquarters Meeting is held once a year in December to decide on such matters as our group's annual basic policies for the next fiscal year.

When establishing and reviewing the medium-term management plan, the annual basic policies, and priority issues regarding HSSE, the secretariat creates a draft proposal in a way that reflects on outcomes of HSSE activities undertaken in the preceding fiscal year and takes into consideration the social environment surrounding HSSE issues. The draft is examined at the Safety and Environmental Managers Meeting attended by managers in charge of safety and the environment from each department and then approved at the Headquarters Meeting. After the draft is ruled on by the General Manager of the headquarters, it is finally reported on to the Management Committee. If the Management Committee has instructions or opinions that should be reflected in the draft, the General Manager of the headquarters once again reviews and approves the final version.

The Board of Directors receives reports from the business executives and provides oversight on environmental issues, including climate change.

■ Positioning of the Safety & Environmental Protection Headquarters in the Corporate Governance System and an Outline of the Safety and Environmental Management System





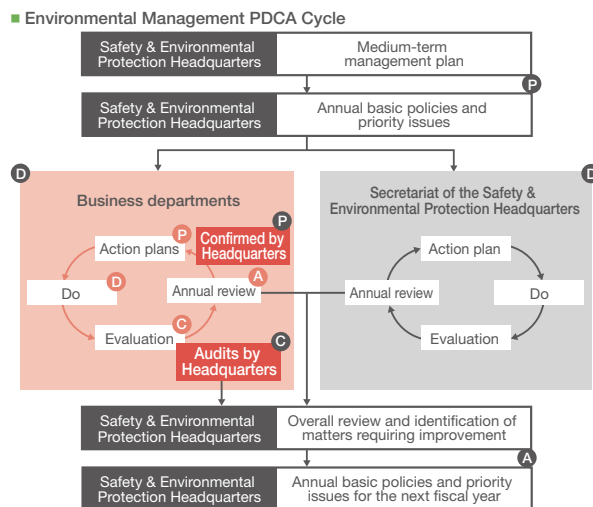
## Details of Our Environmental Management and Environmental Policy

### Environmental Management System

Our Environmental Management System is presented in the diagram on the right. It is based on a combination of the group-wide PDCA cycle, utilized by the Safety & Environmental Protection Headquarters, and the individual PDCA cycles utilized by each business department.

The Safety & Environmental Protection Headquarters formulates a medium-term management plan for the entire Company and identifies annual basic policies and priority issues based on that plan. In line with these annual basic policies, each business department develops its own action plan.

Each business department operates a PDCA cycle in which it executes business activities based on its action plan, periodically evaluates and reviews these activities, and identifies matters that must be improved and reflected in the action plan for the next fiscal year. Meanwhile, the secretariat for the Safety & Environmental Protection Headquarters carries out an annual evaluation and review of group-wide operations of the Environmental Management System. Matters requiring improvement are discussed at Headquarters Meetings in conjunction with reviews carried out by each business department to ensure continuous improvement.



### Environmental Education and Awareness-Raising Activities

We provide environmental education for the entire Group under the leadership of the Safety & Environmental Protection Headquarters. We are also engaged in activities to raise awareness of environmental protection in line with the United Nations World Environment Day as well as the Environment Month promoted by the Ministry of the Environment. In June 2019, focusing on global warming and the marine plastic waste problem, we conducted campaigns to turn off lights and clean-up activities to raise environmental awareness among employees.

■ Beach clean-up activities (Odaiba Seaside Park, Tokyo)



### Safety and Environmental Audits

In order to confirm and promote the HSSE activities of each business department, the secretariat of the Safety & Environmental Protection Headquarters conducts Safety and Environmental audits at our refineries and complexes on an annual basis. At business sites other than those named above, Safety and Environmental audits are carried out once every three years in principle. Should safety- and/or environment-related issues requiring improvement be discovered by audits, the secretariat will conduct follow-up monitoring on each case and oversee the entire process from the planning of countermeasures to the completion of their implementation. Furthermore, the General Manager of the Safety & Environmental Protection Headquarters or other top management representative conducts Safety- and Environment-related instructions or safety patrols by visiting business sites. In particular, we have made it a rule for the General Manager of the Safety & Environmental Protection Headquarters to visit our refineries and complexes once a year to undertake these activities.

Note: In FY2019, a total of 22 business sites underwent audits. The implementation status of these audits is presented in page 50.

### Environmental Compliance (Number of Environmental Abnormalities)

In FY2019, there were no serious compliance violations. We will identify minor compliance violations that are not classified as serious compliance violations and investigate their causes to prevent recurrence in an effort to step up our environmental protection initiatives.

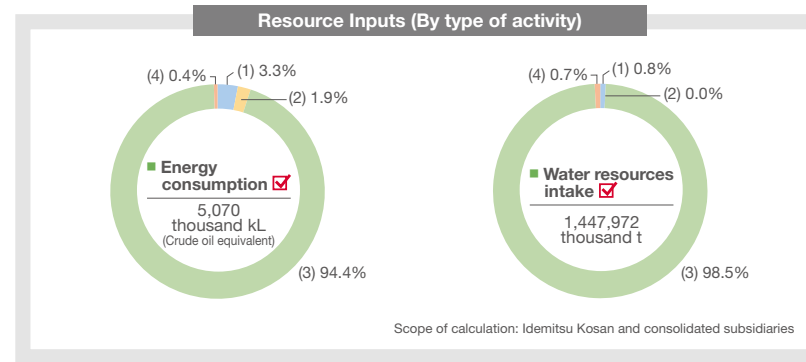
Note: Compliance violation refers to one or more of the following items:

- A. The cases that exceeded the regulatory standards that are stipulated in environmental laws and regulations (including local regulations and agreements)
- B. Events that were determined to require "countermeasures in the accident" based on environment-related laws and regulations
- C. The cases that received administrative punishment, caution, instruction, guidance, etc. from the government
- D. The cases that damaged to the bodies, lives, property, etc. of neighboring residents, etc. and compensated to them.



## Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations

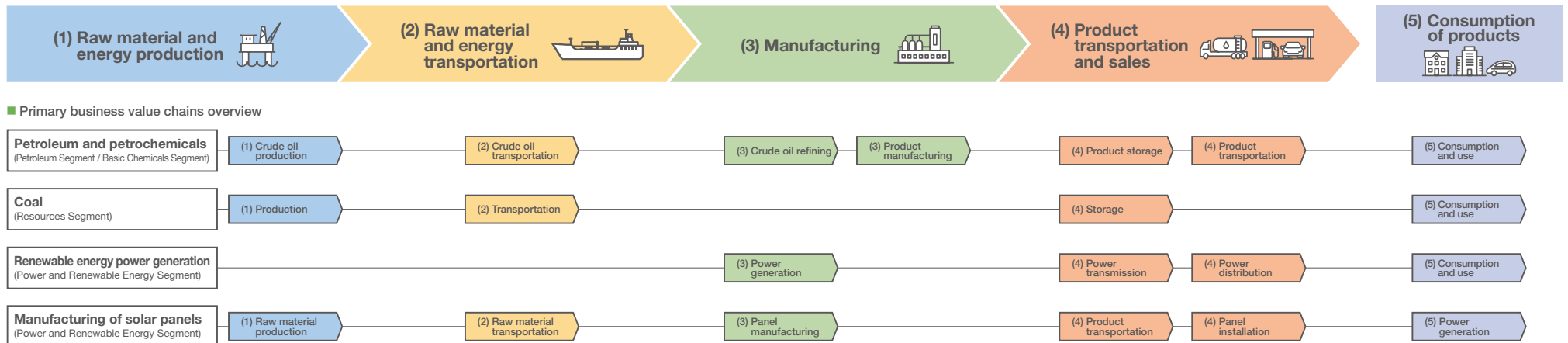
■ (1) Raw material and energy production ■ (2) Raw material and energy transportation ■ (3) Manufacturing ■ (4) Product transportation and sales



## Input

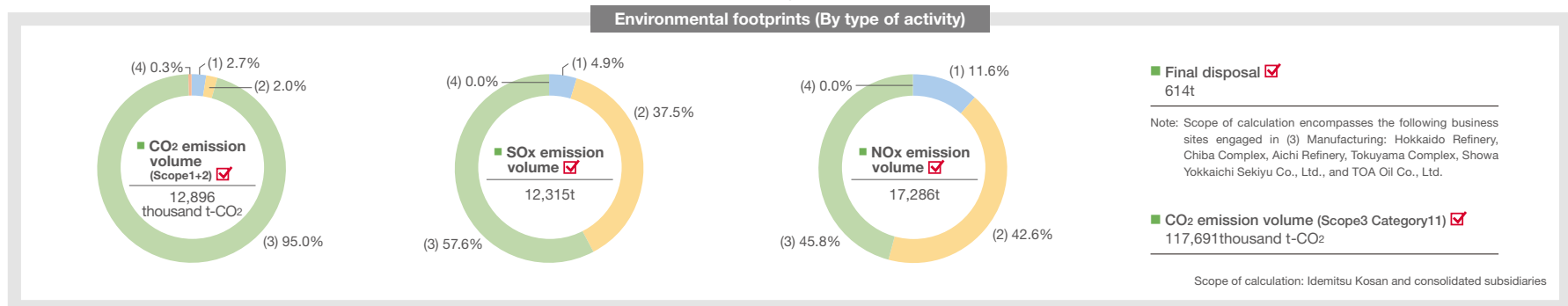
## Activities

Types of activity presented below encompass all of the Idemitsu Group's business segments.\*  
 \* Petroleum, Basic chemicals, Functional materials, Power and renewable energy, and Resources segments



\* In the above donut charts, the numbers (1) through (5) indicate the corresponding portion of the value chain.

## Output







## Our Response to Climate Change

### Basic Stance

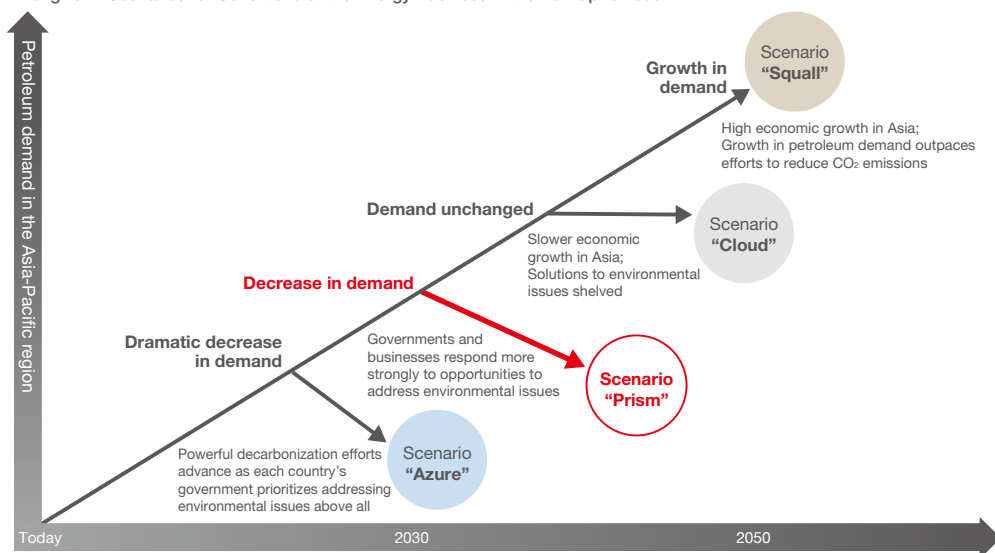
Recognizing that responding to climate change is one of the most important issues that must be addressed on a global scale, the Idemitsu Group works to tackle this issue through both “mitigation” and “adaptation” by making maximum use of our resources.

Specifically, by examining a range of possible future business environments based on the analysis of multiple scenarios, we identify risks and opportunities and reflect them in our strategies and initiatives.

### Scenario Analysis

With regard to risks and opportunities associated with climate change, we use scenario analysis to explore possible energy transition pathways resulting from decarbonization, the development of environmental technologies, and social change as well as to examine their impacts on our company. This scenario analysis is designed to identify energy demand and the effects of climate change in the Asia-Pacific region, assuming business environments in 2050 as follows. We prepared four scenarios. Of these, one scenario assumes an increase in energy demand that exceeds the trend toward low-carbon emissions due to high economic growth across Asia, while another assumes that the targets of the Paris Agreement have been achieved. (See the diagram below.) Currently, we are examining specific priority issues in a way that is particularly conscious of the “Prism” scenario, in which our group is expected to take stronger environmental measures. This scenario assumes that, in 2030, domestic petroleum demand will decrease 30% compared with the 2017 level. As an energy supplier, we are acutely aware that significant risk could emerge under this scenario. Accordingly, we actively engage in deliberating priority issues based on this analysis.

#### ■ Long-term Scenarios for Conditions of the Energy Business in the Run-up to 2050



### Risks and Opportunities

Based on the results of this scenario analysis, we are examining the risks and opportunities we face. As for transitional risk, we have identified a possible decline in fuel oil demand in step with the popularization of electric vehicles (EVs) and changes in consumer awareness, in addition to a risk of deterioration in the overall reputation of the fossil fuel sector. On the other hand, given the increasing demand for renewable energy and environmentally friendly products, we are aware of opportunities to contribute to the realization of a low-carbon society and to expand our businesses.

Taking these factors into account, we aim to reform our business portfolio in order to become a group of resilient companies by responding to these risks and strengthening our business initiatives to capture opportunities. (Quantitative Targets for Business Portfolio ➡P.9)

Classification	Matters to be evaluated	Responses and initiatives
Transition risks	Decline in demand for petroleum products due to the spread of EVs and changes in consumer awareness	Market monitoring and the establishment of optimal production, supply and sales systems Departure from the business portfolio depending on fossil fuel
	Decline in energy prices due to technological advances	Strengthening of the competitiveness of the entire supply chain
	Possibility of divestment of the coal business	Development of black pellets and biomass co-firing technology
	Decline in the reputation of the oil and coal businesses	Strengthening of external engagement
	Introduction of carbon pricing	Internal discussions of carbon pricing
Physical risks	Suspension of equipment operation and production sites damage due to abnormal rainfall and others	Reinforcement of equipment maintenance and strengthening of the supply chain
	Impact of sea-level rise on manufacturing and distribution bases	Measures such as reinforced seawall and relocation of control rooms
Opportunities	Expanding demand for renewable energy	Development of renewable energy sources in Japan and overseas
	Strengthening of IMO (International Maritime Organization) regulations	Efficiency improvement and reinforcement of refinery facilities
	Increasing demand for environmentally friendly products with low environmental impact	R&D and overseas expansion of lubricants for electric vehicle units, advanced greases, and biological pesticides
	Increasing demand for energy-saving materials	Development of applications for next-generation materials and commercialization of all solid state lithium-ion battery materials
	Development of distributed energy resource systems	Development of and entry into VPP (Virtual Power Plant) control services
	Development of the circular economy	Development of recycling technologies for waste plastics, solar panels, carbon, etc.
	Advent of the MaaS (Mobility as a Service) society	Development leveraging the existing refueling network and entry into ultra-compact EVs
	Development of natural gas resources	Shifting focus from oil to gas

### Risk Management

Climate change-related risks identified via our analyses are handled by the Safety & Environmental Protection Headquarters and departments in charge of corporate planning. These risks are also reported to the Management Committee. Furthermore, the Management Committee assesses and evaluates the magnitude of each risk and reports its conclusions to the Board of Directors through the President and Representative Director. We are also developing a comprehensive risk management system that incorporates ESG elements into our internal control system. Issues recognized in the course of identifying risks and opportunities are referred to departments specializing in relevant areas to enable them to fully discuss and address each risk in a way that employs input from outside experts.

Our Response to Climate Change

Internal Carbon Pricing

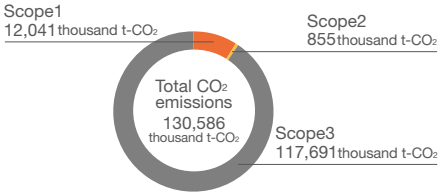
In recent years, businesses have increasingly been called on to step up their response to climate change. We expect this trend will put our company in a position where we face both risks and opportunities. With this in mind, we are nurturing active internal discussion on how to decarbonize our businesses. To this end, we have established internal carbon pricing of investments related to new projects and decided to carry out trial-basis investment studies that reference the economic impact of carbon dioxide (CO<sub>2</sub>) emissions.

Concept on How to Mitigate the Impact of Climate Change

Looking at the composition of greenhouse gas (GHG) emissions associated with our group's operations, emissions arising from the consumption of our products (Scope 3) far exceed emissions from our refineries, complexes, and plants (Scope 1) and emissions mainly attributable to purchased energy (Scope 2). Scope 3 emissions constitute the overwhelming majority of our emissions (see the graph below). This is why we prioritize reducing GHG emissions across value chains. Accordingly, our reduction efforts not only aim to curb Scope 1 and 2 emissions, but also target Scope 3 emissions. In doing so, we are placing the utmost priority on reducing CO<sub>2</sub> emissions, which account for more than 90% of Japan's GHG emissions.

Value chains related to Idemitsu Group operations are diverse. Therefore, we are better placed to help reduce CO<sub>2</sub> emissions from value chains in a range of areas. Looking ahead, we will strengthen our efforts in these areas and contribute to a reduction in CO<sub>2</sub> emissions.

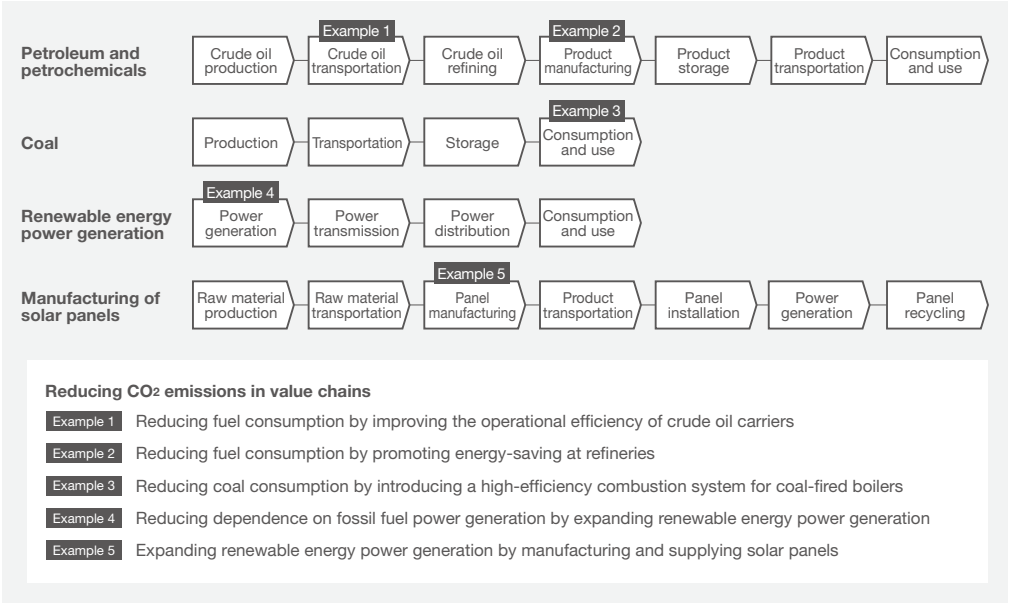
Our Group's CO<sub>2</sub> Emissions by Scope (FY2019)



Notes: 1. Scope of calculation: Idemitsu Kosan and consolidated subsidiaries  
2. Data regarding GHG emissions (CO<sub>2</sub> equivalent) is featured on "ESG Data" (P.74).

In conjunction with business integration in 2019, we found differences of calculation methods used by the two pre-merger companies for measuring CO<sub>2</sub> emissions. The differences are outside of the scope of the relevant domestic regulations requiring disclosure. In response, we partially revised and otherwise upgraded our calculation methods with reference to the globally accepted disclosure standards.

Business value chains and efforts to reduce CO<sub>2</sub> emissions





## Our Response to Climate Change

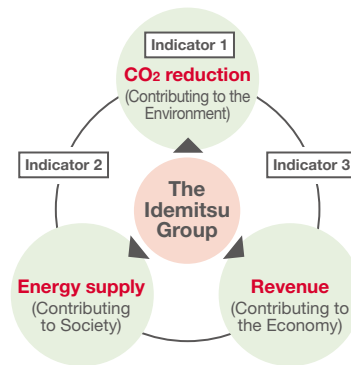
### CO<sub>2</sub> Reduction Targets and Monitoring Indicators

We recognize that an environmental contribution consisting only of a reduction in our CO<sub>2</sub> emissions is not enough to secure corporate sustainability. Along with these reduction efforts, we need to contribute to society by providing low-carbon energy with a view to transitioning to a low-carbon society in the future. Moreover, we also aim to contribute economically by generating constantly robust profits even as we shift our business portfolio. We consider all of these endeavors to be matters of equal importance.

In addition to our fossil fuel business, we conduct business related to the development of renewable energy and environmentally friendly products, as well as research aimed at solving social issues. These activities contribute to the reduction of CO<sub>2</sub> emissions on a global scale throughout our value chain. We recognize that this concept will become even more important in the future along with the reduction of CO<sub>2</sub> emissions by the Group.

Based on this recognition, in 2019 the Group established three indices to accelerate its efforts to reduce CO<sub>2</sub> emissions.

In light of the Japanese government's declaration of achieving carbon neutrality by 2050, we aim to contribute to the reduction of CO<sub>2</sub> emissions through the supply of low-carbon energy.



#### Monitoring indicator

##### Indicator 2 Low carbon level of supplied energy

(Indicator of the extent to which an energy company can reduce the **"CO<sub>2</sub> emissions per unit of energy"** supplied to society)

**2050 Indicator Level: down 30%** (compared to 2017 levels)

(Calculation formula) = 
$$\frac{\text{CO}_2 \text{ emissions (Scope 1 + 2 + 3)} - \text{CO}_2 \text{ avoided emission}^*}{\text{Amount of energy supplied to society}}$$

**FY2019 results: down 0.8%**

\* CO<sub>2</sub> reduction contribution throughout the entire value chain

(We intend to revise this target from time to time in light of social trends)

##### Indicator 3 Degree of carbon exit from corporate earnings

(Indicator of how the **"Revenue level per unit of CO<sub>2</sub>"** emitted by the Company as a whole is being raised)

(Calculation formula) = 
$$\frac{\text{Revenue}}{\text{CO}_2 \text{ emissions (Scope 1 + 2 + 3)} - \text{CO}_2 \text{ avoided emissions}^*}$$

We have not currently established a target for this indicator and use it for internal purposes only.

\* CO<sub>2</sub> reduction contribution throughout the entire value chain

#### Target value

##### Indicator 1 Reduction of the Group's Scope 1 + 2 emissions

(An indicator of the extent to which **"Scope 1 + 2 emissions"** have been reduced through the promotion of energy conservation activities at refineries, complexes, and plants, etc.)

**2030 Target: Cut levels by 2 million ton-CO<sub>2</sub>** (compared to 2017 levels)

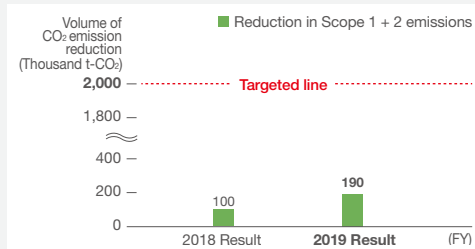
(Calculation formula) = CO<sub>2</sub> emissions in target year (Scope 1 + 2) – CO<sub>2</sub> emissions in base year (Scope 1 + 2)

**FY2019 Results: down 1.3 million ton-CO<sub>2</sub>**

(reduction activities: down 0.19 million tons; other: down 1.11 million tons)

In fiscal 2019, the progress of energy conservation activities at refineries and plants was ahead of schedule, and the Company's CO<sub>2</sub> reduction activities are steadily contributing to progress toward the target (see the graph on the right). It should be noted that, due to a long-term unplanned suspension caused by malfunctioning equipment at a refinery, the lower CO<sub>2</sub> emissions from the reduced operations dovetailed nicely with our deliberate efforts to cut emissions, resulting in a larger than expected reduction.

#### ■ Results of our reduction efforts targeting Scope 1 + 2 emissions





## Our Response to Climate Change

### Reducing CO<sub>2</sub> Emissions Throughout Entire Value Chains

We are committed to reducing CO<sub>2</sub> emissions globally along the entirety of our value chains. We will promote the reduction of CO<sub>2</sub> emissions through our business activities in the following five areas.

- (1) Promoting Energy Conservation and Zero-Emission Electric Power Consumption
- (2) Provision of environmentally friendly products and services
- (3) Expansion of renewable energy power generation
- (4) Expansion of Biomass Fuel Supply
- (5) Development and social implementation of innovative technologies

#### Promoting Energy Conservation and Zero-Emission Electric Power Consumption

We are working to reduce direct and indirect CO<sub>2</sub> emissions attributable to our refineries, complexes, and plants. Staff at our main manufacturing sites hold monthly meetings to monitor progress in energy conservation activities while sharing best practices in a way that transcends departmental boundaries.

##### ● Modification of resid hydrodesulfurization unit raises efficiency

In May 2020, the Chiba Complex modified its resid hydrodesulfurization unit to raise its efficiency. This project was intended to secure our responsiveness to regulations enforced by the International Maritime Organization (IMO) with regard to the limitation of sulfur content in marine vessel fuel.

##### ● Construction of a highly efficient naphtha cracker

Currently, a construction project is under way at the Tokuyama Complex to introduce a highly efficient naphtha cracker, with plans calling for completing the introduction by the end of FY2020. The project involves the suspension of two naphtha crackers, old models that have been part of our ethylene manufacturing facility. These naphtha crackers will be replaced with a single new, high-efficiency model capable of performing the thermal decomposition of raw materials in less time. Thanks to this feature, the new cracker will help us raise the yield ratio of resulting ethylene while improving the thermal efficiency of production process. Accordingly, we anticipate the new ethylene production process will achieve roughly a 30% drop in energy consumption from the level prior to the upgrade.

##### ■ Construction of a highly efficient naphtha cracker (Tokuyama Complex)



Reducing energy consumption via fresh capital expenditure

##### ● Promoting the use of renewable energy sources

We decided to begin powering our 15 domestic oil depots with renewable energy provided by Idemitsu Green Power K.K. Under contract, this group company will supply a total of 2,200 kW from FY2020.

##### ● Initiating development of floating offshore wind power turbines that directly connect to oil and gas production facilities

Group company Idemitsu Snorre Oil Development Co., Ltd. has received permission from the Norwegian government for its development project to install floating offshore wind power turbines at the Snorre Oilfield, in which it owns a stake, through its local subsidiary Idemitsu Petroleum Norge AS. Aiming to start operations at the end of 2022, the company initiated construction of the floating offshore wind power equipment in October 2020. Plans call for assembling it in the Gulen municipality of western Norway, and then installing it offshore. The world's first project of its kind, this development project is aimed at establishing a large-scale offshore wind farm (the Hywind Tampen floating wind farm) approximately 200 kilometers off the coast of Bergen City, the western part of Norway, and directly feeding its output to oil and gas production facilities. The completed wind farm will consist of 11 turbines, each with a rated power output of 8,000 kW, or a combined total of 88,000 kW.

Looking ahead, our company will proactively incorporate advanced technologies to advocate for the reduction of environmental burden in the course of our resource business.

##### ■ Floating wind turbines feeding renewable energy to an offshore oil field



Idemitsu acts as a co-participant in the project in tandem with Equinor and other partners.



## Our Response to Climate Change

### Provision of Environmentally Friendly Products and Services

We provide products and services designed to help reduce CO<sub>2</sub> emissions. By doing so, we contribute to the CO<sub>2</sub> emissions reduction efforts of not only Idemitsu Group entities but those of other companies.

#### ● Cumulative solar panel shipments worldwide surpass 6GW milestone

Solar Frontier K.K. is a Group company specializing in solar panel production and sales. As of the end of FY2019, its cumulative production and shipments of panels hit a milestone of 6GW. This accomplishment is proof of solid customer trust, which Solar Frontier has earned by supplying panels that, thanks to CIS thin-film solar cell technologies, deliver superior energy yield in actual operational settings that extend to environment with high-temperature or limited sun exposure. Other factors contributing to this record include stable product quality supported by the company's fully domestic production process and robust after-sales services, including a 20-year product guarantee.

#### ● Marketing of ULTY-V plus™ coal boiler control optimization system

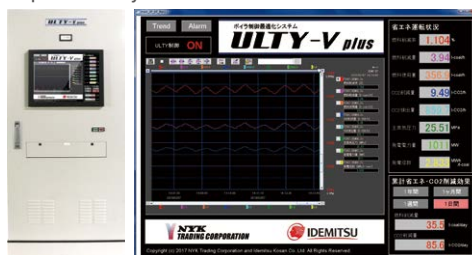
We developed the ULTY-V plus™ coal boiler control optimization system in tandem with the NYK Group. Once introduced, this system enables our customers to reduce coal consumption approximately 1%, thus helping them improve economic efficiency and reduce CO<sub>2</sub> emissions. In March 2019, we also established NYK IDEMITSU Green Solutions Co., Ltd., a fifty-fifty joint venture, in tandem with the NYK Group. The new company will work to step up solution proposals aimed at marketing the system. In FY2020, we signed a supply contract with Formosa Plastics Corporation headquartered in Taipei, Taiwan, with the aim of delivering six ULTY-V plus™ units. Although approximately 100 units are already in operation in Japan, the aforementioned contract is the first deal of its kind with an overseas customer.

#### ■ Production of Japan-made solar panels (Kunitomi Plant, Solar Frontier K.K.)



Japan's largest facilities of this kind in terms of production capacity

#### ■ Sale of ULTY-V plus™ coal boiler control optimization system



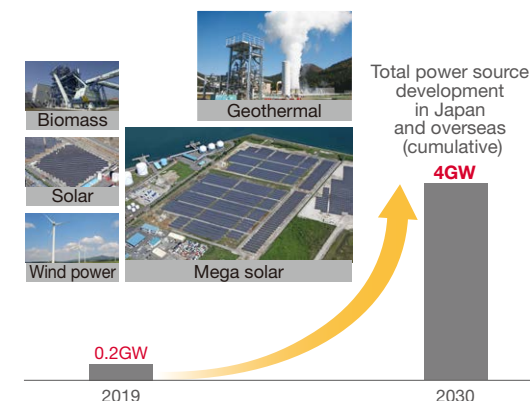
Helping to curb coal consumption through optimal operational control

We also promote the development of environmentally friendly products in growth business fields, including those listed below.

- Products compatible with EVs (high-performance lubricants and grease)
- Development of all-solid-state lithium-ion battery materials
- Next-next-generation high-performance (e.g., ultra-high-efficiency) solar panels
- Advanced greases (the utilization of cellulose nanofiber, a biodegradable and safe material derived from wood pulp for use in food processing machinery)

### Expansion of Renewable Energy Power Generation

In line with our aim to promote the supply of energy from sources with lower carbon footprints, we operate a number of renewable energy power plants at home and abroad. As of the end of October 2020, our network of plants encompassed solar, geothermal, biomass, and wind power plants in Niigata, Oita, Kanagawa, and elsewhere in Japan as well as in Vietnam. Going forward, we will significantly expand the use of renewable energy sources in Japan and overseas toward 2030 by leveraging our accumulated operational know-how.

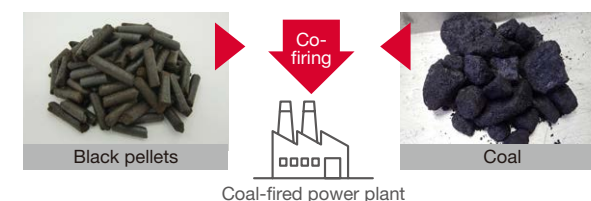


#### FY2019 Initiatives

- Completed a 49.5MW mega solar plant in Vietnam
- Decided to commercialize biomass power generation at the Tokuyama Complex
- Initiated a 100MW solar power generation project in Colorado, the United States
- Initiated a 50.5MW solar power generation project in California, the United States
- Participated in an 80.9MW solar power generation project in the Philippines
- Initiated environmental assessments in connection with a geothermal power generation project in the Oyasu district of Akita Prefecture

### Expansion of Biomass Fuel Supply

Even as we strive to promote renewable energy generation projects, we are engaged in biomass fuel-related operations as part of our efforts to supply energy from sources with lower carbon footprints. Specifically, we are developing black pellets, a biomass fuel that can be co-fired with coal at coal-fired power stations to reduce CO<sub>2</sub> emissions.



Black pellets are made by pulverizing, drying, and roasting wood to semi-carbonize it. Compared with conventional white pellets, black pellets boast superior properties, including water resistance, and are easier to crush. Along with these features, they can be handled in the same way as coal. This makes it possible to reduce coal consumption without modifying existing power generation facilities while increasing the use of renewable energy sources in the form of black pellets. Proving this point, Idemitsu's Tokuyama Complex has successfully used a feed of 20% black pellets in combustion trials at its coal boilers. In 2020, in addition to the existing demonstration plant in Thailand, we built a sample production plant in Vietnam. Going forward, we will advance preparations to commence commercial production.

Furthermore, using idle land at the Ensham Coal Mine in Australia, we have begun test cultivation of sorghum and test production of black pellets using this crop. Going forward, we plan to advance demonstration tests aimed at the commercial export of biomass fuels leveraging our mine infrastructure.





## Our Response to Climate Change

### Development and Social Implementation of Innovative Technologies

Technological innovation is indispensable to achieving the goals of the Paris Agreement, which is an international framework related to climate change. With this in mind, we will carry out demonstration testing and otherwise strive to advance such promising technologies as carbon dioxide capture and storage (CCS), carbon dioxide capture and utilization (CCU), and hydrogen energy, which is completely free of CO<sub>2</sub> emissions. Taking a proactive approach, we aim to achieve much-anticipated breakthroughs in these fields and to commercialize solutions that promote the transition to a low-carbon society.

#### ■ Participation in "Challenge Zero," Keidanren initiative

We are a participant in "Challenge Zero," an initiative sponsored by the Keidanren (Japan Business Federation) in collaboration with the Japanese government, with the aim of contributing to the realization of a decarbonized society, the long-term goal defined by the Paris Agreement—an international framework for climate change countermeasures. To this end, participants in "Challenge Zero" are acting as strong advocates of decarbonization efforts at home and abroad, as well as encouraging other businesses and organizations to take action and tackle the challenge of achieving innovation.

A dedicated website for the Keidanren Challenge Zero initiative ➡ <https://www.challenge-zero.jp/en/member/27>  
(Articles describing innovation achieved by Idemitsu are featured.)



#### ■ Cooperation in the CCS demonstration project

We have been cooperating in a CCS demonstration project run by Japan CCS Co., Ltd. The project is being executed in Tomakomai, Hokkaido Prefecture and is commissioned by the Ministry of Economy, Trade and Industry (METI) and New Energy and Industrial Technology Development Organization (NEDO). In this case, CCS refers to a technology that absorbs CO<sub>2</sub> from gaseous power plant emissions before it can be released into the atmosphere, pumping it deep underground to sequester it. Since April 2016, our role in the project has been to supply the gas containing CO<sub>2</sub> from the Hokkaido Refinery for use in the demonstration project. As of November 22, 2019, the project achieved a cumulative total of 300,000 tons of CO<sub>2</sub> sequestration, meeting the initial target. Having ceased sequestration, the project is currently in the monitoring phase to confirm whether there are any leaks or other abnormalities.

#### ■ Participation in the Working Group on the Roadmap for Carbon Recycling Technologies

We participated in the Working Group on the Roadmap for Carbon Recycling Technologies established by the METI. The Working Group was established to promote an effective and rapid development of carbon recycling technologies. The roadmap was compiled in June 2019.

#### ■ Cooperation in the Hydrogen Supply Chain Demonstration Project

We have been cooperating in the world's first international hydrogen supply chain demonstration project promoted by the Advanced Hydrogen Energy Chain Association for Technology Development (AHEAD) supported by NEDO. This project will contribute to the utilization of hydrogen, which does not emit CO<sub>2</sub> during combustion, in large-scale power generation. In this project, hydrogen is separated from liquid (methylcyclohexane), which is transported from Brunei Darussalam, by a demonstration plant newly constructed by AHEAD on the premises of Keihin Refinery of TOA Oil Co., Ltd., an Idemitsu Group company. The plant was brought on line at the Keihin Refinery in April 2020 and is supplying hydrogen for use by TOA Oil's thermal power generators as fuel and other applications. In addition to cooperating in plant construction, we are assisting this project from the aspect of demonstration testing. Specifically, we dispatch human resources and carry out other project-related tasks while assuming the role of a hydrogen consumer.

#### ■ Conceptual drawing of the dehydrogenation plant



#### ■ Participation in the "Hydrogen Utilization Study Group in Chubu"

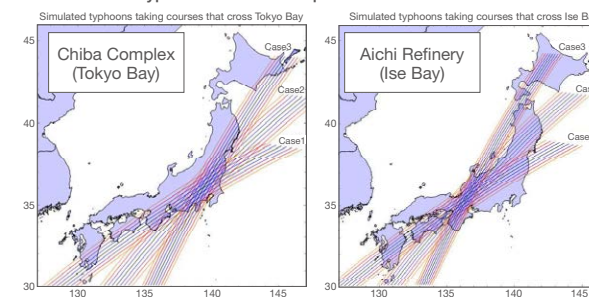
In tandem with nine other private-sector companies that are taking on the challenge of promoting hydrogen utilization, we launched a study group aimed at discussing the possibility of hydrogen utilization on an industrial scale. The study group is looking to build a hydrogen supply chain in the Chubu area to help stimulate demand growth and ensure stable utilization, to this end engaging in a feasibility study aimed at assessing such factors as the potential of hydrogen energy as well as the costs arising from its introduction.

### Concept on Climate Change Adaptation

With an increasing frequency of ever more severe natural disasters striking Japan, it is extremely important to identify possible disaster risks via the development of diverse scenarios. We assume earthquakes, flooding, high tides and other emergencies so that we can minimize damage to our refineries and complexes and ensure that operations at these facilities can be promptly restored. To strengthen our ability to ensure safety, we will therefore direct capital expenditure to upgrade facilities, while enhancing operational procedures and human resource capabilities, to mitigate damage even in the event of a disaster with unprecedented severity. By doing so, we will continue to fulfill our mission as an energy supplier.

In recent years, a growing number of typhoons have passed through a large part of the Japanese archipelago while remaining at full strength. This phenomenon is believed to be due in part to climate change. As these typhoons often induce high tides, our refineries and complexes located in coastal areas are facing a growing risk of flooding. In response, we have conducted risk analysis associated with the impact of flooding due to high tides based on the simulation of typhoons of the largest-possible scale taking courses that directly cross these facilities' sites. Based on the results of this analysis, we are considering the reinforcement of facility structures via, for example, the installation of flood walls to safeguard seawater pump rooms in addition to the enhancement of disaster response manuals and other procedures designed to provide our staff with guidance on how to mitigate disaster damage.

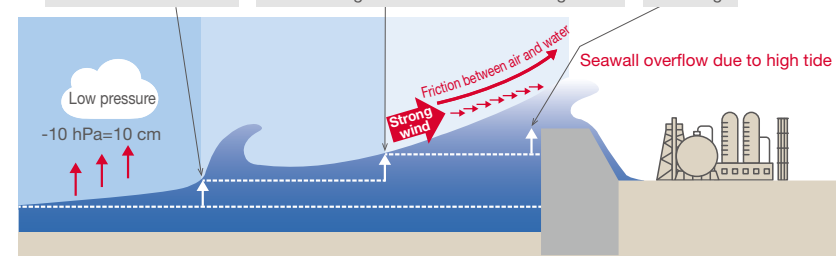
#### ■ The course of typhoons assumed to provide a basis for the estimation of damage on refineries



#### ■ Illustration of damage from high tides

A surge in water level

$$= \text{inverse barometer effect} + \text{rise in average sea level due to breaking waves} + \text{wind surge}$$





## Column The Idemitsu Group's Technologies Underpinning Innovation

### Initiatives for Material Issues

In its Medium-term Management Plan, Idemitsu has outlined expansion of growth businesses, creation of next-generation businesses, and harmony with the global environment and society as priority topics. To promote the creation of new business in particular, we established the Next Generation Business Department, which promotes business development that addresses social issues and meets customer needs, in November 2019; the Digital Innovation Department, which promotes the use of digital technologies, in January 2020; and the Innovation Strategy Planning Department, which promotes technology-driven business development, in April 2020. We have crafted strategies that consolidate company-wide technologies and actively draw on external technologies with the aim of quickly achieving the creation of new businesses with an eye toward changes in society, diversifying customer needs, and decreasing environmental burden.

Technological innovation is indispensable to achieving the goals of the Paris Agreement, which is an international framework related to climate change. The Idemitsu Group is using the technological development capabilities it has developed over many years of operations to continue generating innovation that will help solve various social issues, including climate change.

### R&D Structure

Our R&D system is composed of Advanced Technology Research Laboratories, which responsible for corporate R&D, and research laboratories in each department. Each of them carries out specialized development. In addition, we established the Research & Development Committee as a company-wide organization to not only examine the direction of research and development, strategies, and issues throughout the organization, but also to deepen cooperation among laboratories and to strengthen technological capabilities.

■ Functional materials segment ■ Power and renewable energy segment ■ Resources segment

Research field	Name of laboratory		Japan	Overseas	Outline of Initiatives
Corporate R&D	Advanced Technology Research Laboratories	Environment & Energy Research Laboratory	●		Development of technologies to reduce GHGs and recycle resources (biofuels, bio-chemicals, and CO <sub>2</sub> recycling) and bio-materials
		Frontier Materials Development Laboratory	●		Development of advanced functional materials
		Advanced Battery Materials Research Laboratory	●		Development of advanced battery materials related to all-solid-state lithium ion battery and lithium recovery technology
		Thin Film Device Laboratory	●		Development of high-performance inorganic thin-film semiconductors and devices
		Analytical Technology Center	●		Providing advanced analysis and solutions to a wide range of fields throughout the Group
		Idemitsu Kosan Collaborative Research Cluster for Advanced Materials	●		Creating next-generation materials, enhancement and expansion of technologies
Production engineering	Technology & Engineering Center		●		Technology development in the area of engineering design, construction, operation, quality control & assurance, and asset integrity & reliability Technology-driven contribution to existing and new businesses
Lubricants	Lubricants Research Laboratory		●		Research and development of lubricants and tribology (lubrication technology)
	Idemitsu Lubricants America Corporation R&D Center			●	Local-based research and development of lubricants
	Idemitsu Lube (China) Co., Ltd. Research & Development Center			●	Global development of lubricants products and technologies with the Lubricants Research Laboratory (Japan) as the mother research center
	Idemitsu Lube Asia Pacific Pte. Ltd. R&D Center			●	Rapid product development and provision of technical services to meet local needs overseas
	NIPPON GREASE Co., Ltd. Technical Research Laboratory		●		Research and development of grease, rust prevention oil, cutting oil, etc.
Advanced materials & performance chemicals	Performance Materials Laboratories		●		Development of advanced materials through high-value-added petrochemical raw materials Research and development of special polycarbonate resins and functional coatings
	Idemitsu Unitech Co., Ltd. R&D Center for Plastic Products		●		Research and development of molded plastic products
	LION IDEMITSU COMPOSITES CO., LTD. Composite Materials Research Laboratory		●		Design, development, and analysis of customer grades of composite materials that meet customer needs
Electronic materials	Electronic Materials Development Center		●		Research and development of OLED materials
	Idemitsu OLED Materials Europe AG			●	
	Inorganic Electronic Materials Development Group		●		Research and development of oxide semiconductor materials
Bitumen	Technology Section		●		Basic and applied research on asphalt and its applications Development of high performance asphalt
Agri-bio	Agri-Bio Technology Section		●		Development of active ingredients for pesticides and feed additives derived from microorganisms and natural products
	SDS Biotech K.K. Tsukuba Research & Technology Center		●		Development of safe and useful products for the protection of livestock and plants and prevention of diseases
Lithium-ion battery materials	Battery Material Development Center		●		Development of sulfide-based solid electrolytes for practical application in all-solid-state lithium ion batteries
Photovoltaic power generation	Advanced Product Development Section		●		Research and development aimed at enhancing the performance and reducing the cost of existing CIS solar cell products as well as developing next-generation products
	Solar Frontier K.K. Kunitomi Plant		●		Research and development aimed at commercializing the recycling of solar panels, including silicon-based panels
Coal and the environment	Coal & Environment Research Laboratory		●		The only private research institute specializing in coal Provision of technology services that anticipate needs and development of clean coal technologies to meet the needs of a low-carbon society

ColumnThe Idemitsu Group's Technologies Underpinning Innovation

R&D Investment Record

We conduct R&D related to petroleum, functional materials, and resources as well as new business creation. Under our R&D system, our departments pursue R&D activities in close mutual cooperation.

FY2019 R&D Investment Record		(Millions of yen)
R&D expenses		19,436
R&D expenses by Business Segment	Petroleum	2,356
	Basic Chemicals	0
	Functional Materials	12,166
	Power and Renewable Energy	538
	Resources	232
	Others	4,142

Promotion of Open Innovation

To strengthen and expand the functional materials business and create next-generation businesses, we promote open innovation that actively leverages external knowledge.

1. We participate in funds that are run by material-oriented venture capital and strive to discover technology seeds owned by ventures and startups in Japan and overseas.
2. In April 2020, we established the new Innovation Strategy Planning Department with the mission of consolidating company-wide technologies and accelerating and promoting external cooperation. Within the department, we established the Open Innovation Promotion Group.
3. In April 2020, we opened the "Idemitsu Kosan Collaborative Research Cluster for Advanced Materials" at the Tokyo Institute of Technology. This research center is working to create next-generation materials and develop human resources by promoting large-scale comprehensive collaborative research centered on polymer and composite materials.

External Evaluation of Idemitsu Group's Technologies

Our technologies are highly appreciated by the international community. As an example, Idemitsu and Showa Shell have been ranked 1st and 3rd respectively in the world among the industry subgroups\* for three consecutive years since 2017 in the "Opportunities in Clean Tech," which is one of the items evaluated by MSCI, an ESG evaluation organization. (See the table below.)

We will continue to make the most of its advanced R&D capabilities to contribute to the solution of global issues through collaboration with others.

\* Within GICS (Global Industry Classification Standard), the Idemitsu Group belongs to the Oil & Gas Refining and Marketing industry subgroup.

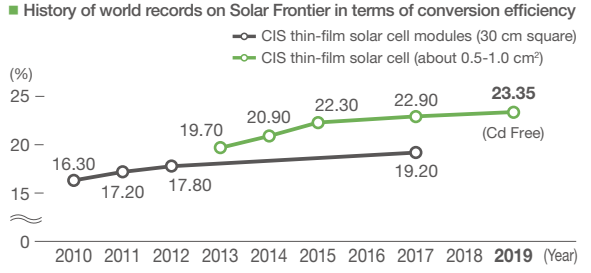
Ranking of companies in the sector of MSCI's "Opportunities in Clean Tech"			
Ranking	2019	2018	2017
1	Idemitsu Kosan	Idemitsu Kosan	Idemitsu Kosan
2	Company A	Company A	Company A
3	Showa Shell	Showa Shell	Showa Shell
4	Company B	Company B	Company D
5	Company C	Company C	Company B

Examples of the Initiatives

■ Development of CIS solar cell technology

At the Atsugi Research Center of Solar Frontier K.K., we are engaged in leading-edge research and development related to CIS solar cells, aiming to improve energy conversion efficiency at both the research and commercial production levels, while striving to develop new applications and create advanced next-generation products with the potential to cultivate new markets.

In January 2019, a joint-research project with the New Energy and Industrial Technology Development Organization (NEDO) led to the achievement of a world record energy conversion efficiency of 23.35% for a single cell (about 1 cm<sup>2</sup>) of the cadmium-free CIS solar cell (Cd-Free CIS solar cell). This record is approximately 0.4 percentage points higher than the previous record of 22.9% (achieved by our company in November 2017) for cadmium-containing CIS solar cells, and represents the highest conversion efficiency in the world for all CIS solar cells. By applying basic technologies, we are working to lower costs by increasing the output of panels and to deliver environmentally friendly and economical products to customers.



■ Developing innovative technologies solar power a major energy source

In August 2020, two of our project proposals were taken up by the NEDO as joint-research projects under its programs titled "Technological Development for Promoting Solar Power Generation and Making It a Major Power Source" and "Technological Development for Creating New Markets for Solar Power Generation." The themes of these projects, respectively, are the "Development of ultra-light-weight film modules (for installation on rooftops with limitations on loading weight)" and the "Research and development of solar cells for vehicles." The terms of both span the five-year period from FY2020 to FY2024. Through the two projects, we will further promote the development of new technologies to broaden the range of terrains in which solar panels can be installed.

In addition, these projects will pursue their respective themes via the application of CIS solar cells (solar cells made using a compound of copper, indium and selenium) manufactured and marketed by Solar Frontier K.K., a wholly owned subsidiary of our company.

■ Creation of next-generation materials via industry-academia collaboration

On April 1, 2020, our company and the Tokyo Institute of Technology (Tokyo Tech) co-founded Idemitsu Kosan Collaborative Research Cluster for Advanced Materials on the premises of Tokyo Tech's Suzukakedai campus. Since the beginning of the 2000s, our company and Tokyo Tech have been engaged in joint research in polymer materials and other fields encompassing a range of technologies and have achieved outstanding results, including the development of new fiber and film materials. The newly established research base is expected to promote large-scale and comprehensive R&D that involves ongoing interorganizational collaboration and transcends the traditional framework of joint research for individual projects. In this way, we will help develop next-generation materials while nurturing human resources.

While our company boasts strengths in functional materials (lubricants, advanced materials & performance chemicals, electronic materials, agri-bio, and others) and a track record in marketing them in wide-ranging fields, Tokyo Tech possesses a breadth of sophisticated academic expertise with regard to substances and materials and is equipped with leading-edge scientific and engineering technologies. Bringing together these resources, our company and Tokyo Tech will take on the ongoing challenge of creating new value.

■ Utilization of collagen and mucin derived from jellyfish

Although the jellyfish displayed at aquariums are popular among onlookers due to their beautiful and mysterious outward appearance, their swarms sometimes negatively impact commercial fishing and other business activities undertaken in coastal areas. Moreover, disposing of jellyfish caught in nets results in significant costs. Because of this, there is a growing call to find ways to use jellyfish as a resource. Jellyfish Research Laboratories, Inc. (Kanagawa Prefecture), an our group company, has invented a technology to utilize useful ingredients extracted from jellyfish. Collagen derived from jellyfish has been confirmed to be effective in promoting the regeneration of epidermis which is considered to be difficult to regenerate, and is expected to be used in the fields of regenerative medicine and beauty treatment. Mucin derived from jellyfish is also expected to have potential as a treatment for knee osteoarthritis.

Taking advantage of the features of jellyfish, we will blaze a new trail in the life science field and help people around the world enhance their quality of life. In addition, the initiatives discussed above were covered by Circular Yokohama, an online media outlet focused on drawing public attention to local businesses engaged in innovative endeavors aimed at realizing a circular economy.



## Our Response to the TCFD Recommendations

### Becoming a TCFD Signatory by Declaring Our Support for Its Guidelines

On February 14, 2020, we declared support for recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD) and became a TCFD signatory.



### Idemitsu's Approach to the Disclosure of Climate Change-Related Information

We disclose information in accordance with TCFD recommendations. Using our robust information disclosure framework, we will proactively disclose information to stakeholders, accurately identifying risks and opportunities arising from climate change in connection with our business.

Area	TCFD recommendations	Idemitsu's disclosure	Page for disclosure
Governance	1. Describe the Board's oversight of climate-related risks and opportunities	• Governance system for climate change	▶P.12, 16,64
	2. Describe management's role in assessing and managing climate-related risks and opportunities	• Governance system for climate change	▶P.16
Strategy	1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	• Identification of risks and opportunities • Responding to risks and opportunities	▶P.19
	2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	• Identification of risks and opportunities • Responding to risks and opportunities	▶P.19
	3. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	• Scenario Analysis • Business portfolio reform	▶P.9,19
Risk management	1. Describe the organization's processes for identifying and assessing climate-related risks	• Climate change risk assessment process (Evaluation by each business site and the Safety & Environmental Protection Headquarters)	▶P.16, 17,19
	2. Describe the organization's processes for managing climate-related risks	• Climate change risk assessment process (Report to the Management Committee and evaluation)	▶P.16, 17,19
	3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	• Climate change risk assessment process	▶P.16, 17,19
Metrics and Targets	1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	• GHG emission reduction target, absolute amount and per unit of production	▶P.21
	2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG (greenhouse gas) emissions and the related risks	• GHG emission reduction target, absolute amount and per unit of production • Identification of risks and opportunities	▶P.19,21
	3. Describe the targets used by the organization to manage climate-related risks and opportunities, as well as disclose performance against targets	• GHG emission reduction target, absolute amount and per unit of production • GHG emission reduction results	▶P.21

## Response to Circular Economy

### The Circular Economy Concept

Idemitsu Group recognizes that the goal of realizing a circular economy is to transform the conventional mass production, mass consumption and mass disposal society into a society that minimizes the consumption of natural resources and reduces the burden on the environment as much as possible. In recognition of this, the Idemitsu Group is promoting a variety of initiatives to ensure that renewable resources are consumed at a sustainable rate, which does not overtax their rate of renewal, and that nonrenewable resources are consumed in the most effective manner. Simultaneously, we are working to reduce consumption of non-renewable resources over time by shifting to renewable alternatives.

### Examples of Initiatives

We are actively engaged in activities on how to realize a sustainable circular business while ensuring the sustained and efficient use of renewable resources and their incorporation into our business supply chain. To this end, we are taking an across-the-board approach to fully utilize the diverse technologies possessed by each department and meet this challenge.

Specifically, we are engaged in plastic recycling, solar panel recycling, and, from a long-term perspective, carbon recycling, which treats CO<sub>2</sub> as a resource.

#### Plastic Recycling

We are working on the practical application of chemical recycling, in which collected plastics are decomposed and returned to chemical raw materials by using the cracking units for petroleum refining.



We are also aware of the need to tackle the problem of marine plastic waste by rallying every company in the supply chain. We have joined two industry associations and started sharing and exploring information. We are also working to raise awareness of the problem of marine plastics within the Company.

#### ■ Japan Initiative for Marine Environment (JaIME)

Established by five Japanese chemical-related associations (Japan Chemical Industry Association, The Japan Plastics Industry Federation, Plastic Waste Management Institute, Japan Petrochemical Industry Association, and Vinyl Environmental Council).

#### ■ Clean Ocean Material Alliance (CLOMA)

Consisting of 361 business corporations and organizations from plastic supply chains (as of August 27, 2020)





## Response to Circular Economy

### Solar Panel Recycling

In August 2020, a project proposed by Solar Frontier K.K., was adopted by the New Energy and Industrial Technology Development Organization (NEDO) as a joint-research project to be supported by the programs “Technological Development for Promoting Solar Power Generation and Making It a Major Power Source” and “Technological Development for Achieving Long-Term Stable Energy Source based on Solar Power Generation.” The aim of this project is to demonstrate a technology for the material recycling of waste crystalline silicon and CIS solar cell modules in a way that generates lower environmental burden.

The volume of solar cell modules that must be disposed of is expected to grow radically from the 2030s onward. According to NEDO, the estimated annual volume of disposed modules will peak at some point in the 2035–2037 period, reaching somewhere between 170,000 and 280,000 tons. Anticipating these circumstances, Solar Frontier has recognized the importance of establishing a technology that enables a low-cost and eco-friendly process for recycling solar cells as part of efforts to popularize solar power generation without increasing environmental impact. Therefore, since 2010 the company has been engaged in the ongoing development of technology for recycling CIS thin-film solar cells.

In FY2019, Solar Frontier took on the development of element technology supporting the material recycling of laminated glass-type solar cells through a joint-research project with NEDO. Building on low-cost decomposition technology established by prior R&D and technological demonstration activities, the project confirmed the ratio of material recycling can potentially be increased to approximately 90%.

Through engagement in the latest joint-research project, we aim to further advance this technology with the aim of reducing recycling costs and enhancing the eco-friendliness of the process involved.

Specifically, over the four years from FY2020 to FY2023, we will take on the development of a recycling technology for crystalline silicon-based solar cells in addition to the development of similar technology for CIS thin-film solar cells. In the course of this endeavor, we will also aim to contain the cost of separation processing at 3 yen/W or lower for both types of cells. Moreover, we will develop applications for separated materials in line with our target of achieving a material recycling ratio of 90% or more. To this end, we intend to build a continuously operating demonstration plant for processing commercial-size solar cell modules at the Kunitomi Plant (Kunitomi-cho, Miyazaki Prefecture), a production base run by Solar Frontier. We will thereby strive to demonstrate the targeted recycling technology by the end of the project period.

■ CIS thin-film solar cell modules processed by a panel separator



■ Comparison of cover glass processed by a panel separator and the cover glass of a new solar panel (Transparency of processed cover glass is comparable to that of new cover glass)

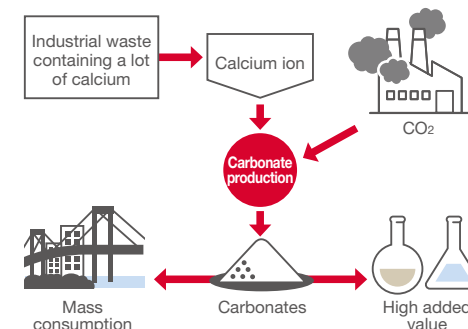


### Carbon Recycling

Treating CO<sub>2</sub> as a resource, we promote carbon recycling by producing various carbon compounds from CO<sub>2</sub> and reusing them for such applications as producing chemicals, fuel, and minerals. We are a member of the Working Group on the Roadmap for Carbon Recycling Technologies organized by the Japanese government, and is engaged in R&D on carbonate production and other technologies aimed at enabling the reuse of CO<sub>2</sub> as a resource.

#### ● Carbonate Production

In tandem with Ube Industries, Ltd., JGC Corporation, JGC Japan Corporation and several universities, our company co-founded “CCSU (Carbon dioxide Capture and Storage with Utilization) Study Group” in 2019. This study group aims to promote an industry-academia collaboration to develop new technologies that convert CO<sub>2</sub> emitted from thermal power plants and factories into resources by utilizing industrial waste with high calcium content. With the Japanese government promoting the development of technologies for CO<sub>2</sub> recovery and other measures to combat global warming, we are working on technological development aimed at establishing methods for utilizing industrial waste containing high levels of calcium and other substances that react with CO<sub>2</sub> to produce carbonates. By doing so, we strive to make CO<sub>2</sub> a value-added material.



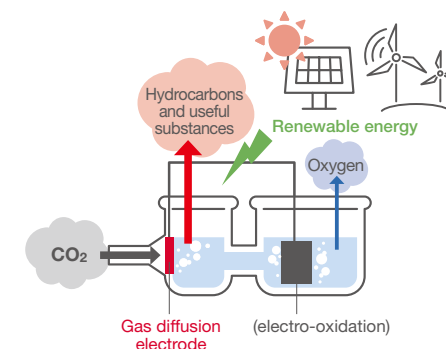
In July 2020, a project deriving from the study group was adopted by NEDO as a commissioned R&D project spanning five years from FY2020 through FY2024. Focused on the R&D of an accelerated carbonate production process employing calcium contained in industrial waste, including waste concrete, this project will take on the development of technologies for extracting raw material calcium from such waste and reacting it with CO<sub>2</sub> contained in exhaust gas from industrial facilities in order to fix the carbon with the aim of commercializing and popularizing this process. Moreover, looking to assess the CO<sub>2</sub> reduction effect of the accelerated carbonate production technology, we will test and evaluate it with the aim of improving the efficiency of calcium extraction and carbonate production as we strive to optimize the entire process and establish the technology.

Through our involvement in this commissioned project, we will play our part in industry-academia-government collaboration to develop new carbon fixation technologies that utilize CO<sub>2</sub> emitted from power generation and manufacturing facilities. We will also step up our initiatives in fields ranging from raw material procurement to application development to achieve the social implementation of these technologies.

#### ● Our Unique Technologies for Reusing CO<sub>2</sub> as Resources

We have succeeded in the direct synthesis of methane and other hydrocarbons from water and CO<sub>2</sub> using a gas diffusion electrode loaded with our original catalysts. Most competing processes for synthesis begin by dissolving CO<sub>2</sub> in water to generate a reaction. Our unique process avoids this step by employing a gas diffusion electrode to stimulate a direct reaction with CO<sub>2</sub> gas. We are currently striving to improve the properties of our electrode catalysts, such as their reaction performance, cost-effectiveness, and durability, as we work to develop a process capable of treating greater volumes of CO<sub>2</sub>.

Looking ahead, we will promote research into this technology with the goal of establishing a highly efficient process that is powered by renewable energy and produces hydrocarbons, alcohol, and other useful substances from CO<sub>2</sub> by 2030. In these ways, we will promote the reuse of CO<sub>2</sub> and contribute to a sustainable society.







## Initiatives to Reduce Industrial Waste Disposal

### Concept of Waste Reduction

The Idemitsu Group works to curb environmental impact by reducing the volume of industrial waste generation and by promoting the reuse of raw materials and the utilization of recycled raw materials from the perspective of the effective use of resources.

Among the major types of waste generated by our businesses are waste catalysts from refinery processes, sludge from tank cleaning, and sludge from wastewater treatment facilities. We constantly strive to reduce the volume of waste and render it harmless through such intermediate treatments as incineration, dehydration, and dissolution, and we promote the reuse of treated waste such as using it as raw material for cement. By doing so, we are maintaining our “zero emissions” status, that is, keeping the ratio of waste we dispose of by landfill at 1% or less.

### Reduction Targets

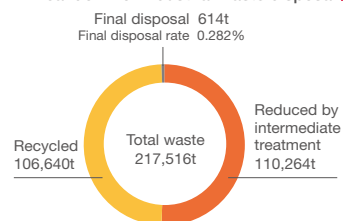
Currently, Japan's petroleum and chemical industries are pursuing their respective voluntary reduction targets\* for the final disposal volume of industrial waste in line with Nippon Keidanren's Voluntary Action Plan for Establishing a Sound Material-Cycle Society. Based on these targets, our company has defined its own target for waste, namely, keeping the ratio disposed of by landfill at 1% or less of the overall volume of waste emitted from our refineries and petrochemical plants.

\* Voluntary reduction targets for the final disposal volume of industrial waste

The petroleum industry (Petroleum Association of Japan): Maintain “zero emission” status by keeping the ratio of waste disposed of by landfill at 1% or less in FY2020 (the ratio was 5.8% in FY2000)

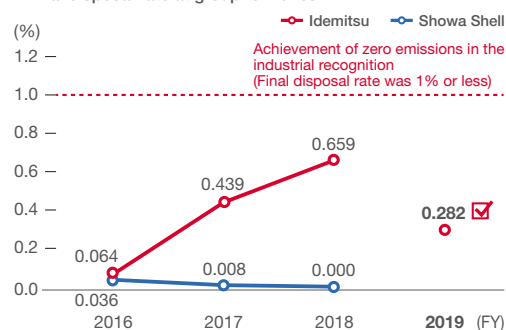
The chemical industry (Japan Chemical Industry Association): Reduce the volume of waste disposed of by landfill approximately 70% in FY2020 from the FY2000 level

#### Breakdown of industrial waste disposal



Scope of calculation: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, TOA Oil Co., Ltd. and Showa Yokkaichi Sekiyu Co., Ltd.

#### Final disposal rate at group refineries



Scope of FY2019 calculation: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, TOA Oil Co., Ltd. and Showa Yokkaichi Sekiyu Co., Ltd.

## Water Management

### Concept of Utilization of Water Resources

Today, the problems arising from the lack of water resources have become serious and are affecting large parts of the globe. It is said that more than two billion people are unable to obtain safe drinking water. Japan has abundant water resources, and so it is rare to face a severe water shortage problem. However, there are many countries and regions overseas where water resources are depleted. The Idemitsu Group is committed to the efficient use of water resources, as we operate business in areas with high water stress.

In addition to conventional water risk assessments, we have begun to identify and review risks of droughts and flood at some of our complexes, with reference to AQUEDUCT issued by the World Resources Institute (WRI) and information provided by the Ministry of Land, Infrastructure and Transport. In Japan, the risk of flooding is high, and damage is expected to increase due to climate change in the future. Therefore, we are working to strengthen related infrastructure facilities. (See also “Concept of Climate Change Adaptation” on page 24.)

### Examples of Initiatives

#### Strengthening of Water Recycling at Refineries and Complexes

Our refineries and complexes, which use a large amount of water, are working on reducing their water consumption.

A certain amount of water (seawater and fresh water) is required to cool the process fluid during the oil refining process at refineries. Fresh water becomes hot after used for cooling is circulated in an air-cooled condenser to lower its temperature, and is used again as cooling water for the process fluid to reduce the impact on the natural environment. As a water user, we will make further efforts to recycle water resources.

#### Recycling of industrial water

	Unit	FY2019
Industrial water intake	thousand t	81,740
Water recycling rate	%	94

Scope of calculation: Idemitsu Kosan and consolidated subsidiaries

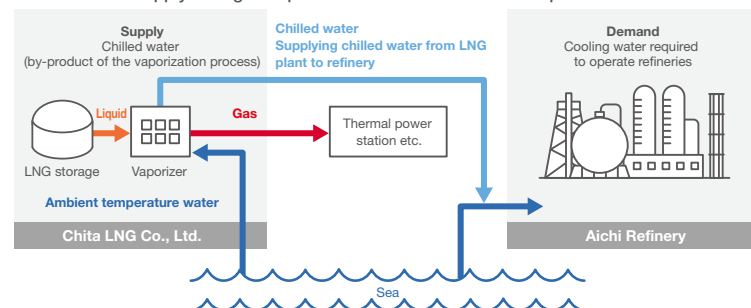


## Water Management

### Reduction of Water Consumption through Collaboration with Other Companies

At Aichi Refinery, we are working to reduce water consumption by sharing cold water with other companies through cooperation within the industrial complex. This is an initiative supported by the Research Association of Refinery Integration for Group-Operation (RING). By effectively using the chilled water discharged from the LNG vaporizer of Chita LNG Co., Ltd., which is adjacent to the complex, as process cooling water, we are contributing to the overall reduction of water intake in the Chita area.

#### ■ Chilled water supply through cooperation within the industrial complex



## Conservation of Biodiversity

### Concept of Conservation of Biodiversity

A tremendous variety of organisms live on Earth. They intertwine in highly complex ways to form ecosystems that are often resilient enough to absorb the impact of various external changes and thus returning to their original state. We are aware of our important mission to pass down sound ecosystems to future generations and thus maintain an environment in which diverse living organisms can thrive in the course of our corporate activities.

### The History of Our Biodiversity Initiatives

Even before the recent rise in public interest elevated the conservation of biodiversity, we have long taken it to heart, adopting a management approach that aims to harmonize concerns about the natural environment and business operations.

In the course of constructing refineries and complexes, for example, we have ensured that the green areas within their premises exceed legal requirements. We began building and operating these refineries and complexes, which represent our main business sites, across Japan in the 1950s when the government introduced regulations mandating that businesses secure greenery within newly constructed manufacturing facilities. In response, we have consistently sought to do more than simply meet our legal obligations for square meters of greenery. We have also striven to harmonize our new facilities with their surrounding natural environments. Our approach has resulted in green areas far more extensive than the legal requirement. Initiatives like these are highly evaluated by external organizations. Hokkaido Refinery and Aichi Refinery have received the highest grade of 5 (Superlative Stage) in the “Social and Environmental Green Evaluation System (SEGES)” organized by the Organization for Landscape and Urban Green Infrastructure.



Source: SEGES website (Japanese only) <https://seges.jp/>

#### ■ Hokkaido Refinery's green belt



#### ■ Aichi Refinery's green belt





## Conservation of Biodiversity

### Our Recognition of the Importance of Biodiversity

In line with our Environmental Protection Policy (P. 16), which enshrines the importance of biodiversity, each relevant department is engaged in initiatives to conserve biodiversity.

In addition, the latest Global Risk Report (2020) issued by the World Economic Forum suggests that the threat to biodiversity constitutes a major environmental risk second only to climate change risk, while a special report compiled by the Intergovernmental Panel on Climate Change (IPCC) argues that biodiversity conservation and climate change response must go hand in hand and are not independent of each other. Accordingly, we consider biodiversity conservation initiatives to be of greater importance than ever before.

### Methods for Developing a Framework for Initiatives

As discussed earlier, we have long been engaged in biodiversity conservation. Currently, we are striving to integrate our conventional initiatives with biodiversity conservation measures required under the recent global standards. In this way, we are striving to move forward in this field while ensuring no issues are left unaddressed.

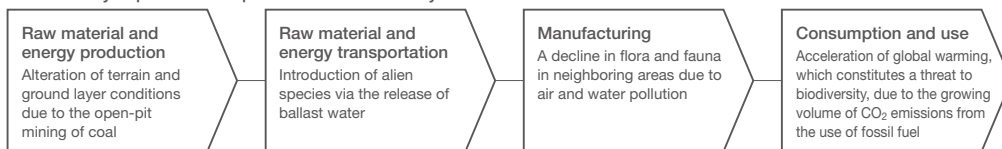
Specifically, we have organized our biodiversity conservation initiatives using the following methods.

- (1) Accurate assessment of our business value chains regarding their impact on biodiversity
- (2) Assessment of the proximity of our main business sites to specific regions requiring protection from the perspective of diversity conservation
- (3) Prioritization of our initiatives in light of results of the above assessments (1) and (2) with an eye to achieving the following objectives
  - Minimizing the negative impact of our operations
  - Exerting a positive impact through our operations
  - Collaborating with local communities

### The Impact of Our Operations

The primary areas in which our business value chains affect biodiversity are presented in the following diagram. Also, referring to the Protected Planet, a website managed by the United Nations Environment Programme World Conservation Monitoring Centre (UNEP-WCMC), we have confirmed the proximity of our main business sites to regions requiring particular attention in terms of biodiversity conservation.

#### ■ Noteworthy Impact of Our Operations on Biodiversity



### Examples of Initiatives

#### Minimizing the negative impact of our operations

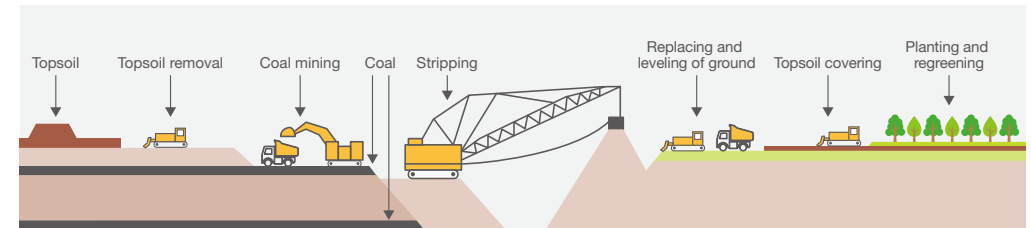
The exhaust gas, wastewater and industrial waste emitted from business operations can exert a significant negative impact on biota and ecosystems as a whole. We are minimizing such an impact by strictly adhering to emission-related regulations enforced in each country and region in which we operate to counter the negative effect of our industrial activities.

#### Exerting a positive impact through our operations

The open-pit mining of coal involves the excavation of surface soil to extract coal from underground reserves. This inevitably exerts a negative impact on biodiversity. However, we are ensuring that the impact of mining on the environment is as minimal as possible via mining site rehabilitation. Specifically, once mining is completed at a site, we ensure that the site is refilled and the native plant species are reinstated to again thrive, with the aim of restoring the site's biodiversity. In addition, we are engaged in these endeavors in line with the concept on Land Use Change presented below.

We have disclosed data on our coal mines in Australia, including areas that have been subject to drilling and rehabilitation. We will continue these and other efforts in the course of mining operations.

#### ■ Rehabilitation of the mining site



(Prepared by Idemitsu in reference with materials issued by the Japan Coal Energy Center)

#### ■ Concept of Land Use Change

Along with air and water, soil is an essential element when considering the global environment. In recent years, along with world population growth, areas that used to be green belts have been developed and converted to agricultural land at an accelerated rate. The United Nations has pointed out the importance of initiatives related to Land Use, Land-Use Change and Forestry (LULUCF). Land-use changes can result in the loss of CO<sub>2</sub> sinks and have serious adverse effects from the perspective of climate change. In addition, nutrient-rich topsoil, which had been protected from wind and rain by forests, has been lost due to deforestation, leading to desertification.

The Idemitsu Group is actively engaged in projects to minimize the environmental impact of changes in land use.



## Conservation of Biodiversity

Status of Rehabilitation at Coal Mining Sites in Australia

(Unit: ha)

Category	2017 results	2018 results	2019 results	2020 forecast
A. Mining sites	1337.8	1300.5	1433.9	1499.4
B. Unrehabilitated sites	1179.1	1062.3	1338.6	1196.5
C. Completed preparation for rehabilitation	N/A	N/A	N/A	N/A
D. Sites currently undergoing rehabilitation	158.7	238.2	263.7	302.9
E. Rehabilitated sites	None	None	None	None

■ A site that was rehabilitated in 2018  
(one year after rehabilitation)



■ A site that was rehabilitated in 2010  
(nine years after rehabilitation)



■ A site that was rehabilitated in 2008  
(11 years after rehabilitation)



## Collaboration with Local Communities

When it comes to biodiversity conservation, we believe that our company's efforts alone are not enough. We are acutely aware of the importance of collaboration with representatives from local communities in our efforts to ensure harmonious coexistence with the natural environments of the regions where we operate. Accordingly, we are engaged in various types of collaborative initiatives that take a community-rooted approach.

■ Idemitsu Appenai Watershed Forest, Hokkaido



■ Participants in the Teruha no Mori Ongaeshi Project aimed at giving back to the forest environment in Aya Town, Miyazaki Prefecture



## Providing Students with Opportunities for Environmental Education

General public access to our production facilities is such as refineries and complexes is strictly restricted because there handle hazardous materials in the sites. This has allowed the green spaces in the facilities to flourish, becoming rich in biodiversity, providing sanctuaries for birds and other small animals, and, in some spots, developing into ideal habitats. The Hokkaido Refinery, the Chiba Complex, and the Aichi Refinery use these green spaces and natural parks to provide opportunities for environmental education to children and students of local elementary schools.

■ Bird watching (Hokkaido Refinery)



■ Nature observation (Aichi Refinery)



## Conservation of Rare Species

Every time we install new equipment at our refineries and complexes, we conduct an environmental assessment to shelter any endangered plants species that have been identified through ecosystem surveys. Currently, at the Aichi Refinery we are working to conserve *Salvia plebeia*, a plant species designated quasi-endangered by the Ministry of the Environment. As this species was discovered on the grounds when new facility construction was undertaken, we have set aside conservation areas within the refinery's premises.





## Management of Chemical Substances and Reduction of Hazardous Substances

### Concept of Management of Chemical Substances and Reduction of Hazardous Substances

The Idemitsu Group, which manufactures and supplies petrochemical raw materials and products, has established the “General Principles of Quality Assurance” and strives to ensure the safety of production line workers and consumers by conducting prior risk assessments of chemical substances, reducing and eliminating hazardous substances from production processes and products, and providing information on the chemical substances its products contain. In order to minimize not only the impact on human health but also the negative impact on the ecosystem and the environment, we comply with domestic and overseas chemical substance-related regulations, which have grown ever stricter.

### Initiatives for the Proper Management of Chemical Substances and Reduction of Hazardous Substances

#### Management of PRTR-Designated Substances

Crude oil, petroleum products and petrochemical raw materials contain benzene, toluene, xylene, normal hexane and some other highly volatile substances regulated by the PRTR Law.\*1 These substances partially evaporate into the atmosphere as VOCs\*2 whenever oil is transferred into or out of storage tanks, as well as when it is loaded onto tanker trucks and ships. To minimize such VOC emissions, the Idemitsu Group stores these chemicals in floating roof tanks that reduce evaporation, and carries out measures aimed at ensuring VOC recovery during transport. Chemical substances transferred to locations outside industrial complexes are disposed of in compliance with the Waste Disposal and Public Cleansing Law.

\*1 PRTR: Pollutant Release and Transfer Register

\*2 VOC: Volatile Organic Compounds

#### Controlling PCBs

In accordance with the Law concerning Special Measures for Promotion of Proper Treatment of PCB Wastes, at our refineries and complexes, we appropriately store and manage oil containing polychlorinated biphenyls (PCBs) as well as transformers and other equipment that contain these substances. Under the same law and the national Basic Plan for PCB Waste Treatment, final deadlines have been set for the completion of the treatment of all PCB waste and, accordingly, we are steadily carrying out the processing of such waste.

#### Managing Fluorocarbons

In accordance with the Act for Rational Use and Proper Management of Fluorocarbons, which came into effect on April 1, 2020, we have been implementing steps to prevent the leakage of fluorocarbons. We are also considering timing the replacement of large process equipment that uses HCFCs, which have strong ozone depleting effects, to coincide with periodic shutdown maintenance at our refineries and plants.

#### Discharge and Transfer of PRTR-Designated Substances

CAS No.	Substance name	Unit	Total/Discharged amount – Emissions to atmosphere (standard emission intensity)	Total/Discharged amount – Emissions to public water bodies (standard emission intensity)	Total/Discharged amount – Emissions to soil (standard emission intensity)	Total/Transferred amount – Disposed amount (standard emission intensity)	Total
0	Methanol	t	0.0	0.0	0.0	0.1	0.1
1	Water-soluble compounds of zinc	t	0.0	0.4	0.0	0.0	0.4
13	Acetonitrile	t	0.0	0.0	0.0	0.9	0.9
20	2-aminoethanol	t	0.0	0.0	0.0	45.6	45.6
33	Asbestos	t	0.0	0.0	0.0	31.7	31.7
53	Ethylbenzene	t	8.3	0.0	0.0	3.6	12.0
80	Xylene (also known as dimethyl benzene)	t	24.8	0.0	0.0	2.5	27.3
104	Chlorodifluoromethane (also known as HCFC-22)	t	0.5	0.0	0.0	0.0	0.5
186	Dichloromethane (also known as methylene chloride)	t	1.0	0.0	0.0	10.3	11.3
190	Dicyclopentadiene	t	0.3	0.0	0.0	0.0	0.3
232	N, N-dimethylformamide	t	0.0	0.0	0.0	4.5	4.5
240	Styrene	t	19.1	0.0	0.0	0.8	19.9
242	Selenium and its compounds	t	0.0	0.0	0.0	12.5	12.5
243	Dioxins	mg-TEQ	0.0	4.2	0.0	0.0	4.2
245	Thiourea	t	0.0	1.3	0.0	0.0	1.3
262	Tetrachloroethylene	t	0.0	0.0	0.0	0.8	0.8
296	1,2,4-trimethylbenzene	t	3.3	0.0	0.0	1.0	4.3
297	1,3,5-trimethylbenzene	t	0.4	0.0	0.0	0.0	0.4
300	Toluene (also known as methyl benzene)	t	103.1	0.0	0.0	22.7	125.8
302	Naphthalene	t	0.1	0.0	0.0	4.1	4.2
349	Phenol	t	0.1	0.0	0.0	2.7	2.8
389	Hexadecyltrimethylammonium chloride	t	0.0	10.8	0.0	0.0	10.8
392	N-hexane	t	187.3	0.0	0.0	7.7	195.0
400	Benzene	t	23.2	0.0	0.0	0.3	23.5
412	Manganese and its compounds	t	0.0	0.0	0.0	14.0	14.0
438	Methylnaphthalene	t	0.2	0.0	0.0	1.7	1.9
453	Molybdenum and its compounds	t	0.0	0.0	0.0	0.6	0.6

#### Notes:

1. Scope of calculation: Idemitsu Kosan Co., Ltd. and its consolidated subsidiaries

Chemicals are not listed if the total volume of discharge and transfer is less than 0.1 ton per year. Figures presented above may not be consistent with the totals since they are rounded off to one decimal place.





## Pollution Prevention

### Concept of Pollution Prevention

To reduce the environmental impact of our business, we not only comply with environment-related laws but also autonomously take preventive measures in accordance with our internal rules (Basic Essential Points on Health Safety Security and Environment (HSSE)). Furthermore, in addition to preventing environmental pollution arising from our business operations, we seek to contribute to society as a whole in terms of the prevention of pollution. To this end, we become a member of the committees of the Ministry of the Environment and Keidanren (Japan Business Federation) that review the application of the Water Pollution Control Law and the Soil Contamination Countermeasures Law to offer the Idemitsu Group's knowledge and experience. We are also developing research and analysis methods while striving to reduce environmental impact by assiduously preventing emissions of pollutants.

### Measures to Prevent Air Pollution

Air pollutants discharged through our business operations include sulfur oxides (SOx), nitrogen oxides (NOx), and soot/dust emitted from boilers and furnaces as well as volatile organic compounds (VOCs) from crude oil or petroleum product storage tanks and tanker truck loading facilities. Thus, our refineries and complexes carry out operational management to ensure compliance with emission standards under laws and regulations as well as with emission limits prescribed by regional pollution prevention agreements.

#### Air pollutant emissions

	(Unit: t)
	FY2019
SOx	12,315
NOx	17,286
Soot/dust	232

Note: Scope of calculation: Idemitsu Kosan Co., Ltd. and its consolidated subsidiaries

### Measures against Soil Contamination

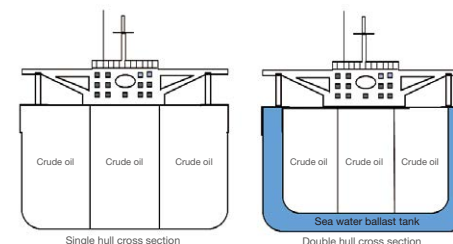
We are aware of the risks of ground contamination due to oil leakage from underground pipes and other oil-handling facilities in operation at our refineries, complexes, plants, and service stations. To address these risks, we have been implementing autonomous surveys of ground and groundwater pollution and undertaking purification measures where needed. In particular, when the closure or rebuilding of a facility causes changes in the character of its site, we implement proper management to prevent pollution, including the resurvey of ground pollution, in compliance with the Soil Contamination Countermeasures Law.

Note: In FY2019, there were no oil leakages that constituted environment-related compliance violations as defined on P. 17.

### Measures to Prevent Water and Marine Pollution

Offshore oil development inevitably generates effluent water containing oil from the test drilling phase onward. To prevent marine pollution, we use a separator to treat the effluent water and transport the extracted oil content to land-based facilities for processing. After further treatment to meet effluent water standards, the oil-free water is returned to the sea. In addition, we always consult an expert who conducts an environmental impact assessment prior to test drilling and development to ensure that the impact is at an acceptable level. In case of a marine oil spillage, we promptly deploy an oil containment boom to restrict its spread and recover the spilled oil in accordance with our "Oil Pollution Contingency Plan."

During transport by ocean-going tankers, we take measures covering aspects of both equipment and personnel to maintain a record of zero oil spillage. In the area of equipment, each of our very large crude carriers (VLCCs) in operation is double-hulled (to prevent oil spillage due to a minor damage), thereby reducing the risk of oil spills. In terms of personnel, we provide regular training, including onboard emergency response drills and safety and environmental education, for all crew members.



In addition, we continually aim to provide safe and stable energy and materials, as well as to contribute to the creation of a sustainable society by proactively engaging in environmental protection activities, including those aimed at solving the problem of marine plastics. In September 2019, the Idemitsu Group joined the "Clean Ocean Material Alliance (CLOMA)" which aims to solve the problem of marine plastics.



Clean Ocean Material Alliance



## Action Mindset / Human Rights Policy

### Action Mindset

In order to realize the Management Vision, the Idemitsu Group has established the Action Mindset, which is the basis for all employees' attitudes and actions to be taken. Believing in the limitless possibilities of human beings, we strive to grow by constantly increasing each other's potential and abide by the following five pillars: "Independent & autonomy," "Innovation," "Co-creation," "Health & safety," and "Integrity."

All employees shall strive to deepen understanding of the Management Vision, Action Mindset, and various policies, take pride in being a member of the Group, be aware of their responsibilities, and conduct fair and transparent corporate activities.



### Concept of Human Rights

Idemitsu Group believes in the infinite possibilities of "the power of human beings". By maximizing the full potential of all our employees, trusting, and cooperating with each other, we aim to contribute to the energy security of countries and regions around the world for the brightness and prosperity of the people who live there.

With this vision for our group, respecting human rights is at the core of everything we do and is the fundamental element of our business. This policy applies to all executive officers and employees of our group. We also expect all business partners, including our suppliers, to understand and comply with this policy. We seek to work in harmony with both the international and local community, and does not allow discrimination against any individual or groups. In addition, we prohibit words or actions that could harm human dignity, be it physically or mentally.

We respect internationally recognized human rights as set out in the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, as we conduct business both in Japan and worldwide. We also support the United Nations Guiding Principles on Business and Human Rights, the Voluntary Principles on Security and Human Rights, and the United Nations Global Compact. In addition, we comply with the laws of the countries and regions in which we operate, and, if local laws contradict internationally recognized human rights standards, we will seek ways to honor the principles of international human rights without violating local laws.

We promote a culture of open communication and feedback so that employees can discuss human rights concerns with their managers. In addition, to deal with violations or potential violations of the Code of Conduct, including human rights issues, we have a reporting and consultation service (In-house and External Consultation Centers on page 69) for executives and employees. Also, we have a contact point (Customer Center Counters on page 13) for external stakeholders to report concerns about our business activities. We also disclose information on our efforts to respect human rights on our website as needed.

Our group's Human Rights Policy has been approved by the Management Committee, which deliberates on important matters relating to the execution of business, and the Board of Directors, which is the decision-making body for the execution of business, with the advice of outside experts.

#### Human Rights Priority Issues

- |                                   |  |
|-----------------------------------|--|
| (1) Promotion of Diversity        | (6) Freedom of Association and Recognition of the Right to Collective Bargaining |
| (2) Prohibition of Forced Labor   | (7) Maintaining our Working Environment  |
| (3) Prohibition of Child Labor    | (8) Land, Water and the Use of Natural Resources                                 |
| (4) Prohibition of Discrimination | (9) Respect for the Rights of Indigenous Peoples                                 |
| (5) Prohibition of Harassment     |  |

Idemitsu Group Human Rights Policy ► <https://sustainability.idemitsu.com/en/themes/201>



### Initiatives Related to Human Rights

#### FY2020 Initiatives

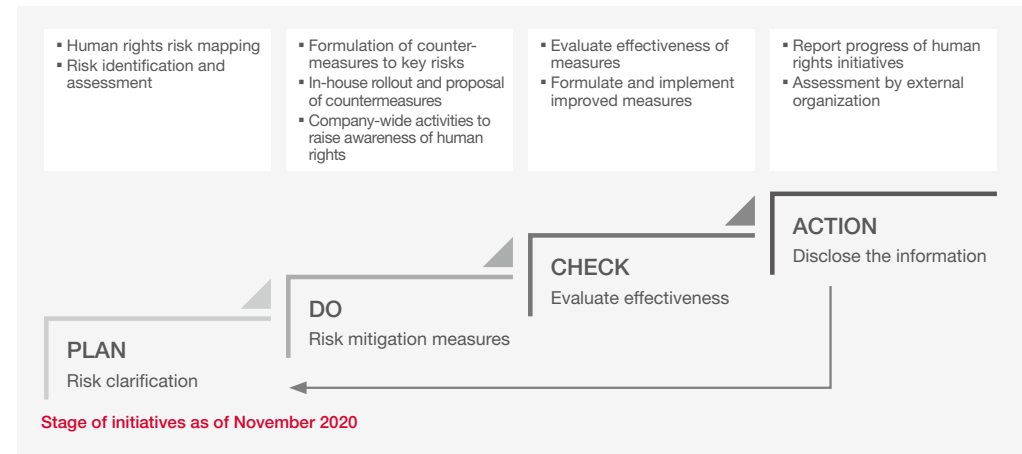
##### (1) Conducting human rights due diligence

We are in the process of scoring all of our 241 affiliates in Japan and overseas using around 80 ESG-related queries. These are based on various international standards formulated to identify human rights risks (set to finish in December 2020). Based on the results of our risk identification, we will take countermeasures, mainly in high-risk businesses.

##### (2) Instilling our basic human rights policy in executives and employees

In 2021, we plan to conduct e-learning sessions on basic knowledge of human rights, guiding principles related to business and human rights, cases of human rights abuses, the Company's priority human rights issues, and other similar topics.

#### Human Rights Due Diligence Process





## Diversity &amp; Inclusion Policy / Personnel Strategy Policy

## Diversity &amp; Inclusion Policy

## Idemitsu Group Diversity &amp; Inclusion Policy

Idemitsu Group, as an energy co-creation company from Japan, will work with a diverse range of stakeholders to create new values in order to resolve various social issues.

Therefore, it is essential to initiate a positive chemical reaction by incorporating various perspectives, values, and strengths to maximize the potential of each individual.

Idemitsu Group will eradicate discrimination on the basis of position, employment status, age, gender, educational background, place of origin, nationality, race, disability, beliefs, religion, sexual orientation, gender identity, or marital status. We will also actively promote "Diversity & Inclusion" through mutual respect by building each other up and making best use of everyone's individuality.

- We will eliminate all forms of discrimination.
- We will create an environment where individuals can make the most of their abilities.
- We will respect work-life balance of each employee.
- We will create a workplace culture that respects and enhances each other's individuality.

and allows the team to maximize its strengths.

Based on the Diversity & Inclusion Policy established in November 2019, we have identified Diversity & Inclusion (D&I) as a priority topic for management. We leverage diverse values, careers, and expertise regardless of disability, sex, or nationality. Moreover, we aim to ensure that every employee can thrive at the Company and are promoting various relevant measures from the perspectives of changing people's mindsets, hiring, development, and other systems.

<b>Changing Mindsets</b>	Enhancing D&I awareness (Unconscious bias training) ➡ P.36
<b>Hiring and Development</b>	Hiring concept NEXT BREAKTHROUGH ➡ P.37 Appointment of external personnel (executives, career recruitment, etc.), Developing competencies ➡ P.42 Open innovation, Selection of young and mid-career employees (career challenge), Training available for selected personnel ➡ P.42 Employees on loan, Work Abroad, Overseas training programs ➡ P.41 Overseas and domestic exchange programs ➡ P.41 etc.
<b>Systems</b>	Systems for supporting activities of diverse employees ➡ P.40 Expanding teleworking and Work-from-home ➡ P.40 Approval of side business, Volunteer leaves ➡ P.40 Successful ability assessment programs ➡ P.44

Idemitsu Group Diversity & Inclusion Policy ➡ <https://sustainability.idemitsu.com/en/themes/200>



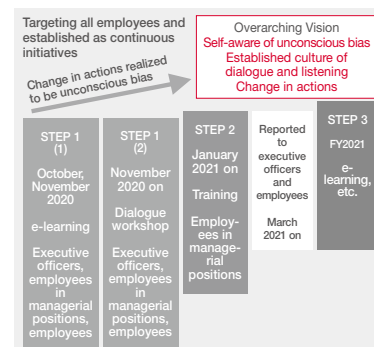
## Initiatives to Enhance D&amp;I Awareness

## ● Conducting Unconscious Bias Training

Unconscious bias refers to prejudices and beliefs that distort perceptions in ways we do not consciously recognize. Unconscious bias can have a protective effect that inhibits risk taking. When it unconsciously informs decision making and power relationships with peers, however, unconscious bias may negatively affect the workplace overall and individuals specifically by obstructing the promotion of Diversity and Inclusion(D&I). This can impact growth opportunities for female and other employees, hinder workplace innovation and lead to harassment.

The Idemitsu Group recognizes that D&I entails the acceptance of differences among individuals and their backgrounds based on mutual respect. We aim to create a workplace culture where each employee is aware of their unconscious biases, mutual understanding and communication in the workplace are improved, and innovation is easily generated. As one measure to achieve this end, we conducted trials that included executives and rolled out unconscious bias training company-wide. As of November 2020, executives and employees are using e-learning as part of their training.

## ■ Overview of the Initiatives



## Personnel Strategy Policy

In line with the management goal of developing people, Idemitsu believes in the boundless potential of human beings and does not place limits on individual growth, allows them to fully demonstrate their abilities, and rolls out personnel measures that support People-Centered Management, which enhances the total power of the entire organization and supply chain. Through the new value that we create, we not only contribute to social development, we also enable employees to further enrich their own lives.

Due to the expanding spread of COVID-19, a new normal is gaining ground in various facets of life, and our business environment is drastically changing.

However, we also see this situation, rife with change, as a prime opportunity for our diverse personnel to autonomously grow under our Management Vision and Action Mindset while we evolve as a company that creates new value.

## Overview of Personnel Measures

<b>Growth in My Own Way</b>	<b>Stimulating Self-Growth Motivation and Providing Growth Opportunities</b> <ul style="list-style-type: none"> <li>• <b>Development of education system to realize the Management Vision</b> <ul style="list-style-type: none"> <li>• Enhancement of training (both rank-based and open) for the acquisition of enhanced business skills and mindsets</li> <li>• Improving management skills to create new value</li> <li>• Development of domestic and overseas study programs, overseas internships, and external training programs to broaden our horizons</li> </ul> </li> <li>• <b>Career development program for employees based on structural changes and the systematic development of management personnel</b> <ul style="list-style-type: none"> <li>• Formulation and implementation of a training plan that emphasizes mutual understanding between employees and the company</li> <li>• Internal recruitment system and personnel transfers to build autonomous career plans</li> <li>• Linking succession plans with education and transfer plans (including for locally hired personnel)</li> </ul> </li> </ul>
<b>Co-create New Value</b>	<b>Creating a Workplace Where Diverse Employees Can Co-create New Value and Hiring Human Resources</b> <ul style="list-style-type: none"> <li>• <b>Creating workplaces that take advantage of diversity</b> <ul style="list-style-type: none"> <li>• Constructing a flexible and flat organization and shifting personnel to growth areas</li> <li>• Creating time for new value creation by promoting the DTK Project</li> <li>• Expanding internal and external networks that promote the active participation of women and other employees</li> <li>• Improving the workplace culture based on an employee engagement survey and the Next Forum</li> <li>• Constructing a "Co-Creation" environment by assessing with 360-degree evaluation (multifaceted evaluation)</li> </ul> </li> <li>• <b>Recruitment of diverse human resources</b> <ul style="list-style-type: none"> <li>• Creation of a recruitment and branding method (recruitment strategy) that takes into account young people's perspectives and the uniqueness of Idemitsu</li> <li>• Examination of recruitment timing and targets based on the characteristics of each division</li> </ul> </li> </ul>
<b>Trust of Employees and the Company</b>	<b>Establishing Personnel Systems That Are Rewarding and That Enable Employees to Focus on Their Work with Peace of Mind</b> <ul style="list-style-type: none"> <li>• <b>Shared vision and development of a fair, equitable, and reliable personnel system</b> <ul style="list-style-type: none"> <li>• Understanding and dissemination of the Management Vision and Action Mindset</li> <li>• Establishment and operation of a fair and equitable personnel evaluation system</li> <li>• Efficient and reliable business operations through the introduction of a new personnel system</li> </ul> </li> <li>• <b>Dissemination of systems that respect diversity and work styles regardless of place or time</b> <ul style="list-style-type: none"> <li>• Enhancement of systems, including flexible working hours and telework, and development of measures to promote the use of such systems</li> </ul> </li> <li>• <b>Enhancement of systems that enable employees to focus on their work with peace of mind</b> <ul style="list-style-type: none"> <li>• Enhancement of childcare and nursing care systems, along with measures to support the return of employees from leave</li> <li>• Implementation of health management leading to autonomous health management</li> <li>• Development of systems and measures for further advancement of employees 60 years and older</li> <li>• Establishment of new workstyles geared toward the after COVID-19 era</li> </ul> </li> </ul>

## Growth in My Own Way

Stimulating self-growth motivation and providing growth opportunities

## Co-create New Value

Creating a workplace where diverse employees can co-create new value and hiring human resources

## People-Centered Management

## Trust of Employees and the Company

Establishing personnel systems that are rewarding and that enable employees to focus on their work with peace of mind



## Promotion of D&I

### Employment Overview

In 2020, Idemitsu had 4,917 non-consolidated employees (as of April 1, 2020) and 13,766 consolidated (as of March 31, 2020). We are promoting initiatives that enable all employees, regardless of age, gender, nationality, or disabilities, to work with a sense of purpose.

#### Status of Employees

	Total	Men	Women	Percentage of women
Number of employees	4,917 people	4,323 people	594 people	12.1%
Number of employees in managerial positions	943 people	920 people	23 people	2.4%
Average age	42.1 years old	42.4 years old	40.2 years old	-
Average years employed	18.7 years	19.0 years	16.3 years	-
Percentage of employees with disabilities	2.20 %	-	-	-

Notes: 1. The above data is for Idemitsu hiring (employees, seniors, full-time contract employees, and advisors) and excludes employees seconded to other companies. However, the percentage of employees with disabilities includes employees seconded to other companies.

2. The percentage of employees with disabilities is based on the calculation method of the Ministry of Health, Labour and Welfare and is as of June 1, 2020.

3. All data besides the percentage of employees with disabilities is as of April 1, 2020.

### Status of Recruitment

Our recruitment theme: NEXT BREAKTHROUGH.\* We are recruiting people who can challenge themselves and create new value together while respecting diversity. We make it a priority to ensure that employees are not mismatched after joining the Company by providing internships and contact points with close senior employees so that they can see what we really are. We are also working to raise employee motivation, improve the corporate culture, and expand our systems to improve employee retention.

In our recruiting activities, we have taken all precautions to prevent the spread of COVID-19. We have been holding online seminars instead of the traditional in-person company presentations and used web interviews to help make decisions. Moreover, we have also put in place thorough precautions during onboarding programs and trainings, such as introducing digital tools (webinars, online meetings, and e-learning).

\* This message is posted on our new graduate recruitment website and elsewhere. The Company has developed a wide range of businesses to meet the needs of society and will connect the value and technology it has cultivated to ensure harmony between society and the global environment going forward. What will be indispensable to creating a new future is realizing the tremendous potential of diverse people. Drawing on the potential and ideas of people who hold a diverse range of values, we will continue to take on new challenges through NEXT BREAKTHROUGH.

#### Recruitment of New Graduates in April 2020

Total	Men	Women	Percentage of women	Foreign nationals	Ratio of foreign nationals
190 people	163 people	27 people	14.2 %	2 people	1.1 %

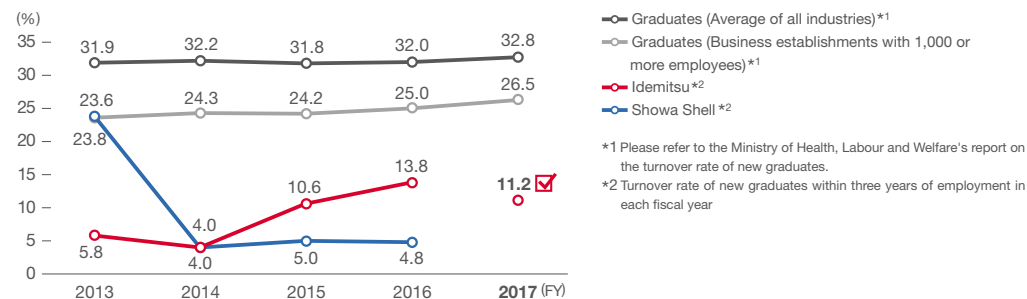
#### New graduate retention rate (Average for newly hired employees between 2015 and 2017)

89.0 %

#### Online company entrance ceremony



#### Turnover rate of new graduates



#### Career Recruitment in FY2019

82 people

#### Internships in FY2019

Season	Eligible students	Duration	Number of participants	Content
Summer	High school	1-2 weeks	88 people	Hands-on learning, mainly frontline experience (refineries, complexes, and the Lubricants Research Laboratory)
Summer	University and above	2-5 days	57 people	Work Experience of Engineers and Researchers (total of 7 courses) 1. Production engineering and manufacturing at refineries and plants 2. Functional materials research and product development 3. Functional materials technology sales 4. Performance materials research and product development 5. Lubricants sales engineer work experience at Shell Lubricants Japan 6. Research and development operational experience at the Technology Research Laboratory of Shell Lubricants Japan 7. Research and development
Winter	University and above	1 day (total 23)	918 people	Workshops to gain experience on office and technical operations

### Hiring at Global Personnel

We support to create jobs in various regions in part by hiring staff locally at global bases. At the Nghi Son Refinery and Petrochemical Limited Liability Company (NSRP), we have provided the various opportunities of technical training and on-the-job training (OJT) to newly hired employees. Such locally hired staff have contributed to the refinery operation significantly. We will be committed to the transfer on the technical knowledge and experience to them continuously. NSRP is also collaborating with local educational organizations, government authorities, and households in an effort to enhance the life skills of our future personnel, and provide continuous personnel education, including scholarships to university students.



## Promotion of D&I

### Promoting the Active Participation of Women

#### Basic Policy and Vision

With the aim of enabling women and all other employees to thrive at work and ensuring the Company continues to co-create new value with various stakeholders, Idemitsu has positioned promoting the active participation of women as a key D&I promotion measure. To fulfill this commitment, we have set out our vision for both female employees and the Company as detailed in the table below.

<b>Female Employees</b>	<ul style="list-style-type: none"> <li>At each workplace and in each decision-making body, including meetings, multiple female employees participate and engage without stifling their own opinions</li> <li>Regardless of age or life events, female employees grow while maintaining career aspirations with the aim of creating value</li> </ul>
<b>Company</b>	<ul style="list-style-type: none"> <li>Provide fair growth opportunities regardless of sex, age, or life events, encourage employees to take on new challenges, and evaluate employees fairly according to their growth</li> </ul>

#### Status of Female Employees (As of April 1, 2020)

	Number of women (people)	Percentage of women (%)
<b>Number of member</b>	571	14.4
<b>Number of employees in managerial position</b>	23	2.4
<b>Of the numbers mentioned above, over general managers</b>	2	6.1
<b>Of the numbers mentioned above, managers</b>	21	2.6

### General Employer Action Plan Based on the Act on the Promotion of Women's Participation and Advancement in the Workplace

When formulating our general employer action plan, we set out to uncover the fundamental factors inhibiting the growth and active participation of female employees. We reviewed the hiring situation, utilized analytical data tools and conducted surveys of all employees on topics such as how rewarding their work is, how conducive their workplace is for work, and how easily individuals can demonstrate their full capabilities. Based on these results, we established quantitative targets for issues requiring improvement.

We believe that better workplaces, where women can work easily and feel their work is rewarding, lead to better environments, where all employees can achieve better work-life balance and fully demonstrate their diverse capabilities. Accordingly, from FY2020 onward, we are implementing initiatives based on this action plan.

<b>Plan Period</b>	April 1, 2020–March 31, 2023 (3 years)
<b>Idemitsu Issues</b>	<ul style="list-style-type: none"> <li>The percentage of female managers is low.</li> <li>The hiring ratio of women is low.</li> </ul>
<b>Plan Details</b>	<p>1. Provide growth opportunities to female employees</p> <p><b>Quantitative Target 1</b> *1 46 female managers (3.0%) or higher (currently 26 (1.7%) as of April 1, 2019)</p> <p>Initiatives</p> <ul style="list-style-type: none"> <li>Ensure training and growth opportunities for female employees</li> <li>Reform the corporate culture and mindset of executives, superiors, and female employees</li> </ul> <p><b>Quantitative Target 2</b> *1 30% or higher ratio of female graduate hires (currently 22% as of April 1, 2019)</p> <p>Initiatives</p> <ul style="list-style-type: none"> <li>Strengthen hiring activities (provide internships, revamp our pamphlets and hiring website, etc.)</li> <li>Promote workstyle reforms at manufacturing sites, hold networking events for female employees in the manufacturing departments, etc.</li> </ul> <p>2. Initiatives related to supporting a work-life balance</p> <p><b>Quantitative Target 3</b> *2 85% or higher percentage of annual paid leave taken by employees (currently 69.3% as of April 1, 2019)</p> <p>Initiatives</p> <ul style="list-style-type: none"> <li>Promote workstyle reforms (work-from-home, encouraging the use of flextime, etc.)</li> <li>Holding dialogues with each department and branch to encourage the use of annual paid leave</li> </ul>

\*1 Employees directly employed by Idemitsu (including those seconded to other companies) are within the scope of calculation.

\*2 Employees directly employed by Idemitsu (excluding those on temporary leave or seconded employees) are within the scope of calculation.

#### Overview of Initiatives

<b>Quantitative Targets 1</b>	<ul style="list-style-type: none"> <li>Reform the mindsets and corporate culture of executives, superiors, and female employees</li> <li>Ensure training and growth opportunities for female employees</li> <li>Implement HR measures to increase the speed of growth</li> </ul>	<ul style="list-style-type: none"> <li>Implement measures to follow up on life events</li> <li>Establish internal and external networking events</li> <li>Expand education for superiors and female employees</li> <li>Take initiatives to eliminate unconscious bias</li> <li>Introduce a mentorship program</li> <li>Reflect results in the goal achievement evaluation of management-level employees</li> </ul>
<b>Quantitative Targets 2</b>	<ul style="list-style-type: none"> <li>Strengthen hiring activities</li> <li>Promote workstyle reforms at manufacturing sites</li> </ul>	<ul style="list-style-type: none"> <li>Establish policies and targets to increase the ratio of female applicants</li> <li>Provide internships</li> <li>Revamp our pamphlets and recruitment website</li> <li>Pursue better introduction of the company at recruitment events</li> <li>Conduct a workstyle reform project at manufacturing sites</li> <li>Hold networking events for female engineer</li> </ul>
<b>Quantitative Targets 3</b>	<ul style="list-style-type: none"> <li>Promote workstyle reforms (lay a new foundation)</li> <li>Encourage the use of annual paid leave</li> </ul>	<ul style="list-style-type: none"> <li>Conduct a company-wide workstyle reform project</li> <li>Promotion of work-from-home and flextime arrangements</li> <li>Improve operational efficiency using IT</li> <li>Raise awareness of our targets</li> <li>Visualize the percentage of annual paid leave used</li> <li>Encourage the use of leave through dialogues with individuals, etc.</li> </ul>

#### Introduction of a Mentorship Program **Quantitative Target 1**

Since September 2020, we have been running a mentorship program with the aim of offering career support to female employees. Female managers active outside the Company act as mentors to solve current concerns and issues and encourage the growth activities of women by offering advice on how to achieve growth.



#### Opinion Exchange Meetings with Female Engineer **Quantitative Target 2**

In February 2020, we held an opinion exchange meeting that was attended by eight female engineers from the Group's complexes and refining companies. The online follow-up meeting started in October and is scheduled three times during fiscal 2020. In light of the reality that it was difficult for so few female engineer to network, going forward, we will regularly hold such events with the aim of exchanging information and networking.





## Promotion of D&I

### Promoting Work-Life Balance

#### Basic Policy

We position work-life balance support and next-generation development as key measures for promoting D&I and are working to upgrade our policies in line with life events for them. Fostering a workplace culture where employees can balance work and life (childcare and care giving), work easily, and feel a sense of accomplishment will help create an environment where all employees can make full use of their abilities.

#### General Employer Action Plan Based on the Act on Advancement of Measures to Support Raising Next-Generation Children

We analyzed the Company's issues, considered specific measures, and formulated an action plan to support the activities of employees who aim to balance work and life. In addition, in 2012 and 2015, we were recognized by the Ministry of Health, Labour and Welfare as a child-care support company and received the Kurumin certification mark.\*

\* The Kurumin certification mark is awarded by the Ministry of Health, Labour and Welfare to companies that actively support the development of the next generation. Based on the Act on Advancement of Measures to Support Raising Next-Generation Children, the General Employer Action Plan can be formulated and certified if certain standards are met.

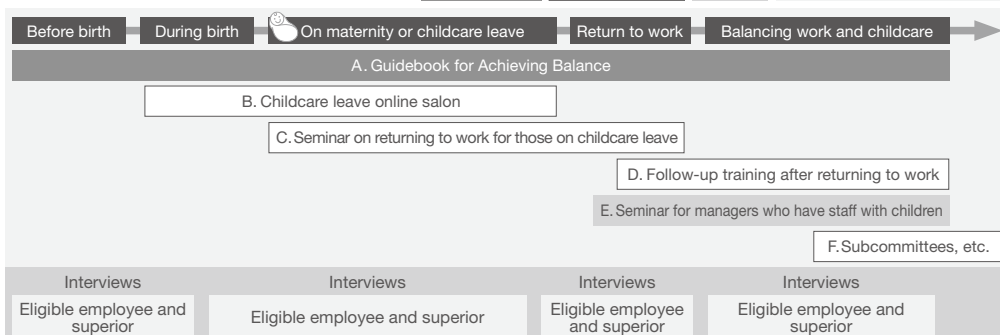


Plan Period	Plan Details
April 1, 2020–March 31, 2023 (3years)	<p><b>Measure 1.</b> Initiatives to support balancing work and childcare</p> <ul style="list-style-type: none"> <li>Conducting follow-ups in response to life events and encouraging male employees' participation in childcare</li> </ul> <p><b>Measure 2.</b> Initiatives related to revising workstyles</p> <ul style="list-style-type: none"> <li>Implementing initiatives aimed at promoting work-from-home and flextime arrangements and the use of annual paid leave</li> </ul> <p><b>Measure 3.</b> Initiatives related to support the development of next generation</p> <ul style="list-style-type: none"> <li>Holding "Children Office Tour" days for our employees' children and providing internships to university students</li> </ul>

Note: Specific initiatives tied to the action plan are detailed to the right.

#### Measures Supporting the Balance of Work and Childcare in Response to Life Events

All employees Eligible employee Superior Eligible employee and superior



#### Overview of Measures

- Measure A.** All employees: Provide relevant information on programs and others which are related to life event and career development
- Measure B.** Eligible employees: Provide opportunities to build networks with colleagues who have undergone similar life events during the same period and offer corporate information in a timely manner
- Measure C.** Eligible employees: Provide a seminar to learn about how to cope with issues or concerns and to be ready for returning to work smoothly (External instructors)
- Measure D.** Eligible employees: Encourage to maintain work-life balance through sharing the progress of work after the return, having dialogues among participants or providing relevant information from the company
- Measure E.** Superiors: Provide opportunities to learn about how to manage and train employees with diverse workstyles, such an employee who is working while raising a child (External instructors)
- Measure F.** Eligible employees: Build networks with colleagues who have similar life events

#### Specific Initiatives

##### ● Response to the COVID-19 pandemic **Measure 2.**

For employees who needed to use working hours to address family matters, such as for caregiving or coping with school and daycare closings, under the emergency declaration, we exempted the deduction of their wages. In addition, we fostered an environment in which all employees can continue to work, including by flexibly responding to employees who had planned to return to work from childcare leave but instead needed to extend their leave due to the nature of their jobs and requests from their daycares to keep their children home.

##### ● Publishing the Guidebook on Supporting a Balance between Work and Caregiving/Childcare **Measure 1.**

In May 2020, we published an in-house guidebook on Idemitsu's work-life balance support programs and systems to ensure that all employees could easily understand them. It sets out the actions needed to be taken when faced with the prospect of maternity, childcare, and caregiving, how superiors need to respond, and the responses required of colleagues as well as basic knowledge that everyone in the workplace should know regarding workstyles that balance work and life.

##### ● Following Up with Employees on Childcare Leave through the Childcare Leave Online Salon **Measure 1.**

With the aim of supporting a smooth transition back to work by abating worries and concerns during childcare leave and providing corporate information in a timely manner, we held a Childcare Leave Online Salon for male and female employees on childcare leave in July 2020. At the inaugural event, we not only shared corporate information, such as current workstyles during the pandemic and their future direction, we also exchanged information regarding communication with the workplace, childcare, daycare searches, and more. We will regularly hold such events going forward, provide unbiased corporate information to those on childcare leave, and build networks among those on childcare leave with the aim of enhancing engagement with those on leave.



##### ● Seminar for Managers Who Have Staff with Children **Measure 1.**

In June 2019, we held a seminar for 110 managers who have subordinates with newborn babies or who had returned to work from childcare leave. At the seminar, the participants shared management skills for employees with restricted working hours as well as examples of workplace problem solving. Going forward, we will continue providing seminars and workshops for child-rearing employees and their superiors. We will also continue to work on creating an environment where superiors can understand this group of employees and the employees can balance their work and childcare.



##### ● Holding "Children Office Tour" **Measure 3.**

We held "Children Office Tour" for the children of employees with the aim of creating opportunities for them to better understand their parents' place in our company and society, as well as to encourage communication between the children and their parents. We began holding these days in 2019 and held the second one in August 2020. We felt that even amid the pandemic it was necessary to continue holding this day and adjusted it for current conditions by holding it online. We connected multiple locations, including the Chiba Complex and Hanoi, Vietnam, with the children interviewing employees and local staff.



Promotion of D&I

Systems Supporting Diverse Employees

To create a worker-friendly environment for a diverse range of employees, on the basis of our Diversity and Inclusion Policy, we have established various systems. We have expanded systems to enable employees to achieve work-life balance, including those undertaking childcare and caregiving, and to continue working over the long term. As a part of our consideration of systems, we conducted trials for new workstyles between October and December 2020.

■ Trial Conditions of New Workstyles

Flextime	Current system	Trial conditions
Core time	Yes	No
Flextime	Yes	Yes
Leave during working hours	Not possible	Possible

Teleworking	Current system	Trial conditions
Work place	Limited to home	Home, satellite office, and mobile work possible
Frequency	Up to once per week	No limit
“working at the office” and “remote working” combined	Not possible	Possible
Leave during working hours	Not possible	Possible

Systems for all employees	
Annual paid leave	Paid leave is granted annually based on the number of years of service (up to 21 days per year). Employees can take leave in half-day increments.
Carryover of annual paid leave	In the event that the paid leave granted for a fiscal year is not all used, it can be carried over to the next fiscal year. A maximum of 10 days of that leave may be carried over to the next fiscal year for a maximum total of 31 days.
Flextime (Trial conducted)	Employees can decide their daily working hours by themselves and can work flexibly.
Telecommuting (Trial conducted)	Employees can work from home once a week.
Self-development leave of absence	Employees can take a leave of absence of up to two years to attend school or obtain qualifications that will contribute to their career development at the Company.
Volunteer leave of absence	Employees can take a leave of absence of up to two years for activities such as disaster relief and international cooperation, nature and environmental conservation, support for people with disabilities, and support for the development of future generations focusing on children.
Volunteer leave of absence	In addition to annual paid leave, employees can take three days of special paid leave per year for activities such as disaster relief and international cooperation, nature and environmental conservation, support for people with disabilities, and support for the development of future generations focusing on children.
Leave of absence to accompany a spouse overseas	Employees can take a leave of absence up to three years to accompany their spouse overseas.
Lay judge and prosecution councilor leave	If an employee is appointed as a lay judge or a prosecution councilor, they will be granted necessary special paid leave in addition to annual paid leave.

Systems for employees for childbirth or childcare	
Maternity Leave (female) <small>(referred to as “maternity leave” in the systems usage numbers table below)</small>	Female employees can take pre-birth post-birth leave from 6 weeks (14 weeks for multiple births) before the expected date of delivery until 8 weeks after delivery.
Special leave for childbirth by the spouse (male)	When a spouse gives birth, her husband (employee) can take five days of special paid leave.
Childcare leave	Regardless of sex, employees can take a childcare leave until the child becomes two years old.
Childcare time (female)	Female employees can take up to one hour of childcare time per day in 30 minute increments (up until the child becomes one year old).
Leave to care for sick/ injured child	Employees can take up to 10 days of special paid leave per year to take care of their sick/injured child (up until the child completes the third grade of elementary school). Employees can take such leave in full-day, half-day or one-hour increments.

Systems for employees providing family care	
Nursing care leave	Employees can take up to 365 days of nursing care leave per family member (division of leave is available).
Family care leave	Employees can take up to 10 days of special paid leave per year to provide family care. Employees can take such leave in full-day, half-day or one-hour increments.

Systems for employees who provide childcare or nursing care	
Reduced working hours for parenting	Employees can reduce their working hours by up to two hours per day in 30-minute increments (childcare: up until the child completes the third grade of elementary school; nursing care: for up to 1,095 days).
Telecommuting (Trial conducted)	Employees can work from home for two days a week (childcare: up until the child completes the third grade of elementary school; nursing care: up until nursing care is no longer necessary). Employees can use the system three times a week up to 10 times a month, including other systems for all employees.
Exemption from overtime work	Employees can be exempted from overtime work (childcare: up until the child becomes one year old; nursing care: up until nursing care is no longer necessary).
Limitation on overtime work and holiday work	Employees are allowed to limit overtime work and holiday work to within the range of 24 hours per month and 150 hours per year (childcare: up until the child enters elementary school; nursing care: up until nursing care is no longer necessary).
Exemption from late-night shift	Employees can be exempted from late-night shifts (childcare: until the child enters elementary school; nursing care: up until nursing care is no longer necessary).

Various systems usage numbers (FY2019) <input checked="" type="checkbox"/>	(Unit: people)		
Name of system	Total	Men	Women
Maternity leave	39	-	39
Childcare leave	96	15	81
Nursing care leave	7	6	1
Reduced working hours for parenting	69	2	67
Leave to care for sick/ injured child	206	103	103
Family care leave	50	19	31

Note: These systems are available to Idemitsu hiring (employees, seniors, re-employed) and includes employees seconded to other companies.



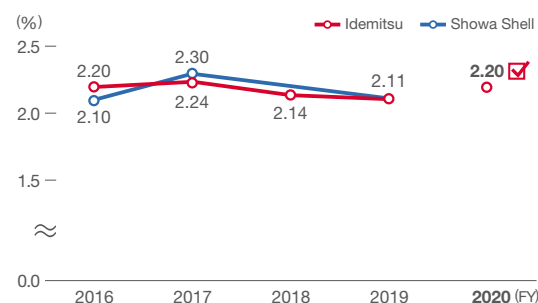
## Promotion of D&I

### Promoting the Active Participation of People with Disabilities

We are working to create an environment in which people with disabilities can demonstrate their abilities to work. In addition to operations at the head office and other sites around the country, employees with disabilities are engaged to provide cleaning services at the Chiba Complex as well as to provide cleaning and business support services at our Advanced Technology Research Laboratories. They also handle operations in the horticulture division (Idemitsu Yume Farm), which cultivates flowering plants using the greenhouse facilities of our laboratories. In 2019, we started a scheme of “team shuro” at the Tokuyama Complex, in which employees with disabilities form a team to tackle tasks together, and named this initiative as “Team ☆<sup>3</sup> Kirara”. The team, under the slogan of “two people doing the work of two people”, is responsible of providing services for employees at the complex such as controlling an inventory of uniforms and cleaning service. In addition, we constructed a the strawberry plantation in the complex using waste heat from the site is contributing to create employment opportunities such as cultivation work. The strawberries are served at the cafeteria of the complex and are delighting everyone there.

Moreover, to further create opportunities where disabled people can thrive and grow, we are working to normalize the scheme of “team shuro” (as mentioned above) and this initiative is attracting applicants to the Company. We are also considering ways to promote the employment of people with disabilities in each department, and with a view to expanding operations at our head office, we will continue to promote the creation of workplaces and employment opportunities where people with disabilities can work with pride and enjoyment.

#### ■ Percentage of employees with disabilities



#### ■ Strawberry farm in the Tokuyama Complex



#### Notes:

1. The data for FY2020, as of June 1, 2020, cover Idemitsu hiring (including employees seconded to other companies).
2. Idemitsu's data in FY2016 to 2019 are as of June 1 of each year.
3. Showa Shell's data in FY2016 to 2017 are as of December 31 of each year.

### Promoting the Active Participation of Seniors

At present there are 612 senior employees (aged 60 or over) within the Company. Wanting to provide a place where everyone can thrive regardless of age, from FY2021 on, we will introduce a system that allows employees to choose their retirement age from 60 to 65 and that provides a grading, evaluation, and compensation framework equivalent with regular employees. Furthermore, in FY2025, we plan to introduce a system where all employees can continue to work as regular employees until age 65.

Amid diversifying employee preferences regarding working age, employment type, and motivations, we reformed systems to enable people to make full use of their abilities and work with a sense of satisfaction and security past the age of 60. We expect employees aged 60 and over to nurture younger employees through their daily cooperation, passing on their knowledge and skills. In addition, we plan to hold Life Design Seminar during FY2020 as an opportunity for employees to independently think about workstyles after turning age 60 or over while learning about financial plans for after retirement.

	FY2021	FY2025 Plan
	System to select retirement age between 60 and 65 (Can choose own age)	Regular employee system up to age 65 (All employees remain regular employees up to age 65)
Conditions for employment		
Grading	Same system as those under age 60	Same as FY2021
Evaluation		
Compensation		
Welfare		
Retirement allowance	No increase at age 60 or after	Same as FY2021

### Promoting the Active Participation of Foreign National Employees

There are 30 foreign national employees actively working at the Company.

We are promoting various measures to enable them to securely engage in their work. For example, we have formed the Global Nakama Initiative (GNI) as a place for foreign national employees to interact and share information. We are rolling out the GNI as a system to enable them to freely exchange opinions and foster conversation. Currently, there are many differences between the ideas and customs of foreign national employees working at Japanese companies and those of Japanese employees. Through this activity, we aim to foster an environment where each foreign national employee can work easily while supporting their life and work in Japan.

#### Specific Initiative

##### ● Global Nakama Initiative (GNI)

To create a place for foreign national employees to network and exchange information, we have been running the GNI since May 2018. The initiative also acts as a consultation desk where foreign national employees can easily seek guidance to ensure they can work with greater peace of mind. We have created guidelines for newly hired foreign national employees to help them in their work and personal life in Japan, and we distribute these guidelines when making job offers as well. We convened meetings for the GNI three times in fiscal 2018 and twice in fiscal 2019, holding discussions on methods and techniques (lifehacks) for more efficiently and comfortably working in Japan.



### Enhancing Global Awareness

As globalization proceeds apace around the world, companies are seeking global talents, i.e., personnel who are open to the different culture and diverse ways of thinking from other countries and can embrace them. With the aim of enhancing global awareness and providing new ambitious career opportunities, we established new overseas training programs, along with overseas and domestic study programs, and are promoting initiatives that enable young employees to actively experience overseas assignments. In addition, we are providing opportunities for free communication (information exchange) between domestic and overseas bases.

#### Overseas Training Programs

- This program is designed to develop personnel who can thrive both in Japan and overseas, by dispatching employees to overseas subsidiaries to broaden their knowledge and expertise and to accumulate diverse experience.

#### Domestic and Overseas Study Programs

- This program is designed to support promising employees to develop networks and to learn business administration at top graduate schools.

#### Specific Initiative

##### ● Global Values Workshops

Global Values Workshops (GVs) are held as an opportunity for employees in Japan and overseas to freely communicate with each other by using the timing when employees from overseas bases come to Japan for business trip. The purpose of these workshops is to deepen mutual understanding through communication among Group employees regardless of nationality, generation, department, or anything else, thereby creating a sense of unity in the Idemitsu Group at all its bases around the world as we develop as a global corporation. These workshops, held a total of two times to date (September 2019, January 2020), focused on fostering mutual understanding and included discussions on such topics as what the Group needs to do to become a global corporation and what a global corporation is in our perspective.





## Human Resource Development

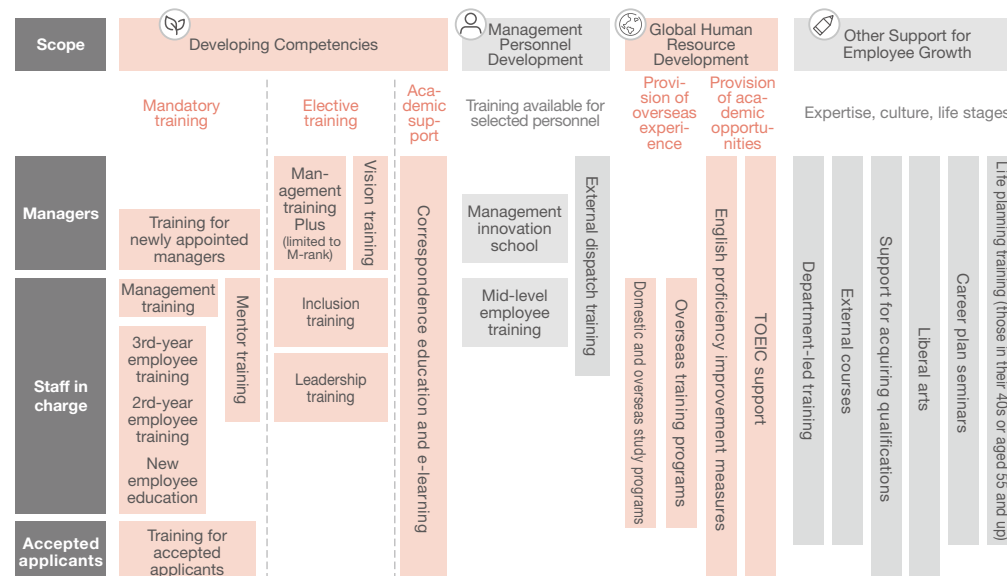
### Human Resource Development Policy

Setting human resource development as one of our management objectives, we formulated an education and training system based on our Management Vision and Action Mindset in 2020. To increase the number of personnel who will embody the Action Mindset to a high degree, we set out “Independent & autonomy,” “Innovation,” and “Co-creation,” as the pillars of the Action Mindset that we especially strive to enhance. We meticulously set these pillars and “Growth,” which is the linchpin of the pillars, as “Capabilities to Enhance.” We carefully defined our desired attitude and action level from the perspectives of “Foresight,” “Aspiration,” “Determination,” “Cooperation,” “Accomplishment,” “Improvement,” and “Development.” This made it possible to reflect on one’s own current level and clarify what should be done to achieve growth.



### Overview of Our Education and Training System

The base of our education and training system is the cultivation of competencies to enhance the aforementioned capabilities. In addition, we strive to support not only occupational growth but also growth as human beings. We have therefore prepared programs to enhance people’s sophistication and to support employees at different life stages. We expect all employees to maintain an awareness that they are the main actors of their lives and can grow to become proactive and contributing members of society.



### Education and Training Results

In FY2019, we focused on training related to building an organizational foundation in this first year of the integrated management. Specifically, we held mutual understanding seminars, Management Vision workshops, and informational sessions on the new HR system at business bases in Japan and overseas.

#### Training hours and amount of investment in training in FY2019

Training hours	Total hours	117,455
	Per person	19.5
Amount of investment in training (Thousands of yen)	Total hours	352,000
	Per person	59

Note: Results are from training organized by the Human Resources Department of Idemitsu (non-consolidated).

### Personnel Assignments and Transfers to Match the Right Person to the Right Place

Our employees have individual interviews with their superiors once a year to share their hopes and thoughts based on their “future planning sheet,” which contains information on the level of satisfaction with their current job or workplace, career plans, and personal details. Grasping the direction of each individual employee’s development, the Human Resources Department assigns them to appropriate positions in line with changes in the business structure. We also make changes in their job category and work location to create opportunities for them to further develop themselves.





## Human Resource Development

### Specific Initiatives

#### ● Mentor Training (Developing Competencies )

Mentors are senior employees who guide and support the new employees at work and we provided a training to enhance their staff development skills. Started the training in October 2019, we have had 108 participants in total. Results of survey, which we conducted to new employees regarding the guidance provided by their mentors, was provided in a form of feedback during the training and this helped greatly to motivate the mentors.



#### ● Educational Cross-Industry Training for Developing Leadership (Management Personnel Development )

With the aim of training personnel to demonstrate leadership rooted in their own convictions, we have been holding cross-industry training for mid-level employees in conjunction with other companies (in the daily necessities and insurance industries) since fiscal 2016. Every year, 24 people (from three companies) participate in about six-months of training that creates opportunities for them to gain good people skills, nurtures creative innovation through exposure to diverse values and ideas, and helps them explore their own leadership skills as potential leaders of future generations. In addition to this training, we actively send employees to outside training opportunities.



#### ● Workshop for Developing the Foundation of the Organization (Other Support for Employee Growth )

In fiscal 2019, we held workshops throughout Japan, including at overseas bases. In the first workshop, 600 managers, who handle subordinates from different backgrounds, participated in a skill and mindset training program aimed at understanding events that are likely to occur during the integration phase and facilitating the smooth integration. In the second workshop, we encouraged representatives of both managers and staff in charge to further promote understanding of the management vision and to set their own declaration of conduct to achieve it.



#### ● Career Plan Seminar (Other Support for Employee Growth )

Idemitsu offers support to enable each employee to autonomously build their career and work with a sense of satisfaction. For career building, we make departmental introduction materials available to all employees as a way of providing information to deepen understanding of the Company's departments and operations. To revise career plans, we will hold a career plan seminar in fiscal 2020 that helps employees sort out not just what they want to do but also what they can and should do.

## Various HR Systems

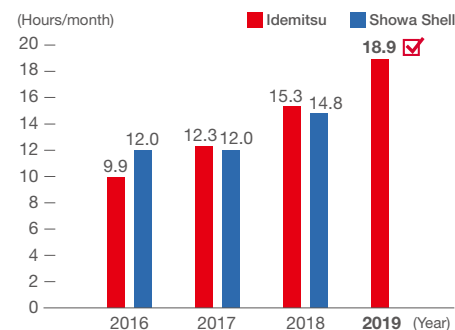
### Promotion of Diverse and Flexible Working Styles

As part of our efforts to create a worker-friendly environment for a diverse range of employees, we have established systems and structures such as the work-from-home system, the flextime system, and satellite offices that could help reduce the burden of commuting.

During the COVID-19 pandemic, employees whose jobs could be done remotely switched to working from home as a general rule, and, in response to the emergency, we made working hours more flexible and loosened core times for flextime. As a result, we were able to achieve a rate of 90% of employees working from home as of April 30, 2020. In addition, even after the emergency declaration was lifted, we took thorough prevention measures and, as of September 30, 2020, have maintained the physical rate of employees coming into their workplaces below 50%. We are also considering how to use this pandemic experience to realize new workstyles in the post-pandemic era. Furthermore, to promote new workstyles, we formulated guidelines for online communication and meetings, creating a framework that enables employees to work with more flexibility.

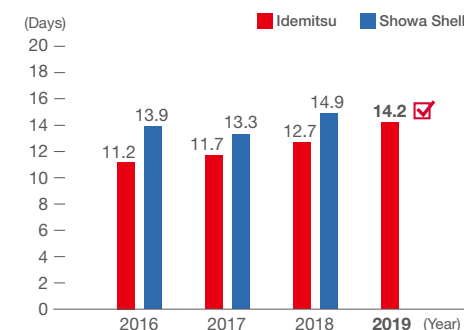
As for the management of working hours, we use the work management system to appropriately grasp the actual working conditions of employees and to regularly raise their awareness of working hours, aiming to increase productivity. In fiscal 2019, overtime work hours increased due to the temporary increase in workload resulting from the management integration. Through efforts to improve workplace culture and engagement (page 47–49), we aim to ensure employees achieve a work-life balance by improving work efficiency and productivity.

■ Average overtime work hours per employee



Note: Results for Idemitsu hiring (employees, seniors, re-employed), excluding employees in managerial positions, employees on leave and seconded employees.

■ Average annual paid leave taken by an employee



Note: Results for Idemitsu hiring (employees, seniors, re-employed), excluding employees on leave and seconded employees.





## Various HR Systems

### Fair Evaluation and Compensation

In line with the business integration of Idemitsu and Showa Shell, from FY2020 we are unifying core HR systems (grading systems, development and evaluation systems, and compensation systems). As we unify these systems, from September 2019 to February 2020, we held a total of over 100 informational sessions on the system at around 30 locations in Japan and overseas. Through direct dialogue, we worked to ensure employee understanding and acceptance of the systems. And, in conjunction with these briefings, we held opinion exchanges related to the Management Vision and the Medium-term Management Plan in an effort to foster employee understanding through direct dialogue with the president and executive officers.

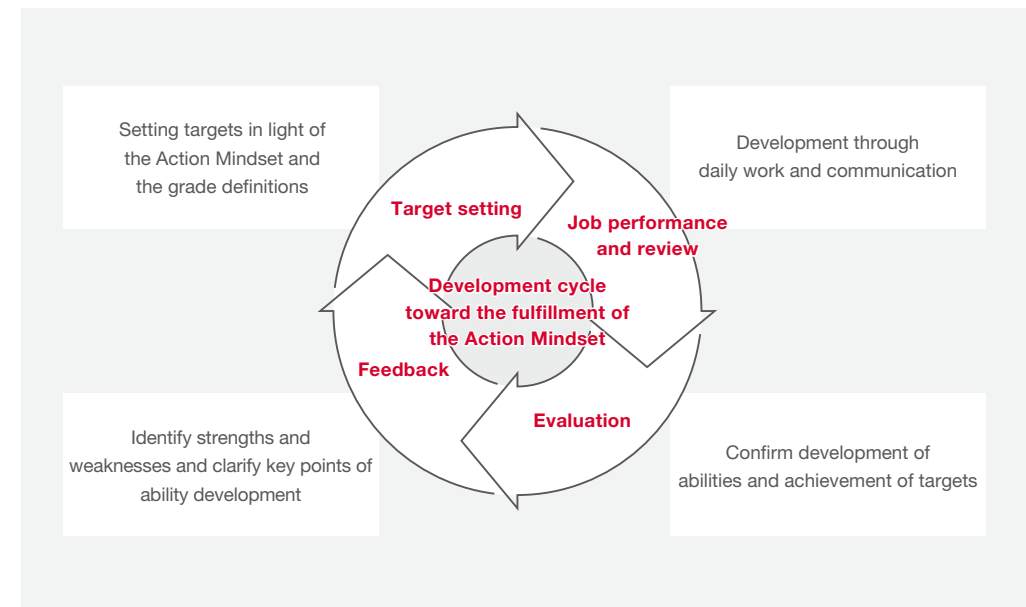
The new development and evaluation systems are designed to enable employees to continuously grow and develop themselves through comprehending the significance of evaluation that is given. They comprise an "competency evaluation", which evaluates their work attitude and demonstration level of competencies, and a "performance evaluation", which evaluates contribution and achievement level of objectives. In interviews with their superiors, employees confirm the target setting, the level of achievement, and abilities to be developed. The evaluation results connect to further growth and are reflected in compensation (pay and bonus) and personnel assignments and transfers. Evaluations are conducted once a year, and an interim interview is conducted during the fiscal year, providing opportunities for employees to work with their superiors to confirm their progress.

The compensation systems are designed to enable employees to work with a sense of security and acceptance. They comprise basic pay, which is stably provided for demonstrated abilities, bonuses for previous fiscal year results and contributions (based on goal accomplishment), and various allowances. This is based on the concept of respect for each employee's lifestyle and values along with a desire for the happiness of their family.

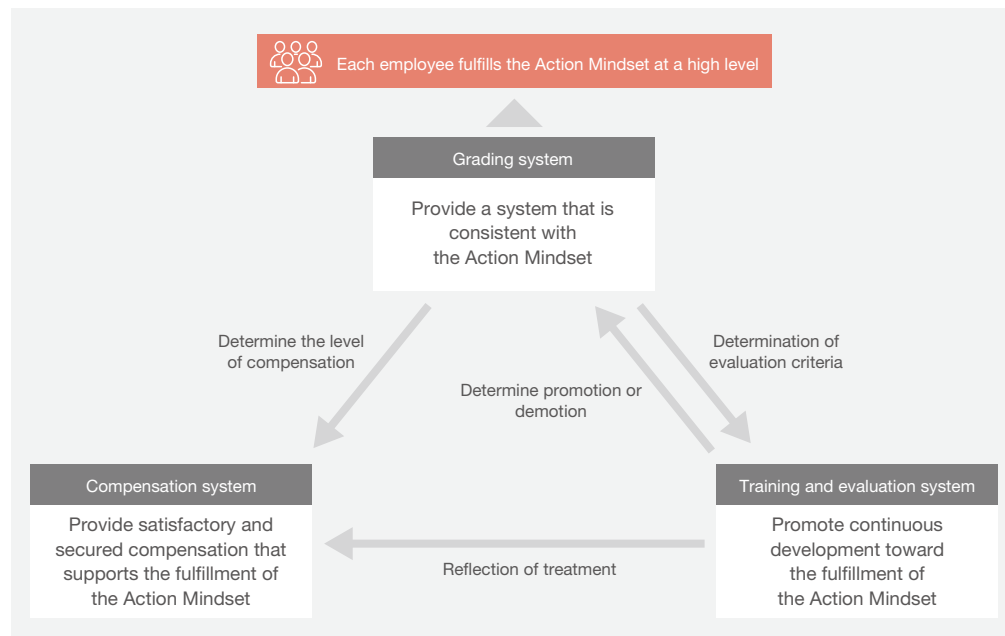
#### Informational sessions on the system



#### Development cycle toward the fulfillment of the Action Mindset



#### Overview of systems for human resource development



### Exchange of Opinions with Employees on HR Policies

We strive to comply with all applicable labor laws and regulations at home and abroad and to create workplace environments in which all employees can concentrate on their work with assurance and satisfaction. Based on the Labor Standards Act, an employee representative creates written opinion statements accompanying the formulation of or amendment to labor agreements and/or the rules of employment. Dialogues between employees and the Company and notifications of changes to various HR measures, including the rules of employment, are conducted mainly at the Next Forum and employee briefings. In addition, the Idemitsu Showa Shell Labor Union holds labor-management discussions as necessary. Through these efforts, we aim to develop policies that are highly acceptable by employees, including various HR initiatives, salary levels, labor conditions, and welfare benefits.



## Promotion of Employees' Health

### Promotion of Employees' Health

In its Action Mindset, the Group establishes that it will prioritize health and safety in all areas and positions health promotion as a management issue to ensure all Group employees thrive at work while staying mentally and physically healthy. Accordingly, we are promoting health management. In particular, with the COVID-19 pandemic remaining uncontained, we are aware of the high importance of employee health and are thoroughly supporting employee mental health care. In addition, we have been selected in the large-scale company category of the Certified Health & Productivity Management Organization Recognition Program 2020, wherein the Ministry of Economy, Trade and Industry (METI) recognizes companies that implement particularly excellent health and productivity management. We received praise for the implementation of our systems and measures, its organizational structure, and more.

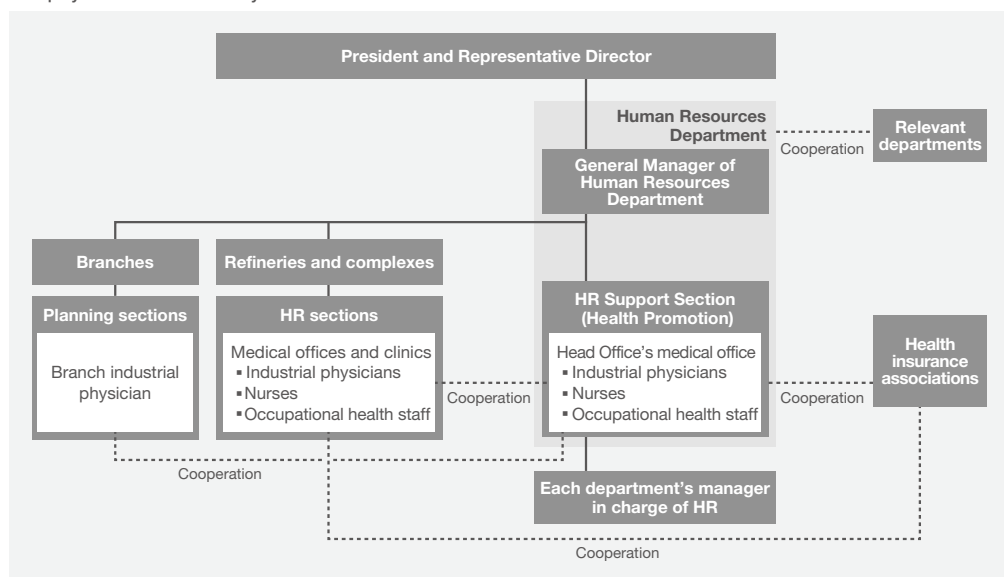


### Employee Health Promotion System

For the promotion of employee health, we placed a company-wide health promotion secretariat in the HR Support Section of the Human Resources Department in cooperation with health insurance associations and relevant departments. Our health management rules define the roles of the general managers and HR managers of each department with regard to health management and promotion in the workplace.

In addition, we have appointed 21 industrial physicians and 18 occupational health staff and nurses (17 full-time) to our facilities in Japan as experts. We have also appointed an industrial physician specializing in psychiatry and another in overseas management at the Head Office along with industrial physicians to branches with fewer than 50 people. Furthermore, we receive health management guidance from doctors at the University of Occupational and Environmental Health, Japan.

#### Employee Health Promotion System



### Medium-term Initiatives

In fiscal 2020 and beyond, we prioritize health and safety as set forth in the Action Mindset and build workplace environments in which employees are able to concentrate on their work with assurance by putting into practice health-oriented management that leads to proactive health management.

#### Main Priority Issues

##### 1. Improvement of health awareness

We regularly inform employees of our health declaration, policies, and objective performance, thereby creating opportunities to discuss health issues on a daily basis.

##### 2. Avoiding the need for leave of absence due to diseases or injuries

To support employees with mental health problems, we will enhance our in-house expert team. We will develop measures to prevent lifestyle-related diseases and support the individual efforts of our employees to stay healthy.

##### 3. Reinforcement of promotion system and PDCA

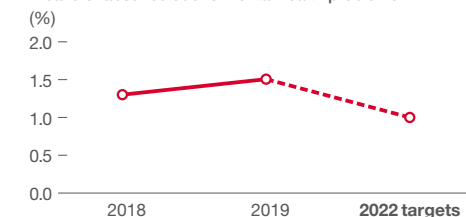
We will clarify the promotion system, regularly report to the Management Committee, and make effective use of the system to implement the PDCA cycle effectively.

#### Health indicators (targets and FY2019 results) and specific initiatives

##### ● Mental health

We work hard to reduce the number of employees with mental health problems through training on preventive healthcare measures that are overseen by line managers as well as on measures employees can implement on their own in light of the lack of communication due to new workstyles (expanded working from home) and through support from a mental health team.

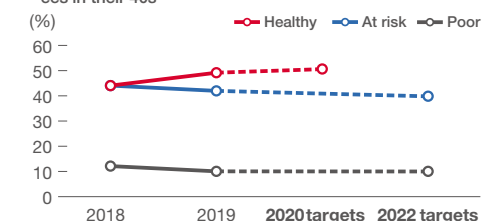
##### Percentage of employees who took at least a one-month leave of absence due to mental health problems (%)



##### ● Physical health

To prevent serious COVID-19 infections, we strive to raise the percentage of healthy employees mainly by focusing on preventing lifestyle diseases and expanding health guidance and age-based measures for employees currently in poor health or at risk.

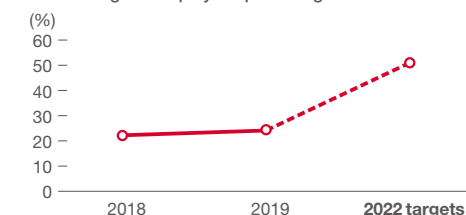
##### Percentage of health management categories for employees in their 40s (%)



##### ● Health awareness

We aim to enable employees to manage their own health mainly through training in self-care and healthy living habits in response to the pandemic and new work styles.

##### Percentage of employees practicing self-care (%)





## Promotion of Employees' Health

### Results of FY2019 Initiatives

Idemitsu and Showa Shell promoted the step-by-step integration of their health-related systems, taking advantage of their respective strengths in the occupational physician system, medical examination items and standards, stress checks, and health management support systems.

#### Actual Results of Specific Initiatives

- Appointed industrial physicians to offices with less than 50 employees and provided meticulous follow-up
- Extended company-sponsored cancer screening to young employees at periodic health checkups (only for those who want it)
- Held health-related seminars
  - Held a total of 10 exercise programs in coordination with health insurance associations, which 188 people in total attended at the Head Office (Teigeki Building) between November 2019 and January 2020
  - Also held these exercise programs at a total of 13 offices, which 283 people in total attended (Head Office, laboratories, branches, affiliates and subsidiaries)
- Used the Health Committee, internal information portal, and internal newsletters to raise awareness of available health consultation services and to introduce the health clinics at each base
- Rank-based training (for new employees, newly appointed managers, newly appointed HR managers)
  - In training for newly appointed managers, we held lectures on health management based on the Industrial Safety and Health Act, the significance of the Company striving to promote employee health, and the steps for responding to employees having physical or mental health problems
- Conducted e-learning regarding mental health, and a total of 5,980 people took classes (10 topics)

■ Health seminar themed on effective walking held at Head Office (Teigeki Building) in November 2019



We learned how to walk with proper posture, stride length and speed, as well as how to walk effectively to burn more calories.

### Mental Healthcare Initiatives

Regarding mental health, we conduct employee stress checks every year based on the Industrial Safety and Health Act. In fiscal 2019, we conducted such checks on a total of 5,742 employees, or 89.3% of our workforce. Based on the results of the stress checks, we provide face-to-face guidance to people with high stress levels and opportunities for consultations to people with high stress levels who do not want face-to-face guidance. In addition, we also support improving stress level of each workplace by providing report on analyzed results.

At the same time, we are concerned that the environmental changes attributable to the pandemic present a major source of stress and worry for employees. To thoroughly support employees, we have released information on mental health issues at each stage of the pandemic on the Health Support Site of our internal information portal and conducted a web seminar for line managers on overseeing care that can be performed while working from home during the pandemic.

### Addressing Global Health Issues

As a company with many overseas bases, the Group understands the importance of addressing global health problems, such as the three big global infectious diseases (tuberculosis, malaria, and HIV/AIDS) and is taking action in this regard. We support employees assigned overseas by providing education on health management before they are sent abroad (on infectious diseases, preventing lifestyle-related diseases, and self-care), follow up on employees with high stress levels after conducting stress checks, confirm their health status, provide health checkups for both the employees and their families during their assignments, and encourage them to get vaccinations.

With regard to the health of employees at the Nghi Son Refinery and Petrochemical Limited Liability Company (NSRP), NSRP not only provides vaccinations for seasonal infections like influenza, but also conducts pest control activities at company accommodations once a month to prevent infections from an animal vector. In addition, NSRP performs medical checkups for residents of neighboring communities and work to improve their health based on the results, such as providing tuberculosis vaccinations.

### Measures when Handling Hazardous Substances

At refineries and complexes, we use radioactive substances in analysis equipment and other machinery. Based on laws related to regulating radioactive isotopes, we have established internal regulations for handling these substances and properly manage them. We have taken such measures as shielding employees with protective gloves, garments, and masks, as well as providing sufficient preparation, including education and training in operational procedures, to complete operations quickly and minimize the time they are exposed to radiation. In addition, to manage the health and safety of the people handling the substances, we prohibit unauthorized entry into managed areas, measure radiation on the border of managed areas (twice annually), manage the exposure of employees who enter managed areas (for example, requiring them to wear personal exposure monitors), and radioactive operation employees receive two health checkups per year. Furthermore, when disposing of waste that includes radioactive substances, we contract an operator that has permits to appropriately dispose of the waste.

### FY2020 Initiatives

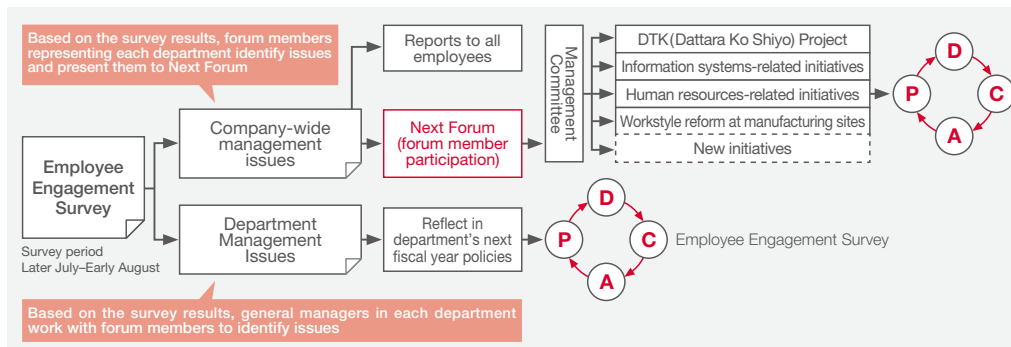
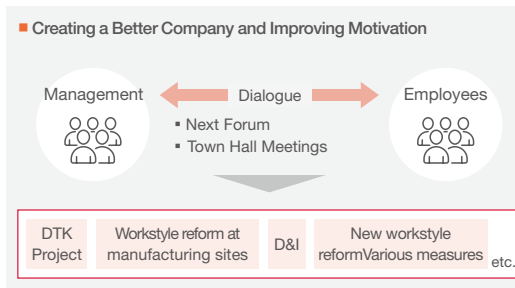
In fiscal 2020, we will continue rolling out effective measures that prioritize employee health amid the protracted COVID-19 pandemic.

#### Example Initiatives

- Stepped up information dissemination amid the pandemic (on self-care, care overseen by managers, and more)
- Held web seminars and exercise programs
- Quickly identified and responded to changes in conditions through pulse surveys
- Promoted healthy activities aimed at improving the rate of self-care

## Efforts to Improve Workplace Culture and Engagement

We aim to co-create with our employees a better company where all employees can thrive and feel rewarded, and we are working to stimulate internal communication to this end. Next Forum is where employees and management can directly engage in dialogue, exchange opinions, and make proposals on company-wide issues. DTK (Dattara Ko Shiyo) Project (=Business Process Redesign) aims to improve operations and make each employee's work engagement. We are rolling out these and other various measures, including initiatives in each department.



## Next Forum Initiatives

Next Forum is a company meeting for employees and management to directly discuss, exchange opinions, and make proposals on company-wide issues with the aim of cocreating a better company. Meetings are held twice a year, and forum members (a total of 110 persons from all 57 departments) selected from each department gather opinions from the workplace and directly communicate with management. In 2020, meetings were held online in March and September as a precaution against COVID-19.

Going forward, by continuing to hold dialogues at the Next Forum, we will reflect and roll out employee voices in company-wide activities, enabling all employees to achieve growth and self-actualization through work at the Company and maintain a consistent feeling of engagement and pride.

### ■ An online session for the Next Forum in September 2020



### Overview of the Next Forum in September 2020

- Report on the progress of each measure proposed by the Company based on the swiftly reported results of the employee engagement survey (detailed on the page to the right) and the results of the previous year's survey.
- Management and forum members debated chosen topics (members selected content in advance that they wanted to discuss with management)
  - Debate topics: internal communication linked to the ease of working in the post-pandemic era, understanding and instilling the Management Vision, and more
- Feedback gained from this forum
  - I felt that we are steadily marching toward the future and gaining a deeper mutual understanding when management and various employee representatives come together to exchange opinions
  - I was glad to hear the frank opinions of Board members

## PDCA Cycle Based on an Employee Engagement Survey

We conduct an employee engagement survey once a year to quantitatively and continuously analyze employees' engagement, mutual trust, and unity. The results of the survey are fed back to management and all employees. Then they are analyzed in detail, and specific action plans are formulated and implemented based on it. The results of these analyses and plans are then confirmed in the next year's survey. This is the PDCA cycle.

Company-wide management issues identified in the surveys are discussed by management and employees at the Next Forum. This was the motivation for launching the following company-wide projects: the DTK Project and the reform of workstyles at manufacturing sites. In addition, regarding departmental management issues, in each department, the general manager and other managers formulate action plans to address these issues, reflect them in the next fiscal year's policies, and promote and monitor the plans in daily tasks, thereby conducting the PDCA cycles.

### Overview of FY2020 employee engagement survey

Survey period: Late July 2020–early August

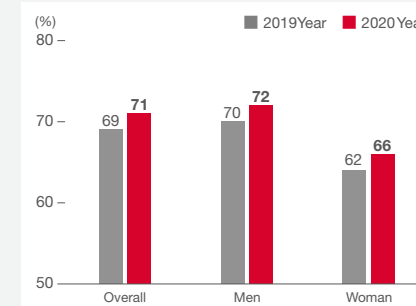
Scope: A total of 11,848 people at Idemitsu and 31 affiliates and subsidiaries

Response rate: 97.5%

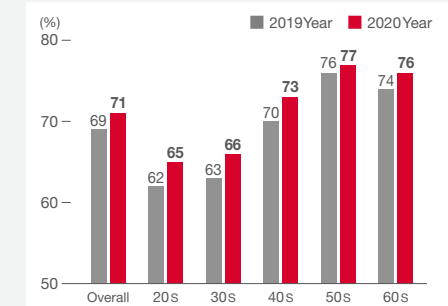
Changes from the previous survey: With changes in the social environment, we established a new category of questions (New Workstyles) and added questions related to the level of progress and communication among members in reforming workstyles.

\* Results below are for Idemitsu (non-consolidated)

### ■ Percentage of employees who reported that they have engagement to work in this company



### ■ Engagement, Mutual Trust, and Unity scores by age group



### Q. I am able to do my job in new workstyles. \* New category of questions

Positive response Neutral response Negative responses

70 15 15 (Unit: %)

### ■ Number of freeform comments

Over 50% of all employee responses included freeform comments, an unusually high percentage, representing the heightened awareness of employees regarding this survey.



## Efforts to Improve Workplace Culture and Engagement

### Achievements of initiatives for FY2019 issues and results of the corresponding engagement survey

#### 1. Creating a space for direct communication between management and employees

We expanded the space for direct communication between management and employees by holding townhall meetings\* and dialogue with Board members. Therefore, the top management category of the survey rose 9% year on year, and there was a 7% year-on-year improvement in positive responses to the statement: "Top management explains the background and reasons for major agenda items to employees in an easy-to-understand way."

\* A place for management and employees where management directly explains medium-term management plans, financial standing, business policies, and so on

#### 2. Enhancing operational efficiency (P.48)

Operational efficiency improved and operations were streamlined due to the DTK Project, decision making was sped up due to the construction of a flat organization, and each specific measure related to reforming workstyles was promoted company-wide. As a result, we achieved a 3% increase in positive responses year on year to the item: "work content and method: operational efficiency." We also achieved a 6% increase for a working environment item (IT equipment). In addition, there was a huge improvement in the form of a 20% year-on-year increase in the response to the statement: "The company is trying to achieve a digital transformation."

#### 3. Practicing D&I (P.36–41)

By taking measures to support work-life balance and achieve new workstyles and by holding Teams lunch subcommittees for employees raising children, the positive responses from female employees rose in all categories.

#### 4. Taking measures to enhance the engagement of young employees (20s and 30s)

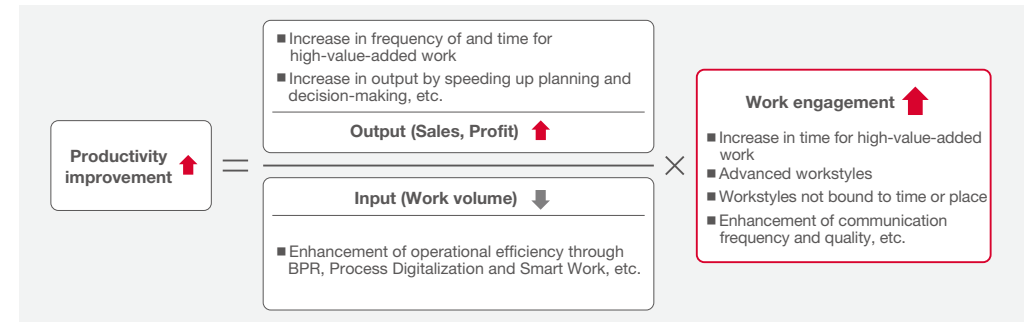
Because young employees indicated a relatively low level of engagement in the previous fiscal year, we implemented career-related measures, strengthened subordinate management and communication through 360-degree management evaluations, and promoted workstyle reforms at manufacturing sites and, as a result, registered major improvements in almost all categories in terms of absolute values.

#### 5. Promoting new workstyles (P.40, 43)

We achieved 70% positive responses to the introduction of new workstyles (promoting working from home, using online meetings, etc.)

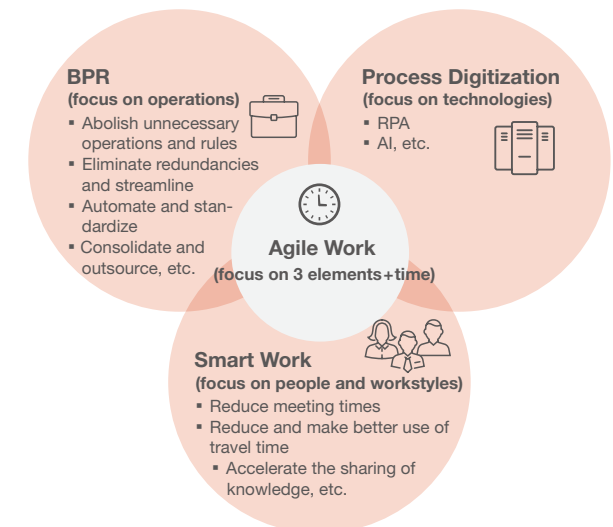
### DTK (Dattara Ko Shiyo) Project (Business Process Redesign)

This project was launched with the aim of reforming the workflow and working style of all employees to ensure the sustainable development of the Company. Productivity improvement requires three things: improved results, a reduced volume of work, and better work engagement. Improved results and a reduced work volume are equivalent to the existing operational improvement. The productivity improvement envisioned by this project is aimed at "operational improvement × improvement of each employee's work engagement." We formed a task team comprising the DTK appointees of relevant departments and each department to promote the project as a company-wide initiative.



In fiscal 2019, we focused on creating new ways of working in all divisions, including via digitization, while working to unify similar operations. In a company-wide achievement, we used digital technology to systematize contract management and create a workflow for approval applications. In addition, as department-specific projects, we worked to improve internal operational flows, cut unnecessary meetings, and reduce the frequency of meetings. In addition, regarding the progress of these efforts, we strove to disseminate information through our in-house information portal and enhance understanding through PR videos.

In fiscal 2020, we expanded the scope of activities included in this reform from the head office to branches, refineries, and complexes across the country. As a result, enthusiasm for reform has risen across the Company and we are evolving toward projects where employees are aware of the progress made. Our current reform themes are: Business Process Redesign (BPR), smart work, process digitization, and agile work. We will continue to search through various trials for the new workstyles we aim for while developing and enhancing specific measures.



#### Promotion of Activity Based Working (ABW)

At any time, at any place, with anyone. Employees choose the most appropriate workstyle for their own work regardless of time or place.





## Efforts to Improve Workplace Culture and Engagement

### Work Style Reform at Production Sites

Within our manufacturing and technology divisions, we are looking beyond the bounds of existing practices and conventional wisdom and have set up task teams to advance work style reforms with the goal of enhancing employees' professional fulfillment and our competitiveness. These teams are led by the Head Office and include members from production sites. We are advancing initiatives focused mainly on such areas as the diversification of front-line duties, immediately effective workload reductions, and shifting to mainly daytime work.

In FY2019, we completed our review of proposals regarding production site work reforms for operating site production engineers and began to implement certain measures. Specifically, in December 2019 we launched initiatives to immediately reduce workloads, achieving an 8% reduction.

From FY2020, we expanded these initiatives to maintenance divisions and the Group company Idemitsu Plantech, beginning full-scale work style reforms.

#### Progress of Specific Reforms

##### ● Reform 1: Diversification of front-line operations ➡ Operations Begun in FY2020 (Stage 1)

To diversify duties and growth speeds at production sites, in line with the operation of a new personnel system, we set up rank-specific growth targets and made it easier to reflect employees' proactiveness, effort, and acquisition of high-level qualifications in their evaluations. The second stage of initiatives to promote the diversification of duties and growth speeds will be launched in FY2021.

##### ● Reform 2: Work style reforms at production sites ➡ Launched in December 2019, achieving an 8% reduction in workload (target reduction: 6%).

Reducing the workload of young employees—a group with an especially high rate of attrition—was our first priority. However, we determined that young employees are sometimes demotivated when they see how busy their senior colleagues are, and took steps to reduce the workloads of workplaces as a whole.

##### ● Reform 3: Shifting to mainly daytime work ➡ We completed our review of reform proposals in FY2019 and will consider in detail such matters as facility-related measures while identifying additional issues through test operations in FY2020)

We are limiting nighttime staffing to the minimum needed for specific tasks like monitoring and responding to sudden irregularities as we shift to mainly daytime work, which is less physically taxing. By doing so, we aim to enable employees to focus more on inspections, operations, and high-value-added deliberations and thereby increase professional fulfillment.

### Reinforcing Internal Communication

We took steps to strengthen internal communication as a way of maintaining effective contact with employees working from home as part of measures to prevent the spread of COVID-19. In April 2020, we implemented an emergency survey of approximately 2,800 employees, mainly comprising those working from home, about their communication with superiors and colleagues, then reflected the results in various measures. We have also advanced the use of digital tools, for example, holding townhall meetings, dialogue with management, and seminars online. In addition, in light of the present challenging circumstances, as a way of strengthening inter-employee networks, we held meetings of employees balancing work with childcare with the aim of helping employees share their worries and concerns and get through this time together.

## Harassment Prevention Initiatives

### Approach to Harassment Prevention

The Idemitsu Group believes that respect for human rights must be the highest priority in all of its decisions and actions. Accordingly, we seek to maintain harmonious relationships with international society and local communities, and do not discriminate against any stakeholder group. Furthermore, we do not condone violence or words or deeds that are detrimental to human dignity, whether physically or mentally. To ensure sound, harassment-free work environments, we seek to deepen the understanding of all employees and have established a basic policy for harassment prevention measures and appropriately responding to incidents of harassment. By doing so, we aim to create and maintain work environments in which the human rights of all employees are respected and employees can utilize their abilities to the fullest. In addition, the Human Resources Department, Internal Control Promotion Department, and Corporate Sustainability Department engage in concrete cross-departmental initiatives.

\* Basic Policy on Harassment in the Workplace ➡ <https://sustainability.idemitsu.com/en/themes/200>



#### Specific Initiatives

##### ● Building Skills for Responding to Consultations about Harassment

From October to November 2020, we provided training aimed at building skills for those responding to requests for consultation about harassment, including the HR managers of company departments and affiliates and officers in charge of responding to consultations. This training taught participants the skills to appropriately respond to consultations from employees about harassment. A total of 98 participants took part, deepening their understanding of the appropriate mindset and key points to keep in mind when fielding consultations as well as the perspectives and feelings of employees making such consultations.

##### ● Anti-Harassment Training

Beginning in December 2018, we have been holding anti-harassment training for management-level employees with the goal of eradicating all forms of harassment, including sexual harassment, abuse of authority over, and harassment related to maternity. A total of 1,065 members of management and management-level employees from the Head Office, complexes, and branches have participated in this training (as of September 30, 2020). The training has served as an opportunity for participants to deepen their understanding of workplace sexual harassment and abuse of authority and reflect on their role as managers in preventing such issues. Going forward, we will continue this training as we strive to ensure harassment-free workplaces.



##### ● Workplace Harassment Prevention Guide

To create and maintain sound, harassment-free workplaces, we have prepared a guide to concrete prevention measures to help raise awareness among all employees, instructing them to not engage in or tolerate harassment.





## Ensuring Safety

### Policy for Ensuring Safety

Idemitsu's policy for ensuring safety is (1) to ensure the safety of people as our highest priority; and (2) to reduce and eliminate risks through the appropriate allocation of management resources and the maintenance and improvement of facilities, processes and work mechanisms with the aim of eliminating accidents and injuries while also (3) making efforts to cultivate a safety-oriented culture. Ensuring safety based on this policy hinges on management efforts. We also recognize the realization of a zero accident/disaster status as the foremost goal to be accomplished through these endeavors. Based on this recognition, we have established the following specific policies clarifying that ensuring safety is of utmost importance and must be prioritized in the course of our judgements, no matter the type of task or action involved, through-out all aspects of business activities, including production, logistics, sales, and research and development.

- |  |  |
|--|--|
| 1. Ensure the safety of people                             | 4. Properly allocate and utilize management resources                |
| 2. Ensure the safety assurance of facilities and processes | 5. Cultivate a safety-oriented culture and promote safety management |
| 3. Ensure the safety of work mechanisms and procedures     |  |

### System for Promoting HSSE Initiatives

We have positioned "Safety, Health and the Environment" as a management foundation and have established the Safety & Environmental Protection Headquarters to promote initiatives to secure and preserve this foundation. Members of the headquarters consist of the General Manager and co-head of the Safety & Environmental Protection Headquarters, general managers of departments in charge of supervising business sites and other managers who are appointed by the General Manager, in addition to the secretariat. The executive in charge of safety and environment (Director) is appointed by the President and Representative Director to serve as the General Manager of the Safety & Environmental Protection Headquarters, overseeing the headquarters as the individual bearing the highest responsibility regarding safety, health, and the environment. Safety, Environment (HSSE) & Quality Assurance Department serves as the secretariat.

The role of the headquarters is (1) to determine the medium-term management plan, the annual basic policies, and priority issues associated with health, safety, security and the environment (HSSE), (2) to assess and evaluate performance through audits, (3) to maintain, review, and improve the Safety Management System and the Environmental Management System, and (4) to instruct all departments and major affiliated companies on how to secure the management resources necessary to establish, implement, maintain, and continually improve these Management Systems.

As a general rule, the Safety & Environmental Protection Headquarters Meeting is held once a year in December to confirm the progress of HSSE activities and decide on our group's annual basic policies for the next fiscal year.

Each department appoints a manager in charge of safety and the environment to manage and promote the overall HSSE activities of the department, including those of the business sites under its management.

In line with annual basic policies and priority issues determined by the headquarters, each department is autonomously engaged in HSSE activities by employing a PDCA cycle.

In addition, in order to confirm and promote the HSSE activities of each department, the General Manager of the Safety & Environmental Protection Headquarters or other top management representative conducts Safety and Environment related instructions or Safety patrols by visiting business sites. The secretariat of the headquarters also conducts Safety and Environmental audits at business sites. In particular, at our company's refineries and complexes, the General Manager of the Safety & Environmental Protection Headquarters conducts Safety and Environment related instruction and Safety patrol once a year, while the secretariat conducts Safety and Environmental audit on an annual basis.

At business sites other than those named above, Safety and Environmental audits are carried out once every three years in principle. Should safety- and/or environment-related issues requiring improvement be discovered by audits, the secretariat will conduct follow-up monitoring on each case and oversee the entire process from the planning of countermeasures to the completion of their implementation.

Furthermore, in order to prevent serious accidents at our business sites, we have established the Safety & Security Advisory Committee, whose membership includes external experts, as an advisory body to the Board of Directors or the President and Representative Director, with the aim of establishing more effective safety and safety assurance measures.

#### Results of FY2019 Safety and Environmental Audits

Number of business sites subject to audits	22
Total number of issues commented on via audits	411
Major nonconformity 3	Minor nonconformity 50

\* Safety Management System: To promote safety management activities, safety management policies, objectives and targets are established. To achieve these objectives, a safety management plan is formulated, implemented, reviewed, and continuously improved.

### Activities and Results Based on the Annual Basic Policies on HSSE

#### Annual Basic Policies on HSSE in FY2019

Continue to take on the challenge of zero accidents, and aim for "Zero serious accidents," "Zero fatal and lost time injuries," and "Zero environmental abnormalities." Continue also to strive for "Strict adherence to Life Saving Rule" while "Supporting and encouraging colleagues."

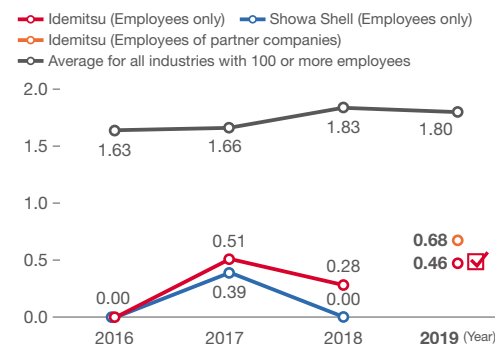
Idemitsu Group's Safety, Health and Environmental Performance in 2019 (including partner companies)		(Unit: cases)
Serious accidents	1*	Accidents resulting in lost time injuries 13
Fatal accidents	0	Environmental abnormalities 0

\* Fire at an affiliated company

Occupational accidents frequency rate	
Idemitsu's employees only	0.46
Employees of partner companies	0.68

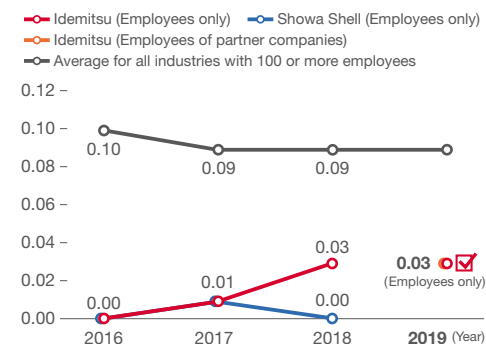
Severity rate	
Idemitsu's employees only	0.03
Employees of partner companies	0.03

#### Frequency rate (Accident incidence frequency)



Notes: 1.The frequency rate refers to the number of fatalities and injuries due to occupational accidents per 1 million hours of actual work.  
2.Data for 2019 is based on accidents reported by Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd. Anesaki Works, BASF Idemitsu Co., Ltd., Showa Yokkaichi Sekiyo Co., Ltd., TOA Oil Co., Ltd., and Seibu Oil Co., Ltd.  
3.Figures presented as averages for all industries with 100 or more employees are cited from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents.

#### Severity rate (Degree of accident severity)



Notes: 1.The severity rate refers to the number of lost working days due to absences attributable to occupational accidents per 1,000 hours of actual work.  
2.Data for 2019 is based on accidents reported by Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd. Anesaki Works, BASF Idemitsu Co., Ltd., Showa Yokkaichi Sekiyo Co., Ltd., TOA Oil Co., Ltd., and Seibu Oil Co., Ltd.  
3.Figures presented as averages for all industries with 100 or more employees are cited from the Ministry of Health, Labour and Welfare's Survey on Industrial Accidents.

#### Annual Basic Policies on HSSE in FY2020

Continue to take on the challenge of zero accidents, and aim for "Zero serious accidents," "Zero fatal and lost time injuries," and "Zero environmental abnormalities." Continue also to place "Strict adherence to Life Saving Rule" as the highest priority, and promote "Keeping and making people follow the basics for safety rules" and "Caring for and encouraging colleagues."



## Ensuring Safety

### Safety and Health Initiatives

#### Our Response to the COVID-19 Pandemic

From the perspective of preventing the spread of COVID-19 infection, we levelled the number of mobilization by reduction of the scale and extension of construction period in shutdown maintenances undertaken at refineries and complexes. Moreover, we placed priority on utilizing workers from local communities to minimize the workers from remote areas. We have implemented thoroughgoing health management along with stringent countermeasures aimed at safeguarding the workers from COVID-19 infection during their working times as well as during their commutes in all construction works.

#### Efforts for Zero Accidents

In 2019, a serious accident (a fire) occurred at an affiliated company. This accident forced said company to suspend operations for approximately four months. In response, Idemitsu assisted this company in its efforts to investigate the cause of the accident and formulate recurrence prevention measures. We will continue to strengthen our initiatives to prevent serious accidents.

The number of occupational accidents in the Group in 2019 was approximately 20% higher than the number in 2018. This increase is due in part to accidents involving workers at partner companies performing such tasks as shutdown maintenance. With this in mind, we will step up safety initiatives to strictly adhere to Life Saving Rule while identifying hazards and implementing countermeasures in non-routine operations and works. We will also strongly assist partner companies in their efforts to ensure workers safety.

In FY2020, with the aim of achieving the "Challenge of zero accidents," each department is promoting the PDCA cycle for safety and environmental management on its own initiative, and is working to continue safe and stable operations. To this end, each department takes a comprehensive approach to identifying any potential hazards, including those associated with processes and equipment, while implementing countermeasures via appropriate risk assessment measures.

#### Safety & Security Advisory Committee

At the FY2019 Safety & Security Advisory Committee, we reviewed the Earthquake Risk Management Guidelines we have had in place since 2005. In an effort to reduce the likelihood of the Company suffering serious damage due to the occurrence of a major earthquake, this review involved the reevaluation of our traditional guidelines in short-period seismic motions with varying intervals of recurrence. As part of this review, we have also incorporated risk assessment for both long- and short-period seismic motions at the maximum seismic intensities to strengthen our disaster response capabilities. Based on these risk assessments, we launched discussions regarding countermeasures to be implemented to ensure our preparedness for these disasters. In addition, the committee is striving to draw on takeaways from the Hokkaido Eastern Iburi Earthquake in 2018. At the same time, as for disasters including mega typhoons and high tides, studies of the consequence and countermeasures for its reduction are currently under way at our refineries, complexes, oil depots and lubricant-related facilities.

#### Reinforcement of Earthquake Resistance of Existing Facilities

Our refineries and complexes have worked to strengthen our measures in preparation for natural disasters. As for earthquakes, we have periodically assessed the earthquake resistance of our facilities based on the standards required by law to secure resilience against the expected earthquake magnitudes, and strengthen them, if necessary. In addition, having learned lessons from the Tokachi-oki Earthquake and other disasters, we have assessed and enhanced the earthquake resistance of our facilities against expected earthquake magnitudes to an extent that exceeds the standards required by law.

Following the Great East Japan Earthquake on March 11, 2011, laws concerning high-pressure gas equipment were tightened and the standards of earthquake resistance were reviewed. In response to these changes, we have been systematically reinforcing the spherical tanks and other relevant facilities that store LPG at the Group's refineries and complexes in order to improve the earthquake resistance of their support structures.

In FY2019, we reinforced our facilities at refineries, complexes and oil depots by employing subsidy programs offered by the government under the banner of building national resilience. Looking ahead, our group will consider the further enhancement of earthquake resistance.

- LPG tanks with reinforced support structures (Tokuyama Complex)



- Reinforcement of marine jetty with a view to strengthening disaster response capabilities (Yokkaichi Refinery of Showa Yokkaichi Sekiyu Co., Ltd.)





## Ensuring Safety

### Safety Education

#### Companywide Education

As part of company-wide education efforts, we use videos of serious accidents that have occurred at Idemitsu in safety training for new employees as part of their orientation every April, thereby instilling a persistent awareness that putting safety first is the foundation of management. Furthermore, during training for newly appointed management-level employees, which is carried out every time personnel are reassigned, we provide effective education about the legal role of management-level employees in safety and environmental management.

#### Education via the Safety & Environmental Protection Headquarters

Safety, Environment (HSSE) & Quality Assurance Department as the secretariat of the Safety & Environmental Protection Headquarters conducts training for key persons involved in safety and environmental management, such as the managers in charge of safety and environment of each department, major affiliated company and business site, on their roles and the basics of safety and environmental management based on internal rules. This training develops the leadership abilities participants need to proactively operate PDCA cycles for environmental and safety management in their own divisions and complexes (carried out 10 times in FY2019).

#### Education Organized by the Manufacturing & Technology Division's Technical Training Center

##### ● Production Facility Operator Education

Based on the medium-term education plan, the Technical Training Center is carrying out education aimed at developing all operators as production engineers (PEs). PEs are operating division engineers who have a logical understanding of processes, facilities, and systems and the ways that these are interrelated. They are able to synthesize this knowledge to make comprehensive decisions and carry out optimized and efficient operations of the Group's refineries and complexes, thus playing an important role in ensuring the safety of such facilities.

##### ● Reinforcing Process Safety Education

The Technical Training Center is working to reinforce process safety education. For example, the center provides training for foremen or their proxies (assistant foremen) with the aim of enhancing their abilities as leaders to make decisions about measures to be taken in emergencies. This training, in which participants form operating teams, utilizes a training plant created by modifying decommissioned desulfurization facilities within the Tokuyama Complex. Developed by Idemitsu, it is the only high-level training of its kind in Japan. The training program is designed to be realistic, thrusting participants into scenarios where irregularities occur at night or on days off, so they must take such steps as reporting and implementing first response, emergency shut-down, and disaster prevention measures as the situation develops.

In addition, we provide safety process management training for newly appointed technical managers at refineries and complexes. This training is conducted in two sessions. First, in the basic training, participants go over the key points of safety process management. Follow-up training then fosters an awareness of the urgency of reinforcing process safety and goes over action plans. In addition, as part of experiential training for local authorities and organizations and human resource development in coordination with local communities, we hold seminars to raise safety awareness using our danger simulation facilities and virtual reality, in cooperation with outside training centers. These activities have been well received by our external partners.

### Practical Fire-Fighting Training

#### ● Training for Disaster Prevention Personnel at Refineries and Complexes

In the event of a fire or explosion, first-response firefighting and containment measures are extremely important to minimize harm within the effected refinery or complex, as well as external damage. As such, we focus efforts on training disaster prevention personnel. We believe that ongoing, repeated practical drilling (based on the fundamentals of firefighting theory) is crucial. For example, participants learn the basics of disaster prevention in lectures and practice handling actual equipment and extending fire hoses according to response plans. In particular, the Hokkaido Refinery, Chiba Complex, and Aichi Refinery conduct firefighting training with real fire in training facilities.

#### ● Training with Real Fires at the Niigata Disaster Prevention Training Center

The Safety, Environment (HSSE) & Quality Assurance Department maintains the Niigata Disaster Prevention Training Center. This facility provides training on an ongoing basis to many participants each year, not only from within the Company, but also from other companies in the industry. The training comprises scenarios based on fires occurring at different types of complex facilities and includes both theory (lectures) and practice (drills with real fires) to teach participants about first-response firefighting methods suited to the characteristics of oil fires in order to reinforce first-response firefighting systems at complexes. The training center has been widely praised as providing valuable experience and firefighting skills.

### Utilizing External Training

#### ● Training for Top Management

To prevent serious industrial accidents and disasters, it is vital that the top management of worksites, such as the general managers of refineries and complexes, maintain a strong awareness of process safety and that accident prevention measures are carried out under their strong leadership. In light of this, oil and chemical industry organizations and related companies, including Idemitsu, communicated the importance of fostering process safety awareness among top management to an external training center. In response, the center has held a special seminar about safety and the role of top management going forward on a regular basis since March 2016. The general managers of Idemitsu's refineries and complexes and the top management of its Head Office manufacturing and technology divisions participate in this seminar every year, working to strengthen production process safety leadership together with the general managers of the refineries and complexes of other companies, mainly those in the region near the training center.



## Quality Control and Quality Assurance

### Basic Approach to Quality

Idemitsu Group has defined its basic stance on quality as follows. “In order to ensure product safety and minimize the impact on people and the environment, we aim to promote quality assurance activities that take into account the entire life cycle of our products and services, from development and consumption to disposal, and strive to improve customer satisfaction and protect consumers.” In addition, the Basic Essential Points on Quality Assurance serve as the highest-level internal regulation on quality, and set forth the following quality assurance policy as the basic concept of quality.

1. Provide products and services of appropriate quality from the customer's perspective.
2. Take an environmentally conscious approach to production activities and product development.
3. Provide safe and secure products.
4. Always ensure compliance and fulfill our social responsibilities.

### Quality Control and Quality Assurance System

Our quality assurance system consists of two components: systems in place at business units and affiliated companies, and a corporate-level system for overseeing these. In actual quality activities, these systems work together to ensure that the Group as a whole implements its quality assurance policy.

#### Quality Control and Quality Assurance Systems in Each Business Division and Affiliated Company

Our business divisions and affiliated companies conduct quality management activities at every stage of their operations, from product development to manufacturing and sales. These activities are intended to contribute to the maintenance and improvement of the quality of products and services to meet the needs of customers and society. In addition, each business division and affiliated company has introduced a quality assurance management system to ensure the quality of products and services provided to customers. A total of 37 business units and affiliates in our group have acquired ISO 9001 certification. (As of the end of September, 2020)

#### ● Quality Control in Lubricants

In our lubricants departments, we strive to enhance product quality through an ISO 9001-compliant quality assurance management system with the aim of providing a stable supply of products with consistent quality to our customers worldwide. All Idemitsu-owned sites in and outside Japan are ISO 9001-certified. We continually strive to prevent complaints and problems, aiming for zero customer complaints.

### Quality Assurance System at the Corporate Level

The Quality Assurance Headquarters has been established as a corporate quality assurance organization to strengthen the governance of quality throughout our group. The Quality Assurance Headquarters is headed by the executive in charge of quality assurance (Director) appointed by the Board of Directors. Members of the headquarters consist of the heads of quality-related business divisions and the presidents of affiliated companies, with Safety, Environment (HSSE) & Quality Assurance Department serving as its secretariat. The Quality Assurance Headquarters formulates policies for company-wide quality assurance activities and promotes initiatives to address such important issues as the maintenance, review and improvement of the quality assurance management system. Each business division operates its own PDCA cycle in accordance with these policies. As a general rule, the Quality Assurance Headquarters meets once a year to monitor progress in quality assurance activities and determine our basic policies for the next fiscal year. We also conduct regular quality audits to improve the activities of each division.

#### ■ Idemitsu Group's Quality Assurance Management System (PDCA cycle)



### Promotion of Quality Control and Quality Assurance

#### Initiatives to Ensure Product Safety

We conduct checks of product safety at each product stage, from research and development through sales based on Rule for the Product Safety. Regulations of various countries concerning chemical substances have been frequently changing, and it is essential to respond swiftly and decisively to these changes. In FY2017, we introduced a new tool aimed at better managing information on the hazardous properties of chemical substances used in our products. Having expanded the scope of departments subject to chemical information management, we have successfully responded to domestic and overseas regulations, which are evolving frequently.

#### Response to Complaints on Quality

In the unlikely event of serious product safety or quality issues, we follow the “Crisis Response Rules” to minimize damage and any impact on society at large. The Customer Relations Center receives quality-related complaints and inquiries and, depending on the content, works with relevant departments to provide a swift response. We had no serious quality incidents requiring company-wide response during FY2019.

#### Providing Appropriate Product Safety Disclosure and Labeling

We issue safety data sheets (SDS) for the products it manufactures as stipulated under the relevant laws. Each product bears labeling that indicates its hazardous properties and safety-related details in accordance with chemical classification that complies with the GHS (Globally Harmonized System of Classification and Labelling of Chemicals). Product safety information is also available via Idemitsu's website as it is equipped with a system that enables users to search product data by name or usage.

#### Employee Education and Awareness Raising Regarding Quality

The Idemitsu Group conducts education and awareness raising activities aimed at increasing employees' awareness of quality. Specifically, we hold workshops for managers in charge of quality to empower them to promote quality assurance activities at their respective divisions or affiliates, as well as internal seminars on such highly specialized topics as responding to laws and regulations on chemical substance management. Such activities help us advance quality assurance activities across the Group. Furthermore, every November, we conduct Quality Month events, holding lectures on quality, soliciting quality slogans, and putting up posters to inspire each and every employee to think about quality (in FY2020, lectures were cancelled to prevent the spread of COVID-19).





## Cooperation with Partners

### Sustainable Procurement

#### Sustainable Procurement Policy

Idemitsu aims for the sustainable development of society and the company by conducting fair and equitable procurement based on proper procurement ethics, contributing to the improvement of business competitiveness, and conducting honest management for all stakeholders. To this end, we established the Basic Procurement Policy and internal rules dubbed General Rules Concerning Procurement Activities.

Through the policy and rules, we aim to contribute to the realization of a sustainable society throughout the supply chain. In particular, we have established criteria for selecting suppliers when purchasing or borrowing the materials, construction work, and services necessary for our business operations, and ensure that suppliers understand the policy.

#### About Our Sustainable Procurement Guidelines

The business environment is diversifying, and in order to achieve sustainable development, it is expected that every company will actively strive to fulfill its social responsibilities not only for itself but for the entire supply chain. The Basic Procurement Policy is based on the Management Vision and Action Mindset and we will work with business partners to co-create a sustainable society throughout the entire supply chain through procurement activities grounded in unwavering ethics. In order to fulfill this responsibility, we formulated our own Sustainable Procurement Guidelines based on ISO 26000 (Guidance on Social Responsibility), ISO 20400 (Guide to Sustainable Procurement), the Sustainable Development Goals (SDGs), and the 10 principles of the United Nations Global Compact. Our guidelines cover seven fields: 1) organizational governance, 2) human rights, 3) labor practices, 4) environment, 5) fair business practices, 6) consumer issues, and 7) social contribution. We exchange information with business partners regarding the status of our sustainability-related efforts as we strive to mutually attain a higher level.

\* Procurement Information ► <https://www.idemitsu.com/company/purchase/>



#### Conduct Self-Assessment of Sustainable Procurement for Suppliers

To promote sustainable procurement throughout the entire supply chain, in 2019 we began an independent survey to determine the degree to which our major suppliers are adopting sustainable procurement. The Corporate Sustainability Department, the Procurement Department, and some other departments collaborated to send a Sustainable Procurement Self-Evaluation Sheet consisting of 35 items in 7 fields—organizational governance, human rights, labor practices, the environment, fair business practices, consumer issues, and social contribution to major suppliers—based on the Sustainable Procurement Guidelines and asked them to perform self-evaluations. In FY 2019, we conducted a survey of around 300 major suppliers, and, in FY 2020, we opened a dialogue with 75 of these companies to ask them to make improvements. In addition to providing feedback on the results of these assessments, if there are any concerns, we work with suppliers to improve and solve those issues together through dialogue, thereby reducing risk throughout the entire supply chain. We are working to deepen mutual understanding while communicating our stance on sustainable procurement and the Human Rights Policy. Specifically, we are making such improvements as sharing our cyber security letter with suppliers who request it from the perspective of preventing threats to our computer network and establishing reporting hotlines in the supply chain. This survey will be repeated once every three years to ensure continuous improvement.

Our sustainable procurement initiatives have only just begun, but we are working with society and suppliers to achieve a triple win.

#### Selection of New Suppliers Based on Social and Environmental Standards

Working in collaboration with all its suppliers, we hold in-house workshops as part of our procurement activities to convey that we fulfill our social responsibility through the entire supply chain. Afterward, when selecting new suppliers, we adhere to our Sustainable Procurement Guidelines.

#### Collaboration with Dealers

Idemitsu operates its businesses through a powerful network of 1,209 dealers and 6,384 service stations nationwide. Branches serve as contact points, providing dealers with detailed support for business management and service station management. In March 2020, we held joint strategy meetings to convey the new fiscal year's policies and measures with the participation of 758 dealers. To prevent COVID-19 infections when holding the meetings, we spread them out among around 40 locations and took strict precautions at each site, ensuring zero transmission.

In cooperation with the National Idemitsu Association and the National Showa Shell Association, we are also working to strengthen social contribution by providing community support and doing our part to revitalize local communities. Idemitsu Group has established its own certification and training systems to enhance the knowledge and skills of its staff in order to increase customer trust in its technologies and services, as well as to continue generating new added value by identifying and being sensitive to customer needs.

In order to ensure a stable supply of energy, service stations, which provide strength in times of disaster, are expected to play a role as disaster response centers. We are demonstrating a system that combines solar panels and power storage functions at four service stations in the Tokyo metropolitan area.

In addition to providing a constant refueling function in the event of a power failure, a service station can also be used as a power supply point for charging mobile phones and smartphones and for Wi-Fi connections, enhancing the durability and versatility of emergency power supplies.

\* The numbers of dealers and service stations provided in the text are as of the end of March, 2020.

■ A disaster-response service station



#### Major Independent Certification Programs

##### ■ Idemitsu Technical Master Program

A qualification program for developing human resources who can make comprehensive energy proposals that meet customer needs in the field of industrial petroleum and lubricant sales.

Individuals certified in FY2019		(Unit: Persons)		
	Grade 1	Grade 2	Grade 3	
Petroleum division	24	76	221	
Lubricants division	58	141	341	

##### ■ Zepromeister Program

A certification program to train service station oil leaders through the acquisition of oil-related basic knowledge and product knowledge as well as exchange techniques, which will become increasingly complex in the future.

Certified individuals as of August 31, 2020		(Unit: Persons)		
	Grade 1	Grade 2	Grade 3	
	465	2,251	3,857	

##### ■ Showa Shell Royal Manager (SRM) Program

A qualification program launched in 1979 to further develop the abilities of service station managers with the aim of enhancing service station management capabilities in line with evolving needs and helping management adapt to change.

Cumulative total certified individuals as of August 31, 2020		(Unit: Persons)		
	Grade 1	Grade 2	Grade 3	
	502	4,000	17,948	

##### ■ Showa Shell Oil Meister Program

A qualification program for training service station lubricant sales leaders who have a high level of both technical and sales skills.

Cumulative total certified individuals as of August 31, 2020		(Unit: Persons)		
				1,493

##### ■ Showa Shell Car Life Advisor Program

A qualification program that trains service station personnel with advanced overall knowledge of vehicles, so they are able to give appropriate advice to customers.

Cumulative total certified individuals as of August 31, 2020		(Unit: Persons)		
				556



## Cooperation with Partners

### Collaboration with Subcontractors

Refineries and plants outsource plant maintenance, overland shipping, and marine transport to subcontractors. At each of our business sites, we have organized three cooperative associations: one for construction and maintenance, one for land transportation, and the last for maritime transportation. The Chiba Complex, for example, it supports the efforts of the Cooperative Association for Construction and Maintenance to ensure zero lost-time disasters and raise awareness of these efforts. The complex works with the Cooperative Association for Land Transportation to patrol loading areas in collaboration with operations managers. The complex also works with the Cooperative Association for Maritime Transportation to hold deliberations with various shipping companies at regular intervals. We are promoting safe, stable operations and environmental conservation at our refineries and complexes in cooperation with these associations.

### Collaboration with Transport Companies and Maritime Shipping Companies

Idemitsu's petroleum products are transported by land and maritime contract transport companies. To promote safety and strengthen cooperation, the contract transport companies have organized two councils, one related to maritime safety and another related to land safety. We are a special member of both councils.

The launch of the newly integrated company significantly increased our membership in both councils, which have been taking their first steps toward engaging in new activities. Focusing on land transport by tanker trucks, a reborn Koun-kai was formed from 32 contract transport companies in May 2020. This council of land transport companies holds safety campaigns, training sessions for operations managers, and gives awards to crew members boasting accident-free and violation-free operations. Also in May 2020, the ISG Marine Environment Safety Council was formed from a total of 10 maritime transport companies with the aim of promoting safety in maritime transport by coastal tankers. The council carries out safety campaigns through which it ensures the thorough implementation of safety activity policies and specific measures as well as the sharing of best practices and cautionary case studies.

In addition to calling attention to the safety, environmental, and quality aspects of operations through the two councils, we are working to build a competitive logistics system while enhancing safety and quality and emphasizing safety activities rooted in the workplace. This is done by listening to the comments and opinions of tanker truck and coastal tanker crews, who are the people actually undertaking safety operations and safe transportation, providing feedback to them, and using their input to inform our activities.

In addition, as a new initiative, seven companies in Japan, including Idemitsu and maritime transport companies, established the e5\* Consortium in May 2020. The consortium focuses on the potential and prospects for zero-emission electrically propelled tankers (EV ships) in coastal shipping and has brought together the strengths of its participating companies, including technical know-how and networks. The aim is to construct a platform that provides revolutionary maritime infrastructure services as a foundation for EV ships.

\*e5: In the maritime transport industry, providing safe, secure, and quality transport services by realizing the five values of electrification, environment, evolution, efficiency, and economics.

### Collaboration with Partner Companies

Idemitsu works with partner companies in diverse industries in Japan and overseas to further expand business, including the launch of joint ventures and new projects. In Japan, we have established joint ventures in the basic chemicals business, the agri-bio business, and more. One example is a collaboration we entered into with NIPPON GREASE Co., Ltd. that entails working together on R&D, the optimization of our product portfolio, discussions on sales channels and other topics, and the regularly exchange of technologies. Overseas, we have established the joint venture Nghi Son Refinery and Petrochemical Limited Liability Company (NSRP), which operates the refinery in Vietnam. In the advanced materials & performance chemicals business, we have partnered with Formosa Petrochemical Corporation (FPCC) to establish Idemitsu Formosa Specialty Chemicals Corporation, which is slated to begin commercial operations in FY2020 as a new production base for hydrogenated hydrocarbon resin.

### Exchanges and Dialogues with Oil-Producing Countries

Idemitsu has been promoting exchanges and dialogues with oil-producing countries in the Middle East and other regions through our representative offices, in order to build strong relationship of trust. In recent years we have further strengthened the relationship of trust by capital participation in the joint venture businesses. In addition, we cooperate with the countries on human resource development and technical support, by dispatching experts to the countries under the aegis of the JCCP (Japan Cooperation Center Petroleum) and by accepting senior officials and technical trainees in Japan. We also participate in the joint infrastructure development project in the oil-producing countries (FY2019) which the JCCP implemented.

Through these activities, we are deepening our cooperation with national oil companies in crude oil procurement, enabling us to select, procure and transport the crude oil with flexibility in order to maximize the performance of our refineries even in the volatile market trend.

#### Training Program Performance (FY2019)

In FY2019, we accepted 61 trainees from the United Arab Emirates, Qatar, Oman, Vietnam, and elsewhere.

#### Meeting with executive candidates





## Social Contribution Activities

### Social Contribution Activity Policy

The Idemitsu Group continues to work on social contribution activities focusing on the development of young people and children who will lead future generations. Through these activities, we interact closely with the people of all regions.

### Social Contribution Expenses

#### Trends in Social Contribution Expenses\*

(Unit: Millions of yen)

	Idemitsu	Showa Shell
FY2017	209	65
FY2018	219	68
FY2019	386	-

\* The following activities are included in our calculations:

Idemitsu Music Award, Shell Art Award, Environmental Photo Contest "Watashi no Machi no O to X," KidZania, Energy Education Program for Children, TABLE FOR TWO, office provision to Refugees International Japan (RIJ), Mirai wo Kanaderu Ongakukai, FURUSATO PROJECT, IDEMITSU IHATOVE TRIAL, community promotions by sales departments, and donations.

### Examples of Social Contribution Activities

#### Connecting with People

##### ● Idemitsu Music Award

In 1990, we established the Idemitsu Music Awards to commemorate the 25th anniversary of the television music program "Daimei no Nai Ongaku-kai" (Untitled Concert) sponsored by Idemitsu. The awards support the activities of promising young and up-and-coming musicians as a way to help elevate music culture in Japan. Over the course of the 30 awards ceremonies held thus far (as of FY2019), 106 individuals and one group have been honored. Every honoree continues to shine in their respective field. Among the many talented musicians, selection requires something beyond mastery. With an eye to nurturing new talent, the selection criteria also focus on drive, intrinsic ability, and future potential. To qualify, a candidate must be a musician no older than 30 and living and working in Japan. Each award recipient is given 3 million yen in prize money to encourage them to continue perfecting their self-improvement.

Every year, a concert is held commemorating the awards, and the musicians give wonderful performances in front of a large audience. The concert is broadcast on "Daimei no Nai Ongaku-kai" (Untitled Concert) and garners a lot of public attention. In fiscal 2019, the recipients were Haruma Sato (cello), Moné Hattori (violin) and Mao Fujita (piano).

##### ■ Haruma Sato



© TOMOKO HIDAKI

##### ■ Moné Hattori



© Chihoko Ishii

##### ■ Mao Fujita



© EIICHI\_IKEDA

##### ● "Daimei no Nai Ongaku-kai" (Untitled Concert)

We have been the sole sponsor of the music television program "Daimei no Nai Ongaku-kai" (Untitled Concert) for over 50 years since 1964. The program features live performances of orchestras with the aim of delivering quality music straight to people's living rooms, with its principal focus on classical music. In April 2017, Kanji Ishimaru, who is active on television and stage, became the sixth host of the show, helping the audience appreciate the appeal of the music from a new viewpoint and contributing to the history of the program.

##### ■ "Daimei no Nai Ongaku-kai" (Untitled Concert)



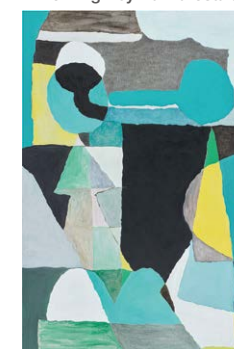
© TV Asahi

##### ● Shell Art Award

This art award was established in 1956 to support young future leading artists, and is open to all artists aged 40 or younger. This art award is highly evaluated as a "gate to success for young artists" and boasts a long history as a prize in the completely open competition, which was highly unusual at the time of its establishment. In 2019, its 63rd anniversary, we had 531 applicants and 765 entries of works, from which we selected recipients for the Grand Prix, Judges' Award, and Special Student Award. At the "Shell Art Award 2019" held at the National Art Center in Roppongi, Tokyo, in December 2019, 54 award-winning and other winning works were exhibited, and 5,487 people visited during the 13-day exhibition. At the exhibition hall, we held the "Shell Art Award – Artist Selection (SAS) 2019" at the same time, which showcased four young artists' recent and new works selected by the judges in the previous year. In this way, we continue working to support young artists. In addition, the "Audience Award," which is selected by the votes of visitors, was granted for the sixth time.

For the second time since 2018, we ran the "Shell Art Award Residence Support Program" for past award-winning artists and artists of other winning works. This program is designed to help artists develop themselves by gaining new inspiration and awareness through overseas stays and interactions with artists from other countries. We provide the selected artists with the opportunity to stay overseas and support two-months of art activities at "Cité internationale des arts," a residential facility in Paris, France.

##### ■ 2019 Grand Prix winning work "between night and morning" by Yu Kurosaka



##### ■ Grand Prix winner Mr. Yu Kurosaka







## Social Contribution Activities

### ● Environmental Photo Contest “Watashi no Machi no O to x” (Things to Preserve and Correct around Our Town)

We hold a photo contest for children and students across the country for scenic photos of things that they want to preserve in their local community (Photo O), and scenic photos of things that they want to improve immediately (Photo x), with comments attached. We held the 15th contest in 2019 supported by the Ministry of the Environment.

The individual category consists of the elementary school, junior high school, and high school/technical college divisions. In 2019, there were a record high 10,392 entries (742 photos in the elementary school division, 7,769 in the junior high school division, and 1,881 in the high school and technical college division), and the number of entries has been increasing year by year. The photos are used as teaching materials for environmental education at school and homework during summer vacation. In the school division, we had applications from 389 schools from all over Japan.

#### Elementary School Gold Award “A thermos I can use forever”

Comments on the photo

Ms. Saki Ichimaru (Kanagawa Prefecture)

In my family, we always take a thermos whenever we go out. We could take a plastic bottle or buy one when we're out, but a thermos is very convenient. It keeps things ice cold in the summer and wonderfully warm in the winter, making everything taste better. But, most of all, I'm glad it doesn't create any waste. Plastic bottles become trash after one use, but a thermos can be used however many times. I've been using mine for five years now and intend to continue using it from here on out.



■ Photo O

■ Photo x



### ● KidZania

At KidZania, an inspiring, interactive indoor theme park located in Toyosu, Tokyo, and Koshien, Hyogo Prefecture where children experience various occupations and social activities, we have been operating a service station pavilion (called “gas station” at KidZania) since 2006, allowing children to learn how society works in a fun way.

■ Idemitsu Service Station (gas station) Pavilion



### ● Visiting Class and Energy Education Program for Children

We provide mainly elementary school students in the vicinity of refineries, complexes and plants with lectures at school to deepen their understanding of climate change and other issues caused by global warming. We encourage the children to learn these issues are not distant problems for future generations, but urgent problems they need to confront. We provide classes filled with experiments, handicrafts, and quizzes for hints and tips on energy-saving, so that they can find opportunities to practice global warming countermeasures in their daily lives.

■ Energy Education Program for Children



■ Agri-bio workshop



### ● Hokkaido Idemitsu Children's Art Contest

The “Hokkaido Idemitsu Children's Art Contest” held by Hokkaido Idemitsu-kai\* marked its 11th anniversary in fiscal 2019. The contest has received acclaim from both visitors to the exhibitions of the winning works and the participating educational institutions, including schools and childcare centers. In fiscal 2019, we received a total of 7,735 entries from many children all across Hokkaido. After the works have been judged, a poster is made featuring the top selections and displayed at Idemitsu service stations within Hokkaido and an exhibition tour is held around Hokkaido. In fiscal 2019, we simultaneously held an exhibition of the 86 winning works and special exhibitions displaying some works selected from entries in the exhibition area, in seven locations starting in Kushiro, then going on to Hakodate, Asahikawa, Obihiro, Hakodate, Sapporo, Muroran, and Kitami.

\* Idemitsu-kai: Organization of owners of retail outlets

■ At the exhibition



### ● TABLE FOR TWO (TFT)

When a person purchases a TFT branded meal at the cafeteria of the Daiba Frontier Building or Solar Frontier's Kunitomi Plant, a portion of the proceeds will be donated to provide a school lunch for a student in need in a developing country through the NPO TABLE FOR TWO International. This is a social contribution activity in which anyone can participate by purchasing one of the TFT branded healthy meals so as to provide a school lunch for a student in a developing country. In addition, a participant can stay healthy by taking a nutritionally balanced meal. Donation at the Daiba Frontier Building started in December 2013 and at the Kunitomi Plant it started in April 2016. As of March 31, 2020, we have donated school lunches for 20,357 students (3,892 in fiscal 2019).

■ Children in developing countries supported by Idemitsu



Photo by TABLE FOR TWO International

### ● Providing Office Space to Refugees International Japan (RIJ)

We have been providing office space for free to the non-profit organization Refugees International Japan (RIJ), which works to support refugees, since its founding in 1979.

RIJ raises funds through donation campaigns and sales of greeting cards and crafts, and provides supplies to refugees in Myanmar, Lebanon, Kenya and other countries. With a long-term goal of securing the refugees' economic independence, RIJ works to provide them with stable and continuous support through language education and vocational training within their communities, in addition to providing supplies.

■ Vocational training in Nairobi, Kenya



Photo by RIJ



## Social Contribution Activities

### Connecting with Communities

#### ● Mirai wo Kanaderu Ongakukai (Music events hosted by Idemitsu Kosan)

We have held concerts since 2006, mainly in regions where we have established refineries and complexes. In fiscal 2017, the concert program was reimagined as “Portraying the Future in Music,” with the aim of supporting musical experiences for the future generations in part by providing opportunities for young musicians to showcase their talents and for local students to perform with professional musicians. We also hold music workshops at local elementary and middle schools around the time of the concerts.

- Joint concert with elementary school students and professional musicians
- Music workshop at an elementary school



#### ● FURUSATO PROJECT

Since 2018, we have been holding the “FU-RUSATO PROJECT” at elementary schools across the country. This project allows children to participate in hands-on lessons of traditional musical instruments and conduct commemorative cherry-tree planting. We started these activities with the aim of providing children of future generations with opportunities to experience real music. We hope these memorable experiences will help children expand their interest in Japanese traditional culture and remember their hometown, even after growing up, so that they will pass on the essence of their hometown to future generations. As of the end of December 2019, we held the event at 13 elementary schools nationwide, with 3,454 elementary school children participating, from Hokkaido in the north to Okinawa in the south.

- Hands-on lesson of Japanese drums
- Commemorative cherry tree planting



#### ● IDEMITSU IHATOVE TRIAL

We also contribute to local community development through the promotion of motorsports by serving as the main sponsor of the Idemitsu Ihatove Trial, a motorcycle trial held in the northern part of Iwate Prefecture since 1989. The theme since the 2017 Trial has been “giving the trial spirit to future generations.” We have been striving to nurture genuine trial riders and to support children to broaden the horizons for riders. As part of our environmental initiatives, we offset CO<sub>2</sub> emissions from motorcycles used in this event by using the “J-VER offset credit” scheme in maintaining forests owned by Iwate Prefecture. We aim to further develop the event by demonstrating the allure of motorcycle trials to future generations.

- Children's motorcycle experience



©tvi

- Group photo of riders



©tvi





## Social Contribution Activities

### Activities at Overseas Bases

#### ● Support for Japanese Language Learning in Vietnam

Our Hanoi Office in Vietnam has supported Japanese language classes at Tohoan Junior High School in Hanoi every year since 2015 as a social contribution activity. In fiscal 2020, we co-sponsored the completion ceremony for the school's Japanese classes held on June 24, 2020. Around 450 people in total attended the event, including the Japanese language students, the school's principal and teachers, and the Hanoi Office's staff. The office gave a commemorative gift to the top students with excellent grades. After the ceremony, students were invited to tour the Idemitsu Q8 Petroleum Service Station. They witnessed a demonstration of the staff's Japanese-style customer service, and some students remarked: "I learned a lot about the service at Idemitsu's service stations" and "I saw how deeply committed the staff is to customer service."

In addition, we have been co-sponsoring a Japanese culture festival since 2018 as a similar social contribution activity. It is an event for exchanging Japanese and Vietnamese culture that is geared toward junior high school students, bringing together many students and school staffs from 10 schools in Hanoi as well as representatives from Hanoi Department of Education and Training and the districts' Japanese language training sections. Each school held an audition, and the groups who had the best performances (speeches, dances, songs, plays, etc.) participated in a contest at the festival. The 2020 festival tried for the first time to have booths where each school offered food and cultural experiences of both countries to introduce and exchange the cultures of Japan and Vietnam. We will continue to co-sponsor this festival as a place where we can once again introduce and endear people to Japanese culture.

#### ■ The completion ceremony for Japanese classes

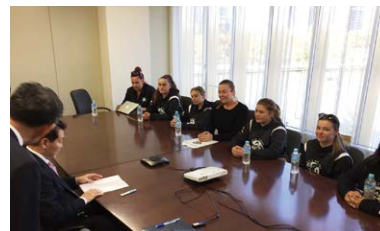


#### ● Initiatives Addressing Community Issues in Australia

Idemitsu Australia Resources Pty Ltd. (based in Brisbane), which is one of the coal business bases, is working to promote initiatives that contribute to solving social problems in the community from a long-term perspective under the following four policies by the management level.

- Environmental Management Policy
- Energy Management Policy
- Cultural Heritage Policy
- Stakeholder Engagement Policy

#### ■ Girls' Academy



### 2019 Initiatives

#### Girls' Academy

To lower the high unemployment rate among Aboriginal women and help realize quality of life improvements for the community over the long-term, IAR sponsors a youth training program that offers guidance to local female students through cultural exchange.

#### Construction of the Boggabri Community Childcare Center

We constructed a facility offering care for children below school age as well as after-school care for school-age children and provided it to the municipal government.

In addition, for communities neighboring mines, we helped maintain populations and build more robust communities and will continue to provide long-term support going forward.

### Connecting with the Global Environment

#### ● Forest Restoration Activities in Indonesia

In 2004, P.T. Idemitsu Lube Techno Indonesia was founded to produce and market lubricants in Indonesia. On the island of Sumatra, the company is working with a local NGO (Orangutan Information Centre) to rejuvenate forests that are at risk of destruction.

The Leuser Ecosystem, which is a world heritage site centered on Leuser, North Sumatra Province, is one of South Asia's most precious forests, spanning over 2.6 million ha and providing a habitat for orangutans, tigers, Sumatran rhinos, elephants, and other wildlife. However, due to its mineral reserves, the forest is in crisis because of forest destruction from roadworks, largescale mining operations, palm oil plantations, and other development. Thus, with a portion of profit from the sale of fuel-efficient motor oil 0W-20 for gasoline engines as funds for planting, we have been planting trees in a 7 ha area of forest to return the area to its original forested state since May 2017. From 2021, we plan to plant 10,000 mangrove saplings on the northern coast of the island of Java.

Through this initiative, the company contributes to reducing environmental impact while supporting activities that directly protect the natural environment.

#### ■ Tree planting activities





## Message from Outside Directors



### Continue to Supply Energy While Innovating to Build a Carbon-free World

Outside Director **Takeo Kikkawa**

### Taking on the Challenge of “Affordable, Clean Energy” as an Industry Leader

“Affordable and clean energy”—this is Goal 7, the goal that directly addresses energy, of the United Nations’ Sustainable Development Goals (SDGs).

Achieving this goal will be difficult. To provide affordable energy, there is no choice but to rely on fossil fuels, such as petroleum and coal. At the same time, the provision of clean energy requires reducing the use of fossil fuels and expanding the use of CO<sub>2</sub>-free renewable energy. Achieving Goal 7 of the SDGs, which contains these two conflicting elements, is thus a tremendous challenge.

The Idemitsu Group is at the forefront of efforts to solve this challenge. In addition to fulfilling its responsibility of providing energy to people in Japan and across Asia, the Group is focusing efforts on utilizing solar, wind, geothermal, and biomass (black pellets). The coal assessment system, a proprietary system commercialized by the Group, helps reduce CO<sub>2</sub> emissions by optimizing combustion efficiency, and there are great expectations for the Group’s ambitious initiatives in carbonate production and other forms of carbon dioxide capture and utilization (CCU). The Group is also putting its full force into the development of materials for all-solid-state lithium ion batteries; when these are brought into practical use, they will revolutionize the energy world, contributing greatly to the advance of measures to combat global warming.

At some point in the future, humanity will surely realize a carbon-free world. The transition toward that point, however, will see several decades in which we will continue to use fossil fuels. The development of CCU during this period could make fossil fuels a useful resource for humanity even afterward. Companies that are directly taking on the difficult challenge of realizing “Affordable and clean energy” right now, a unique point in world history, are few and precious. I believe this is precisely the time for the Idemitsu Group to step up.

### Backcasting—Essential to Bold Portfolio Transition

Humanity today has a responsibility to future generations to forcefully advance measures to stop global warming. Within that context, the Idemitsu Group is charged with the mission of providing a reliable supply of energy over the long term. At the same time, the Group is working to fulfill another mission—creating a wide range of innovations and businesses that will contribute to the creation of a carbon-free world.

Fulfilling the former mission requires a forward-looking posture, beginning by examining the present and steadily forecasting out from there. In contrast, to achieve the latter mission, The Group must backcast: first defining a specific future vision as a target for itself and then working backward to determine what it will need to do to realize that vision.

Over the course of its long history, the Group has developed a firmly rooted management philosophy and common values of respect for human beings and diversity and inclusion, as well as a corporate culture of seriously and steadily pursuing the issues before it. This culture lends itself to a forecast-based approach. However, the Group’s primary business, the petroleum business, includes aspects that are difficult to predict with certainty, and I feel that the Group could be stronger when it comes to backcasting.

This is distinctly reflected in the ways that the Board of Directors and Nomination Advisory Committee currently operate. I think that the Board of Directors should spend more time on discussions of strategy, including bold portfolio transition, using backcasting. The Nomination Advisory Committee, too, must not only consider the selection of top management in the coming few years, but also focus efforts on identifying and developing leaders for 10 and 20 years down the line. By making such changes, I think that the Idemitsu Group will be able to develop the strength and resilience needed to secure “Affordable and clean energy,” a mission that is significant in human history.



## Message from Outside Directors



### Further Diversifying Human Resources and Decisively Revising the Business Portfolio

Outside Director **Mitsunobu Koshiba**

### Overcoming Difficulties, Decisively Revising the Business Portfolio, and Advancing Digital Transformation

A year has passed since I came on as a new Outside Director, following the integration of Idemitsu and Showa Shell. Unfortunately, due to the worldwide economic downturn and reverse oil shock triggered by the global spread of COVID-19 in March 2020, demand for fuel oil was sluggish, as were the markets for Idemitsu's products. As a result, Idemitsu's financial results for FY2019 were less than satisfactory. Nevertheless, I believe that post-integration management, organizational soundness, and governance are all functioning well. Idemitsu is assuming that the current low level of fuel oil demand and sluggishness of product markets are not short-term dips, but represent major management risks that will continue for several years. The Group's shareholders, employees, and customers are looking to the leadership of the new management team and the business execution abilities of the executive officers to overcome this difficult situation and create growth businesses.

The corporate value of energy sector companies around the world has taken a significant hit. The Company is no exception. Recovering its corporate value is an immediate priority for the Company. This will require steadfast effort to create new growth businesses leveraging the Company's technical skills, research and development prowess, and brand strength. In addition, given the current pressure on corporate revenue, strategic investment in non-organic growth and the digital transformation of the Group are urgent necessities.

Initiatives around the world to address global warming are clearly accelerating as they receive unprecedented levels of attention, spurred by factors including the global pandemic and hitherto unimaginable forest and brush fires in the United States and Australia. The Company must now decisively revise its business portfolio by combining its future strategies for its mainstay fuel oil and coal businesses with new businesses that will contribute to achieving carbon neutrality, such as renewable energy, lithium ion battery materials, and mobility services using electric vehicles.

### Further Diversifying Human Resources, beyond Gender

I distinctly feel that Idemitsu boasts a rich roster of human resources. Building on this, the Company has begun proactive initiatives to diversify its human resources in order to enhance its creativity and respond to changes in diversifying markets. In particular, although the Company has been aggressively promoting gender diversity, in terms of appointing women to senior positions—a challenge shared throughout Japan's petrochemical industry—it seems to me that the Company is rather behind in comparison with the industry average. For many years, I worked actively to promote human resource diversification at JSR Corporation. Based on this experience, I feel that the challenges the Company faces in terms of human resource diversification are not limited to gender diversity. For example, there are few employees from technical divisions in senior management, and the promotion of younger employees to senior management and executive officer positions is lagging.

Going forward, strategic investment in non-organic growth and the further advance of the Company's digital transformation will require top management that includes members with technical backgrounds who bring deep understanding of cutting-edge technologies as well as younger individuals who, if not quite digital natives, are more at home when it comes to adopting leading digital technologies. In short, I see many opportunities for improvement in human resource diversity—not only in terms of gender diversity, but in appointing employees from technical divisions to management, promoting younger employees to senior management and executive officer positions, and proactively hiring non-Japanese nationals.



## Directors and Audit &amp; Supervisory Board Members (As of July 1, 2020)

\* Number of shares held are as of the end of June, 2020

\* Board of Directors and Audit &amp; Supervisory Board meeting attendance figures are for FY2019

(1) Name (2) Position (3) Number of shares of the Company held (4) Nomination Advisory Committee (5) Compensation Advisory Committee  
(6) Board of Directors meetings attended (7) Audit & Supervisory Board meetings attended

## Directors



(1) Shunichi Kito  
(2) President and Representative Director  
Chief Executive Officer  
(3) 23,132shares (4) 16/16 (5) —

## Career

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)



(1) Takashi Matsushita  
(2) Executive Vice President and Representative Director  
Executive Vice President and Executive Officer  
(3) 22,697shares (4) 16/16 (5) —

## Career


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)



(1) Susumu Nibuya  
(2) Executive Vice President and Representative Director  
Executive Vice President and Executive Officer  
(3) 17,356shares (4) — (5) —

## Career

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)



(1) Katsuaki Shindome  
(2) Director (Chair of Directors Meeting)  
(3) 5,202shares (4) 16/16 (5) —

## Career

April 1980 Joined Shell Sekiyu K.K.  
 April 2006 General Manager, Kyushu Branch, Showa Shell Sekiyu K.K. ("Showa Shell")  
 Nov. 2008 General Manager, Kinki Branch, Showa Shell  
 March 2009 Executive Officer, Showa Shell  
 March 2013 Corporate Executive Officer, Showa Shell  
 April 2019 Director, and Senior Managing Executive Officer, Idemitsu Kosan Co.,Ltd. ("Idemitsu")  
 June 2020 Director, Idemitsu (to date)



(1) Atsuhiko Hirano  
(2) Director  
Managing Executive Officer  
(3) 2,411shares (4) — (5) —

## Career


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)



(1) Masakazu Idemitsu  
(2) Director (part-time)  
(3) 3,411,900shares (4) 16/16 (5) —

## Career

April 2010 Councilor, Public Interest Incorporated Foundation Idemitsu Museum of Arts  
 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)




(1) Kazunari Kubohara  
(2) Director (part-time)  
(3) — (4) 16/16 (5) —

## Career

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

## Audit &amp; Supervisory Board Members



(1) Toshiyuki Tanida  
(2) Audit & Supervisory Board Member  
(3) 6,363shares (4) 16/16 (5) 16/16

## Career

April 1984 Joined Idemitsu Kosan Co.,Ltd. ("Idemitsu")  
 July 2013 Executive Officer and General Manager of Logistics Department, Idemitsu  
 June 2018 Audit & Supervisory Board Member, Idemitsu (to date)  
 April 2019 Audit & Supervisory Board Member, Showa Shell Sekiyu K.K.



(1) Kenji Takahashi  
(2) Audit & Supervisory Board Member  
(3) 2,430shares (4) 16/16 (5) 16/16

## Career

April 1984 Joined Shell Sekiyu K.K.  
 March 2016 Audit & Supervisory Board Member, Showa Shell Sekiyu K.K.  
 April 2019 Audit & Supervisory Board Member, Idemitsu Kosan Co.,Ltd. (to date)





## Directors and Audit &amp; Supervisory Board Members (As of July 1, 2020)

\* Number of shares held are as of the end of June, 2020

\* Board of Directors and Audit &amp; Supervisory Board meeting attendance figures are for FY2019

(1) Name (2) Position (3) Number of shares of the Company held (4) Nomination Advisory Committee (5) Compensation Advisory Committee (6) Board of Directors meetings attended (7) Audit &amp; Supervisory Board meetings attended

## Independent Outside Directors



(1) Takeo Kikkawa  
(2) Outside Director  
(3) — (4) Chairman (5) — (6) 16/16 (7) —

Career

April 1987	Assistant Professor, Aoyama Gakuin University School of Business	June 2013	Outside Director, Mitsubishi Chemical Holdings Corporation
Oct. 1993	Assistant Professor, Institute of Social Science, University of Tokyo	April 2015	Professor, Graduate School of Innovation Studies, Tokyo University of Science (currently, Graduate School of Management, Tokyo University of Science)
April 1996	Professor, Institute of Social Science, University of Tokyo	June 2017	Director, Idemitsu Kosan Co.,Ltd. (to date)
April 2007	Professor, Hitotsubashi University Graduate School of Commerce and Management	April 2020	Professor, Graduate School of International Management, International University of Japan (to date)
Jan. 2013	President, Business History Society of Japan		

Reason for appointment

Mr. Takeo Kikkawa has not 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.

	<div> <div>(1) Yuko Yasuda</div> <div>(2) Outside Director</div> <div>(3) 273shares    (4) —    (5) Chairman    (6) 16/16    (7) —</div> </div>																																																														
	Career																																																														
	<table> <tr> <td>April 1985</td><td>Joined IBM Japan, Ltd.</td><td>April 2013</td><td>Member of Executive Committee, Russell Reynolds Associates Inc. (reappointed, until March 2016)</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Sep. 1991</td><td>Joined Booz Allen Hamilton Inc.</td><td>June 2015</td><td>Outside Director, SCSK Corporation</td><td></td><td></td><td></td><td></td></tr> <tr> <td>Sep. 1993</td><td>Joined Russell Reynolds Associates Japan Inc. ("Russell Reynolds Associates Japan")</td><td>March 2017</td><td>Outside Director, Showa Shell Sekiyu K.K.</td><td></td><td></td><td></td><td></td></tr> <tr> <td>June 1996</td><td>Managing Director, Russell Reynolds Associates Japan</td><td>June 2018</td><td>Outside Director, Murata Manufacturing Co., Ltd. (to date)</td><td></td><td></td><td></td><td></td></tr> <tr> <td>April 2001</td><td>Associate Representative in Japan, Russell Reynolds Associates Japan</td><td>April 2019</td><td>Director, Idemitsu Kosan Co., Ltd. (to date)</td><td></td><td></td><td></td><td></td></tr> <tr> <td>April 2003</td><td>Representative in Japan, Russell Reynolds Associates Japan</td><td>June 2020</td><td>Outside Board Member, Nippon Suisan Kaisha, Ltd. (to date)</td><td></td><td></td><td></td><td></td></tr> <tr> <td></td><td>Member of Executive Committee, Russell Reynolds Associates Inc. (resigned in March 2006)</td><td>July 2020</td><td>Senior Partner, Board Advisors Japan, Inc. (to date)</td><td></td><td></td><td></td><td></td></tr> </table>								April 1985	Joined IBM Japan, Ltd.	April 2013	Member of Executive Committee, Russell Reynolds Associates Inc. (reappointed, until March 2016)					Sep. 1991	Joined Booz Allen Hamilton Inc.	June 2015	Outside Director, SCSK Corporation					Sep. 1993	Joined Russell Reynolds Associates Japan Inc. ("Russell Reynolds Associates Japan")	March 2017	Outside Director, Showa Shell Sekiyu K.K.					June 1996	Managing Director, Russell Reynolds Associates Japan	June 2018	Outside Director, Murata Manufacturing Co., Ltd. (to date)					April 2001	Associate Representative in Japan, Russell Reynolds Associates Japan	April 2019	Director, Idemitsu Kosan Co., Ltd. (to date)					April 2003	Representative in Japan, Russell Reynolds Associates Japan	June 2020	Outside Board Member, Nippon Suisan Kaisha, Ltd. (to date)						Member of Executive Committee, Russell Reynolds Associates Inc. (resigned in March 2006)	July 2020	Senior Partner, Board Advisors Japan, Inc. (to date)			
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Reason for appointment																																																															
<p>Management has judged that Ms. Yuko Yasuda will be able to perform her duties as an Outside Director properly as she served as Representative in Japan of Russell Reynolds Association Japan, and engaged in the executive assessment of a corporation and in the training of CEO successors, has accumulated wide experience as a business manager and broad knowledge about the training of global leaders, and satisfies the "Requirements for Independence of Outside Officers" of the Company.</p>																																																															




(1) Mackenzie Clugston  
(2) Outside Director  
(3) — (4) — (5) ☐ (6) 16/16 (7) —

Career

June 1982	Joined Department of Foreign Affairs and International Trade of the Canadian Government	Sep. 2016	Advisor, Sapporo Holdings Limited Professor, Kwansei Gakuin University (to date)
Aug. 2000	Canadian Consul General in Osaka	June 2017	Director, Idemitsu Kosan Co.,Ltd. (to date)
Aug. 2003	Minister, Canadian Embassy in Japan	March 2018	Outside Director, Sapporo Holdings Limited (to date)
Aug. 2009	Ambassador of Canada to Indonesia, Timor-Leste and the ASEAN	June 2019	Outside Director, NGK SPARK PLUG CO., LTD. (to date)
Nov. 2012	Ambassador of Canada to Japan		
June 2016	Outside Director, Kameda Seika Co., Ltd. (to date)		

Reason for appointment

Mr. Mackenzie Clugston has not 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 is familiar with business, administration, and international affairs as a former diplomat and a university professor, has full knowledge about corporate management, and satisfies the "Requirements for Independence of Outside Officers" of the Company.



(1) Mitsunobu Koshiba  
(2) Outside Director  
(3) — (4) ○ (5) — (6) 11/11 (7) —

Career

Oct. 1981	Joined Japan Synthetic Rubber Co., Ltd. (currently, JSR Corporation)	June 2005	Senior Officer, General Manager of Electronic Materials Division and Assistant in charge of Fine Chemicals Business, JSR
June 2002	Officer and General Manager of Electronic Materials Department I, Electronic Materials Division, JSR Corporation ("JSR")	June 2006	Managing Director, General Manager of Electronic Materials Division, JSR
June 2003	Officer, General Manager of Electronic Materials Division, and General Manager of Electronic Materials Department, JSR	June 2007	Managing Director, JSR
June 2004	Director, General Manager of Electronic Materials Division, JSR	June 2008	Senior Managing Director, JSR
		April 2009	Representative Director and President, JSR
		June 2019	Representative Director and Chairman, JSR (to date)
		June 2020	Director, Idemitsu Kosan Co.,Ltd. (to date) Director and 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 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.

(1) Norio Otsuka

(2) Outside Director

(3) 1,128shares

(4) O

(5) —

(6) 16/16

(7) —


#### Career

April 1973	Joined NSK Ltd. ("NSK")	June 2009	President and Chief Executive Officer, Chairperson of the Nomination Committee, NSK
Dec. 1999	Deputy Head of Corporate Planning Division HQ, NSK		
April 2000	Vice President, Head of Corporate Planning Division HQ, NSK	June 2015	Director, Chairman, NSK
June 2002	Director, Senior Vice President, Head of Corporate Strategy Division HQ, NSK	June 2016	Chairman, the Japan Bearing Industry Association
June 2004	Representative Executive Vice President, Responsible for Administrative Divisions, Head of Corporate Strategy Division HQ, NSK	March 2017	Outside Director, Showa Shell Sekiyu K.K.
		June 2017	Honorary Chairman, NSK
		June 2018	Outside Director, Sojitz Corporation (to date)
			Advisor, NSK (to date)
June 2007	Representative Executive Officer and Senior Executive Vice President, NSK	April 2019	Director, Idemitsu Kosan Co.,Ltd. (to date)
		June 2019	Outside Director, Taisei Corporation (to date)

#### Reason for appointment

Management has judged that Mr. Norio Otsuka will be able to perform his duties as an Outside Director properly as he served as President and Chief Executive Officer, and Director, Chairman of NSK, has promoted its global growth strategy, enhanced its corporate governance, and accumulated wide experience and advanced insight regarding corporate management, and satisfies the "Requirements for Independence of Outside Officers" of the Company.

## Independent Outside Audit &amp; Supervisory Board Members




(1) Taigi Ito  
(2) Outside Audit & Supervisory Board Member  
(3) 5,705shares    (4) O    (5) —    (6) 16/16    (7) 16/16

Career

Jan. 1970	Joined Tsuji Audit Corporation (currently MISUZU Audit Corporation)	Oct. 2010	Supervisory Director, Japan Law Foundation
May 1973	Registered as Certified Public Accountant (Registration No.5095)	Jan. 2012	Chairman of the Disciplinary Committee, The Japanese Institute of Certified Public Accountants
Feb. 1989	Representative partner, MISUZU Audit Corporation	June 2012	Audit & Supervisory Board Member, Idemitsu Kosan Co.,Ltd. (to date)
July 2004	Deputy Chairman, The Japanese Institute of Certified Public Accountants		Outside Statutory Auditor, IT Holdings Corporation (currently, TIS INC.)
Aug. 2007	Opened Certified Public Accountant Ito Taigi Office (to date)	June 2014	Outside Corporate Auditor, Mitsubishi Chemical Holdings Corporation
April 2009	Professor, Graduate School of Accountancy, Waseda University		Outside Corporate Auditor, Mitsubishi Chemical Corporation
June 2009	Supervisory Director, The Investment Trusts Association, Japan	June 2015	Outside Director, Mitsubishi Chemical Holdings Corporation
		Sep. 2018	Outside Director, Koa Shoji Holdings Co., Ltd (to date)

<b>Reason for appointment</b>							
Mr. Taigi Ito has not 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 Statutory Auditor properly as he has extensive experience as a certified public accountant and a university professor, has full knowledge about corporate management as an expert in corporate accounting, and satisfies the "Requirements for Independence of Outside Officers" of the Company.							

	(1) Kenji Yamagishi						
	(2) Outside Audit & Supervisory Board Member						
(3) — (4) — (5) ○ (6) 16/16 (7) 16/16							
Career							
April 1973	Registered as an attorney	March 2008	Outside Audit & Supervisory Board Member, Showa Shell Sekiyu K.K.				
April 1997	Vice President, Tokyo Bar Association	April 2009	President, Tokyo Bar Association				
April 2004	Secretary General, Japan Federation of Bar Associations	April 2009	Vice President, the Japan Federation of Bar Associations				
July 2007	Committee Member, Central Third-Party Committee to Check Pension Records, Ministry of Internal Affairs and Communications	May 2012	President, the Japan Federation of Bar Associations				
		April 2019	Audit & Supervisory Board Member, Idemitsu Kosan Co.,Ltd. (to date)				

<b>Reason for appointment</b>							
Mr. Kenji Yamagishi has not 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 Audit & Supervisory Board Members properly as he is familiar with corporate legal affairs as an attorney, has full knowledge about corporate management, and satisfies the "Requirements for Independence of Outside Officers" of the Company.							





## Corporate Governance

### Basic Concept of Corporate Governance

Idemitsu, a company originating in Japan which co-creates energy, will continue to strive to create new value together with its customers and stakeholders, while aiming to harmonize with the environment and society in the spirit of diversity and inclusion.

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 judging itself in accordance with its vision. In addition, the Company openly discusses its business status and management circumstances with Independent Outside Directors and Independent Outside Audit & Supervisory Board Members who bring 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

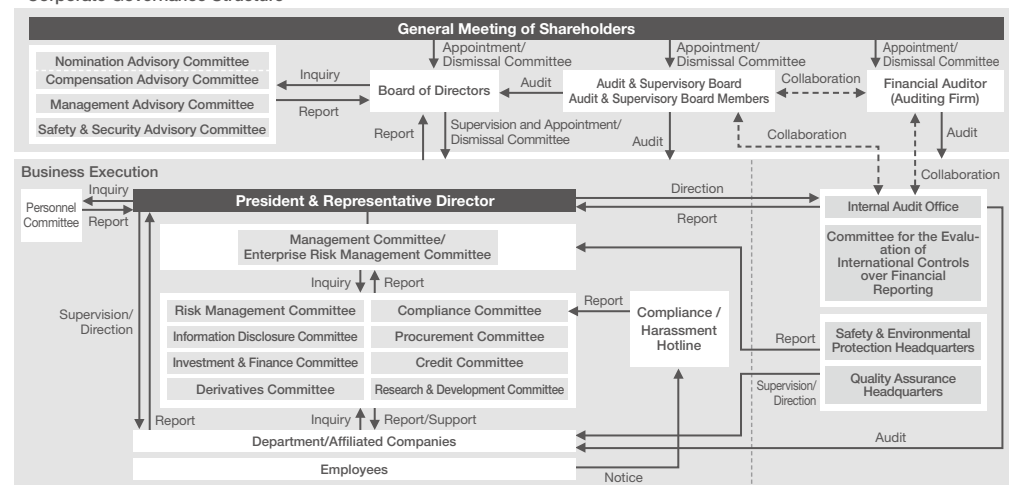
The Board of Directors of the Company shall make important business decisions and supervise the execution of business. As a company with an Audit & Supervisory Board, the Company shall ensure that the execution of duties by officers and employees is audited by Audit & Supervisory Board Members and the 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 by revising 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.

With regard to matters other than those mentioned above, the Company shall delegate authority for business execution to the Representative Director and CEO, Directors who also serve as Executive Officers, Executive Officers and General Managers, with a view to facilitating decision making on the execution of business.

#### ■ Corporate Governance Structure



### Each Committee

#### List of Committees

Committee name	Chairman	Members	Meeting frequency	Roles
Management Committee	President	Individuals appointed by the committee chair based on deliberation by the Human Resource Committee	In principle, three times a month	To discuss and consider management strategies and issues for the entire Group and for each division To deliberate the execution of business
Enterprise Risk Management Committee	President	Individuals appointed by the committee chair	In principle, twice a year	To discuss and consider management strategies and issues for the entire Group and for each division To determine policies for and monitor the status of risk management
Investment and Finance Committee	The general manager of Corporate Planning Department	General managers of relevant departments	As needed	To deliberate and report on investment-related matters and to establish investment standards
Derivatives Committee	Director or Executive Officer	General managers of relevant departments	In principle, once a month	To deliberate and consider basic policies on derivatives for the entire Group as well as the status of relevant audits and transactions
Procurement Committee	Director or Executive Officer	General managers of relevant departments	In principle, once a month	To deliberate and consider matters related to the procurement of materials as well as construction work and other services
Credit Committee	Director or Executive Officer	General managers of relevant departments	In principle, once a month	To deliberate and consider basic policies on credit management for the entire Group and measures to collect non-performing loans
Research & Development Committee	Director or Executive Officer	General managers of relevant departments	In principle, four times a year	To consider matters related to the direction, strategies, and issues pertaining to company-wide research and development
Risk Management Committee	Director or Executive Officer	General managers of relevant departments	In principle, four times a year	To deliberate and prepare important policies to promote business risk management
Compliance Committee	Director or Executive Officer	General managers of relevant departments	In principle, twice a year	To address compliance concerns and to formulate compliance promotion plans To monitor the status of compliance activities
Internal Control Evaluation Committee over Financial Reporting	Director or Executive Officer	Directors or Executive Officers in charge of relevant departments	In principle, twice a year	To deliberate and consider matters related to internal controls regarding financial reporting
Information Disclosure Committee	Director or Executive Officer	Directors or Executive Officers in charge of relevant departments and general managers of these departments	As needed	To deliberate matters related to the external disclosure of information

#### Management Advisory Committee / Safety & Security Advisory Committee

To secure advisory bodies to the Board of Directors, we have established two committees: the "Management Advisory Committee" and the "Safety and Security Advisory Committee." Both committees are attended by outside experts to ensure the reception of frank opinions on the Company from a third-party perspective and reflect them in management improvements.

The "Management Advisory Committee" is positioned as a body that advises on issues related to overall management reform. In principle, it meets once every six months and receives recommendations from two outside advisors.

The "Safety & Security Advisory Committee" consults on security issues, particularly technical issues, to prevent serious accidents at refineries and complexes. Recent changes in the business environment have increased the importance of ensuring safety 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 the business development and receive recommendations from outside experts for each theme.



## Corporate Governance

### Nomination Advisory Committee and Compensation Advisory Committee

To enhance the transparency and objectivity of its nomination and compensation functions, as advisory bodies to the Board of Directors, the Company has established the “Nomination Advisory Committee” and “Compensation Advisory Committee” which are composed of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, and chaired by Independent Outside Directors.

The “Nomination Advisory Committee” reports on proposals, made by the President and Representative Director, that will be submitted to a General Meeting of Shareholders, for the election of candidates for Directors and Audit & Supervisory Board Members as well as on candidates for President and Representative Director and Executive Officer positions. The “Compensation Advisory Committee” reports on matters related to the remuneration of Directors and Executive Officers.

### Management Committee, Enterprise Risk Management Committee, and Other Committees

In addition to examining management issues such as the Group’s strategy and governance, the “Management Committee” has been established to deliberate on important business execution issues. In addition, the “Enterprise Risk Management Committee” has been established as an organization to discuss and decide matters related to the Group’s risk management and to monitor them as necessary.

Under the “Management Committee,” there are five specialized committees established to discuss specialized risks in business execution: the “Investment and Finance Committee,” the “Derivatives Committee,” the “Procurement Committee,” the “Credit Committee,” and the “Research & Development Committee.”

In addition, we have established the “Risk Management Committee” and the “Compliance Committee” under the “Enterprise Risk Management Committee” in order to strengthen our response to business risk cases and develop a framework for reviewing and drafting risk management policies. To strengthen J-SOX compliance, we have also established the “Committee for the Evaluation of Internal Controls over Financial Reporting” within the Internal Audit Department. Furthermore, we have established the “Information Disclosure Committee” to provide timely and appropriate information disclosure based on the Group’s information disclosure policy.

## Changes in Corporate Governance Structure

There are 12 Directors, five of whom are Independent Outside Directors with diverse backgrounds, including women and non-Japanese nationals. The term of Directors shall continue until the conclusion of the annual shareholders meeting for the final business year that ends within one year of their election pursuant to the provisions of the Articles of Incorporation. In FY2019, the Board of Directors met 16 times.

There are four Audit & Supervisory Board Members, two of whom are Independent Outside Audit & Supervisory Board Members, and we have established a system that allows them to fully perform management oversight functions from outside.

The term of Audit & Supervisory Board Members shall continue until the conclusion of the annual shareholders meeting for the final business year that ends within four years of their election pursuant to the provisions of the Articles of Incorporation. The Audit & Supervisory Board works to improve the level of auditing by sharing issues and information among Audit & Supervisory Board Members and, when necessary, requesting information from the Directors and departments. In FY2019, the Audit & Supervisory Board met 16 times.

Fiscal Year	Form of Organization	Number of Directors	of Which, Number of Independent Outside Directors	Number of Audit & Supervisory Board Members	of Which, Number of Independent Outside Audit & Supervisory Board Members
FY2015	Company with Audit & Supervisory Board	10 people	2 (One woman)	5 people	3 people
FY2016	Company with Audit & Supervisory Board	10 people	2 (One woman)	5 people	3 people
FY2017	Company with Audit & Supervisory Board	12 people	4 (One woman and one non-Japanese)	4 people	2 people
FY2018	Company with Audit & Supervisory Board	11 people	4 (One woman and one non-Japanese)	4 people	2 people
FY2019	Company with Audit & Supervisory Board	13 people	5 (One woman and one non-Japanese)	4 people	2 people
FY2020	Company with Audit & Supervisory Board	12 people	5 (One woman and one non-Japanese)	4 people	2 people

### Column Status of the Board of Directors’ Operations during the COVID-19 Pandemic

The COVID-19 pandemic emerged in January 2020 and caused the Japanese government to declare a state of emergency. Despite this, the Board of Directors was able to meet as scheduled during FY2019 and recorded no absences attributable to the pandemic.

As usual, discussion was brisk at each meeting and various measures aimed at preventing infection have since been implemented. These measures included the use of web conferencing systems, the practice of social distancing in the Board room and the installation of acrylic partitions between seats.

## 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 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 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 Advisory Committee.

When deemed necessary, the Nomination Advisory Committee deliberates on the dismissal of Directors and reports its conclusions to the Board of Directors.

### Skill Matrix

Name	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	Human resources development	Marketing/ sales	Manufacturing/ supply
Shunichi Kito	●	●	●				●	●	
Takashi Matsushita	●			●	●				●
Susumu Nibuya	●	●				●		●	
Katsuaki Shindome	●	●					●	●	
Atsuhiko Hirano	●				●			●	
Masakazu Idemitsu	●	●							
Kazunari Kubohara		●	●			●			
Takeo Kikkawa Outside Independent				●	●	●			
Mackenzie Clugston Outside Independent				●		●	●		
Norio Otsuka Outside Independent	●	●	●	●					
Yuko Yasuda Outside Independent		●		●			●		
Mitsunobu Koshiba Outside Independent	●	●		●	●				

\* ● indicates areas in which the Company particularly expects the relevant Director to contribute and does not represent all of his/her knowledge and experience.

Corporate Governance

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 "Independence Requirements for Outside Officers" in a way that secures diversity in terms of expertise and backgrounds.

Training

The Company provides training to its Directors and Audit & Supervisory Board Members on their roles and responsibilities as well as the level of compliance literacy expected of them when they assume these positions at a listed company.

In addition, the Company explains its business, finance, and organization to newly appointed Independent Outside Directors and Independent Outside Audit & Supervisory Board Members of the Company, so that they can fulfill their roles and responsibilities. The Company also encourages Directors and Audit & Supervisory Board Members to spontaneously strive for skill improvement and, to this end, provides them with training opportunities tailored to their individual needs, while at the same time offering a broad range of support for necessary expenses.

Main Agenda Items Discussed by the Board of Directors

In FY2019, the Board of Directors engaged in active discussion, holding multiple sessions to address matters associated with business integration, including the absorption-type company split executed in July 2019, and the Medium-term Management Plan announced in November. In the second half of said fiscal year, the Board of Directors strove to address issues identified via the annual assessment of the effectiveness of its operations and, to this end, deliberated on such matters as the partial delegation of its authority to executive departments and the establishment of human resource standards for Director, Audit & Supervisory Board Member and Executive Officer candidates, in addition to discussing strategic issues the Company is currently confronting.

FY 2019	1Q	■ Shareholder return policy ■ Medium-term Management Plan (kick-off session) ■ Business integration-related (absorption-type company split, etc.) ■ Revision of remuneration systems for executives ■ Basic policy on internal control systems ■ Basic policy on corporate governance
	2Q	■ Financing strategies for the entire Group, including overseas operations ■ Medium-term Management Plan (carbon recycling initiatives) ■ DTK project (operational flow and work style reforms to improve productivity) ■ P. 48 ■ Audit policies for Audit & Supervisory Board Members ■ Periodic reporting from the Risk Management Committee
	3Q	■ Medium-term Management Plan (summary) ■ Review of investor interview results ■ Policies on information disclosure for shareholders and the conduct of shareholders general meetings ■ Assessment of the Board of Directors' effectiveness (implementation methods) ■ Partial delegation of the Board of Directors' authority to executive departments ■ Establishment of human resource standards for Director, Audit & Supervisory Board Member and Executive Officer candidates ■ Establishment of the Action Mindset ■ P. 35 ■ Establishment of the Human Rights Policy ■ P. 35
	4Q	■ Business impact of the COVID-19 pandemic and countermeasures ■ Medium-term strategic issues Business portfolio Medium-term targets and initiatives for GHG emission reduction ■ Assessment of the Board of Directors' effectiveness (review of results) ■ Digital innovation initiatives ■ P. 15 ■ New service station brand ■ P. 5 ■ Review of the executive structure and the flow of the selection process for Executive Officers

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

Having marked a fresh start as a new integrated company, we launched the first round of assessment since integration, to this end sending out questionnaires to all Directors and Audit & Supervisory Board Members in December 2019. We have since analyzed input from respondents, employing the advice of an expert organization. Finally, the results of this analysis were discussed by the Board of Directors.

■ Process for the Assessment of the Board of Directors' Effectiveness



Results of FY2019 Assessment, Issues to Be Tackled and Future Initiatives

Overall assessment and items that earned high ratings
■ Overall functions of the Board of Directors were confirmed. ■ Ratings were particularly high for the following items. Diversity in the composition of the Board; the timing of the provision of meeting materials; the content and the timing of the prior explanation of agenda items; open, active and constructive discussion and the exchange of opinions at each Board of Directors

Issues Identified via the FY2019 Assessment and Initiatives Aimed at Effecting Improvement	
(1) Composition of the Board of Directors	Employ the Skill Matrix to pursue the optimization of the Board of Directors' overall composition in a way that helps it invigorate discussion and enhance its functions.
(2) Review of agenda items to be discussed by the Board of Directors going forward	Place stronger emphasis on deliberating strategic and governance matters as well as topics associated with achieving improvement in corporate value; to this end, the Board of Directors' authority over a broad range of matters associated with the execution of business, including organizational management, human resources and internal rules, has been delegated to executive departments over the course of the December 2019–March 2020 period, with the aim of speeding up decision making and clarifying responsibilities with regard to the execution of business.
(3) Follow-up assessment of the progress in the management plan	Progress under the Medium-term Management Plan, which was launched in April 2020, is being assessed by the Board of Directors on a quarterly basis in the short term. The Board of Directors also remains attentive to changes in the business environment over the medium to long term and determines the timing and content of strategic revisions when necessary. Moreover, the Board of Directors deliberates strategic issues, to this end receiving reports from relevant Executive Officers with regard to specific business strategies and performing follow-up assessments based on such reports.
(4) Discussion regarding a plan for the succession of the CEO position and process for the selection and dismissal of CEO	The process for the selection of CEO has already been discussed by the Nomination Advisory Committee. In FY2020, the committee went on to launch discussions regarding the plan for CEO succession and process for CEO dismissal.

Management Monitoring System

The company's internal control system is based on the supervision by the Board of Directors, audits by Audit & Supervisory Board Members, and accounting audits, as well as the effective functioning of the following three defense lines under executive leadership supervised by the President and Representative Director. (1) Each department controls risks by incorporating self-management into daily operations, and ensures the legality of operations. (2) The management division supports the division in each specialized field and monitors the status of self-management. (3) The Company has established an "Internal Audit Department" under the direct control of the President and Representative Director, and its staff implement "Internal Audits" and "Assessment of Internal Control over Financial Reporting (J-SOX)" from an independent and objective standpoint. The Internal Audit Department conducts internal audits of domestic and overseas offices and affiliated companies. In this way, the effectiveness of internal controls in each division is evaluated, and the results are reported to the President and Representative Director, Audit & Supervisory Board Members, general managers, and relevant Executive Officers. The departments that receive advice and proposals for improvement systematically make improvements, and the Internal Audit Department conducts 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.



## Corporate Governance

### 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 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.

#### Compensation Standard

Compensation levels for Directors and Executive Officers shall be reviewed as appropriate in light of changes in the business environment and external survey data.

#### Compensation Structure

The Company and Showa Shell merged on April 1, 2019. Starting in FY2019, the compensation structures for Directors (excluding Outside Directors) and Executive Officers will be based on new arrangements, with the emphasis being placed on contributing to the maximization of synergy creation, business portfolio rearrangement, and enhancement of initiatives for the environment, society and governance, which in turn, will lead to further improvement of corporate value. Compensation for these individuals will thus consist of (1) fixed compensation, (2) performance-based bonuses (shift from performance-linked monetary compensation (periodic equal pay) to performance-based bonuses for the purpose of clarifying the incentive structure), and (3) performance-linked stock compensation.

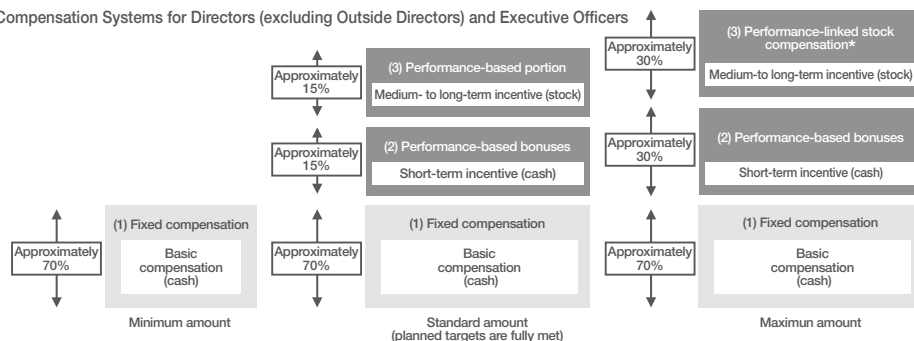
As the Company aims to ensure that the recipients share values in common with our shareholders and investors, the Company uses net income and consolidated operating income as indicators for determining the performance-based portion of compensation, believing that these indicators are appropriate in light of strengthening profitability and increasing the corporate value. In addition to using these consolidated financial results the Company has adopted indicators that reflect the accomplishments of each recipient in their efforts to address management issues in their respective areas of oversight. In particular, this portion for Representative Directors is designed to better reflect the Company's non-financial accomplishments, including those associated with environmental, social and governance (ESG) issues. Weights allocated to each indicator are determined based on duties executed by each recipient.

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 the course of determining compensation for Directors and Executive Officers, the Company also utilizes data obtained from a consulting firm that is independent from the Company to assess its appropriateness.

In addition, no specific limitations are set for the number of the Company shares that can be owned by Directors and Executive Officers.

#### ■ 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.

### The Date of Resolution at the Shareholders General Meeting Concerning Remuneration, etc., for Executives and the Details of Such Resolution

At the 91st Ordinary General Meeting of Shareholders held on June 27, 2006, the amount of compensation for Directors and Audit & Supervisory Board Members was set at 1.2 billion yen or less per year for Directors and 120 million yen or less per year for Audit & Supervisory Board Members. At the time of the resolution, there were 12 Directors and five Audit & Supervisory Board Members.

At the 104th Ordinary General Meeting of Shareholders held on June 27, 2019, it was resolved that, in addition to the above compensation limits, the Company would contribute up to 1.9 billion yen in total to a trust established to support the performance-linked stock compensation system that grants the Company stock to Directors and other recipients based on their accomplishments during the last three consecutive fiscal years (provided, however, that with regard to a trust that commenced in FY2018, a total amount of 2.3 billion yen shall be contributed to support the system so it is able to reward recipients for their accomplishments during the four business years from FY2018 to FY2021). At the time of resolution, this system covered six Directors (excluding Outside Directors) and 31 Executive Officers (not concurrently serving as Directors).

Individual compensation for Directors is determined by the Board of Directors based on the recommendations of the Nomination and Compensation Advisory Committee, which is composed of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members. Individual compensation for Audit & Supervisory Board Members is determined through discussions between Audit & Supervisory Board Members. The Nomination and Compensation Advisory Committee met a total of 10 times in FY2019, including deliberation on executive compensation.

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

Total amount of compensation and other wages paid to Directors in FY2019, 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)	8	460	14	–	475
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	2	58	–	–	58
Outside Directors and Outside Audit & Supervisory Board Members	7	97	–	–	97
Total	17	616	14	–	631

### 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. In FY2019, the Company divested 20 shareholdings worth 2,305 million yen in total.

#### Criteria for the Exercise of Voting Rights Associated with Strategic Holdings of Listed Shares

With regard to voting rights associated with strategic holdings of listed shares, our company maintains a policy of casting its vote in a way that leads to sustainable improvement in the corporate value of both our company and the investee. To this end, the Company has made it a rule to judge whether or not an investee is able to sustainably improve its corporate value based on the assessment of such factors as its management strategies and operating results. Furthermore, depending on the content of a ballot proposal, the Company requests a detailed explanation on each matter prior to casting a vote. Should a ballot proposal by an investee be deemed to constitute a conflict of interest between the Company and said investee, the Company exercises its voting rights on an as-necessary basis after consulting with Independent Outside Directors and external specialists.





## 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 “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 Code of Conduct

In accordance with the “Integrity” set forth in the Action Mindset, we have established the following items as specific compliance codes of conduct.

#### 1. Compliance with Laws, Regulations, and Morals

We will comply with domestic and international laws and regulations, social ethics, internal regulations, and contracts, and act with integrity as good corporate citizens.

#### 2. Respect for Human Rights

We will not tolerate any infringement of human rights. We accept diversity in all forms (e.g. race, nationality, gender, etc.), and strive to create healthy and comfortable workplaces free of harassment.

#### 3. Safety, Quality, and Environmental Preservation

We will ensure the appropriate quality of our products and services; We will do our utmost to prevent accidents and minimize losses due to disasters, and will act with due consideration to the preservation of the global environment.

#### 4. Fair and Free Competition

We will conduct business transactions based on fair and free competition.

#### 5. Anti-Corruption

We will maintain sound and transparent relationships with civil servants, government authorities, etc., both in Japan and abroad when conducting our business activities.

#### 6. Information Disclosure and Information Management

We will manage information held by the Company appropriately with transparency and soundness of management. We will disclose information appropriately to the general public when necessary.

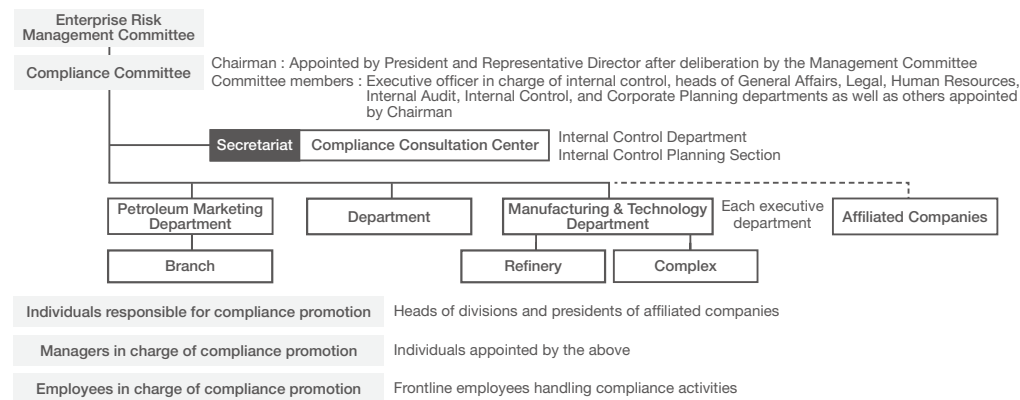
Compliance Code of Conduct ➡ <https://sustainability.idemitsu.com/en/themes/200>



### 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 Committee

Our group has established the “Compliance Committee” under the Enterprise Risk Management Committee, and is working to ensure thorough compliance by responding to cases of compliance concern, implementing compliance promotion activity plans, and monitoring the status of compliance activities. The committee's chairman is appointed by the President based on discussion at the Management Committee.

Committee members consist of an Executive Officer in charge of internal control and heads of the General Affairs, Legal, Human Resources, Internal Audit, Internal Control Promotion, and Corporate Planning departments as well as those appointed by the committee chairman. The committee meets once every six months.

#### ● Assignment of Compliance Promotion Officers in Departments and Subsidiaries

The heads of our group's divisions and the presidents of its subsidiaries appoint officers in charge of compliance promotion and are responsible for promoting compliance at each division and subsidiary.





## Compliance

### Establishment of Consultation Center

#### Domestic Consultation Center

To provide employees with robust access to in-house helplines, the Compliance Consultation Center, established at the Internal Control Department, accepts consultation and whistle-blowing related to compliance, while the Harassment Consultation Center, which operates under the Human Resources Department, accommodates overall consultation regarding harassment.

Furthermore, the Workplace Helpline provides an external contact run by a third party. In an effort to accommodate employee consultation on a broad range of topics, this helpline was upgraded in June 2020, with certified industrial counselors being appointed to provide employees with opportunities to receive professional advice.

In addition to ensuring the confidentiality of the content of consultations, we have also established a ban on disadvantageous treatment of those who report or consult with us.

#### Number of consultations received in FY2019

	Name of contact	Eligible individuals	Scope of consultation	Consultation method	Number of consultations received in FY2019
In-house	Compliance Consultation Center	Employees (includes part-time, contract, seconded, and temporary employees) of the Company, subsidiaries, and affiliates	Fraud, Misconduct, and Other compliance issues	Real name consultation in principle E-mail, Letter	14
	Harassment Consultation Center		Sexual harassment, Power harassment, and Other forms of harassment	Real name consultation in principle E-mail, Telephone, Letter	5
External	Workplace Helpline Eligible individuals		Compliance issues, and Harassment	Anonymous consultation available E-mail, Telephone	11

#### Overseas Consultation Hotline

In order to respond to reports from overseas offices, we established the “Idemitsu Global Hotline (IGHL)” in FY2018 and are operating this hotline for employees at approximately 40 bases located in China, Asia, and Oceania as well as the Middle East, Europe, Russia, and both North and South America in a way that encompasses most of the Group's overseas business sites. The IGHIL accommodates consultation in all languages spoken in countries where Idemitsu maintains local subsidiaries.

#### Number of consultations received in FY2019

Name of contact	Eligible individuals	Scope of consultation	Consultation method	Number of consultations received in FY2019
Idemitsu Global Hotline (IGHL)	Employees (including national staff and employees seconded from the Company) of the Group's overseas business sites	Compliance issues, Harassment, Occupational safety, Safety & Environment, Quality Assurance	E-mail	3

■ A poster designed to raise employee awareness of consultation centers



### Compliance Promotion Activities

Major Compliance Violations in FY2019\*: 0

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

#### Raising Employee Awareness

##### ● “Compliance Room”

We have opened the “Compliance Room,” a new webpage accessible from the intranet information portal. This page features compliance violation case studies as well as four-frame comics and blog posts, with the aim of updating employees on the latest compliance concerns inside and outside of Idemitsu, disseminating other relevant insights to a broad range of Group business units, and raising employees' awareness of compliance.

##### ● Compliance Education

Every year, we provide employees with web-based compliance learning programs. The latest round of these programs was implemented in November 2019 to aid Group employees in their acquisition of compliance literacy and identification of compliance issues specific to their workplaces. A total of approximately 15,000 individuals completed the programs. In addition, we implement compliance training specially designed for new hires and individuals appointed to managerial positions.

##### ● Compliance Book

At the end of January 2020, we issued our *Compliance Book*, with the aim of offering specific compliance standards in conformity with the Compliance Code of Conduct. Simultaneously, we prepared narrated video materials designed to help viewers enhance their understanding of the *Compliance Book*. These materials feature slideshows elaborating on specific case studies discussed in the publication. In addition to the Japanese version, we issued English and Chinese editions of the *Compliance Book* in an effort to ensure that all Group employees at home and abroad are properly educated on compliance topics.

■ Compliance Book



#### 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, having established basic rules and systems to be observed in the prevention of bribery, we have upgraded them 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, that prohibit unfair competition and bribery. We are currently striving to ensure that these rules are strictly observed. Moreover, we regard anticorruption as a particularly important compliance issue for those working at our overseas sites, and are raising their awareness about the importance of specific preventive measures. 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 Antimonopoly 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 over 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.



## Compliance

### Tax Compliance Initiatives

Due to the globalization of our business, we are more likely to confront a more diverse range of increasingly complex tax-related issues in the course of operations. Accordingly, we recognize that coordinated handling of tax compliance is a matter of increasing importance. With this in mind, we established the “Group Tax Regulations,” “Group Tax Practices Guide” and other relevant rules aimed at stipulating the Group’s policies on tax compliance and the detailed treatment of tax-related issues. We are thus striving to fulfill our corporate social responsibility by paying taxes in a proper manner and complying with all applicable tax laws enforced in countries where we operate in line with the Group Basic Tax Policy.

#### ● Group Basic Tax Policy

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

The 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

The 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.

#### ● Framework for Promoting Tax-Related Operations

The Accounting Department serves as the primary business unit responsible for tax-related operations. In accordance with the “Group Tax Regulations,” this department is charged with furnishing information and advice to each Idemitsu department and Group company handling transactions. The Accounting Department is also tasked with providing relevant in-house education and responding to tax inspections in addition to planning and implementing necessary countermeasures aimed at ensuring tax compliance and optimizing the management of tax expenses. Moreover, all Idemitsu Group employees are obliged to comply with the aforementioned regulations and handle tax-related operations in an appropriate manner. To this end, whenever requested by the Accounting Department, Group employees report on said operations and submit relevant documents while asking it to provide prior consultation where necessary.

#### ● Relationship with Tax Authorities

We cooperate with tax authorities in a straight-forward, appropriate manner and prohibit our employees from making any inappropriate responses involving falsification or concealment. We endeavor to explain our group’s position and standpoint to the best of our ability in order to ensure the comprehension of tax authorities when they inquire about or point out issues pertaining to our handling of tax-related operations. Moreover, we utilize the advance inquiry procedures offered by tax authorities to ensure the appropriate payment of taxes. By voluntarily disclosing information to tax authorities, we thus strive to prevent the occurrence of and minimize the risk of tax-related incidents.

#### ● Response to Tax-Related Compliance Violations

Should a tax-related compliance violation occur, we will take a stringent approach to its correction. We will also ensure that measures to prevent recurrences are implemented in accordance with in-house rules and regulations stipulated by the Idemitsu Group.

## 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.

- Risk arising from changes in international affairs and the economic environment
- Risk arising from changes in the external business environment (market prices of products, procurement conditions, country-specific circumstances and foreign exchange rates)
- Risk associated with climate change and environmental regulations
- Risk associated with business investments
- Risk associated with legal and regulatory compliance
- Risk associated with intellectual properties
- Risk arising from natural disasters and accidents
- Risk associated with the management of personal information
- Risk arising from the spread of COVID-19

### Risk Management Promotional Framework

#### 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 chairman, committee members mainly consist of Executive Officers and heads of relevant divisions. 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

Our group has established the “Risk Management Committee” tasked with handling “Operational Risk” and is promoting company-wide risk management by taking necessary measures in a timely and prompt manner. The committee chairman is appointed by the Management Committee from among the Directors or Executive Officers, while committee members consist mainly of officers of general affairs divisions; General Affairs, Safety Environment (HSSE) & Quality Assurance, Finance, Legal, Corporate Planning, Human Resources, Public Relations, and Internal Control. The committee holds periodic meetings on a quarterly basis to specify major risks for the entire Group, formulate countermeasures, and identify signs of their emergence while assessing novel types of 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.

## Risk Management

### 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)

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 confirmed 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, Idemitsu was 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 management 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.

Idemitsu's Disaster Prevention Action Plan is posted on the Cabinet Office's disaster prevention information website (Japanese only).  
[http://www.bousai.go.jp/taisaku/keikaku/gyomu\\_koukyou.html](http://www.bousai.go.jp/taisaku/keikaku/gyomu_koukyou.html)

### Countermeasures against the COVID-19 Pandemic

Based on our BCP assuming the outbreak of avian influenza, in February 2020 we established the task force headed by the President and Representative Director. Aiming to ensure the stable supply of petroleum products and materials, which are essential to supporting economic and social activities, we have constantly updated our relevant policies and measures in light of changes in social conditions. At the same time, we rallied the Group's overall strengths to protect the safety of employees and implemented thoroughgoing countermeasures to prevent the spread of infection.

#### Outline of our initiatives

January 2020	Distributed the first alert regarding the prevention of infection, urging the families of expatriates in China to temporarily return to Japan
February 2020	Established the task force chaired by the President and Representative Director
April 2020	In response to the declaration of a state of emergency, thoroughgoing and highly effective measures to prevent the spread of infection were immediately enforced. These measures included a general prohibition of commuting to company facilities and taking business trips.
May 2020	In conjunction with the lifting of the state of emergency, the aforementioned measures were partially relaxed. Discussion regarding the incorporation of new working styles was launched, with an eye to adapting to the new normal in the post-pandemic period.
July 2020	In response to a resurgence in the outbreak, preventive countermeasures were once again strengthened, with the target of decreasing the ratio of employees who commute to company facilities to less than 30%. (These restrictions on commuting were still place as of September 2020.)

### Implementation of Comprehensive Disaster Drills

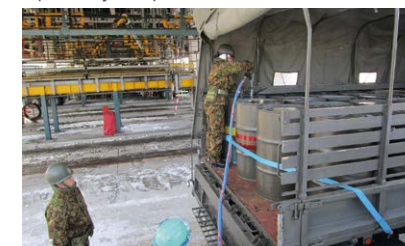
Since 2007, we have held annual comprehensive disaster drills aimed at enhancing the effectiveness of our BCPs. In conjunction with a government-designated “Disaster Prevention Week,” the 14th round of the comprehensive disaster drill was held in September 2020. To prevent the spread of COVID-19, this round was largely web based, with approximately 200 individuals, including a number from the Head Office emergency task forces, playing their part online. At the same time, staff at relevant departments took part in the drill remotely and practiced the collection, screening, and accurate reporting of information based on a scenario assuming a megathrust earthquake involving the Nankai trough (i.e., the partial cracking of eastern part of the Nankai trough). As part of this drill, we also confirmed employee safety on a company-wide basis, with approximately 14,000 individuals, including those working at subsidiaries and affiliates, reporting their whereabouts in a prompt manner. Looking ahead, we will update our BCPs to address issues identified in the course of the drill. Moreover, we will draw on takeaways from this latest round so that we are better prepared to remotely operate our emergency task forces in a smooth manner.



### Acquiring Highest BCM Rating from the Development Bank of Japan

In January 2020, Idemitsu became the first oil refiner and primary oil distributor to receive the highest “Rank A” rating awarded by the Development Bank of Japan (DBJ) under the DBJ BCM Rated Loan Program. This program provides a loan menu that incorporates Business Continuity Management (BCM) ratings. Using a proprietary screening system, DBJ assesses disaster prevention measures and BCPs in place at prospective borrowers and offers loan conditions that favor borrowers deemed excellent based on the assessment results. The ratings are classified into three grades from “Rank C” to “Rank A.” We were granted “Rank A: an outstanding company in terms of disaster prevention and business continuity initiatives” thanks to high evaluations in the three areas that follow.

1. Under the commitment of the top management, we have established a risk management system that covers all-risk hazards, including geopolitics and cyber risks. Employees work with management to strengthen the Company's resilience to risks via, for example, risk control through prior investment in addition to the preparation of various risk financing methods based on the analysis of financial impact at the time of risk occurrence.
2. As we are aware of our social mission of maintaining oil supply and believe that its disruption can affect people's lives, we have thoroughly implemented industry-leading quake-resistance measures. As part of these efforts, we have introduced risk engineering survey methods employed by our overseas peers to undertake safety and disaster prevention inspections and implemented robust countermeasures in conformity with global standards. In addition, we have established a system to ensure continued oil supply across Japan based on the “Plan for Joint-Operations of Oil Supply in Disasters,” which is an industrial cooperative framework for emergency supply.
3. We work to constantly improve our BCPs by implementing various drills involving outside stakeholders, including Japan's Self-Defense Forces (SDFs). We also work to improve the effectiveness of emergency response via, for instance, the enhancement a human resource development system to support sophisticated risk management.





## Risk Management

### 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, Idemitsu is 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.

As part of our thoroughgoing information management measures, we mandate that all IT system users (including permanent and temporary employees as well as subcontractors) periodically undergo educational programs, such as Security Standards for the Use of IT Systems. 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.

#### Information Security Basic Policies

1. The Idemitsu Group shall endeavor to ensure the secrecy of its information assets, secure the availability and security of its information systems and networks, and enhance the level of customer services by employing information technologies.
2. The Idemitsu Group shall put in place appropriate protective measures to prevent the leakage, falsification, or destruction of customer information.
3. The Idemitsu Group shall strive to secure the availability and security of its information systems and networks and protect their secrecy, in an effort to prevent information-related incidents that may cause trouble to customers, business partners, or other stakeholders.
4. The Idemitsu Group shall ensure that all employees, temporary staff, and vendors are aware of the importance of information security and educated on the proper use of information and information systems by providing them with training and otherwise raising their awareness.
5. The Idemitsu Group shall conduct periodic audits aimed at inspecting and evaluating the status of security policy compliance, thereby ensuring robust information security.

#### Employee education

##### ● Information security education via e-learning

We provide annual e-learning programs (in Japanese, English and Chinese) to instill information security rules that must be observed by all IT system users. Targeting all Group employees at home and abroad, the 2020 round of these programs was implemented during the March – April 2020 period and completed by a total of 14,545 people, or 100% of targeted individuals.

##### ● Specialized e-learning program

In FY2019, we also launched e-learning programs for employees tasked with handling or administering control systems. The 2020 round of this program was implemented during the February – March 2020 period and completed by a total of 4,516 people, or 100% of targeted individuals.

##### ● Training on the handling of suspicious e-mails

On a quarterly basis, we implement training focused on handling targeted e-mail attacks, with the aim of mitigating the risk of contracting computer virus infections borne by suspicious e-mails and raising cybersecurity awareness among employees.

##### ● In-house newsletters designed to raise employee awareness

We distribute the monthly cybersecurity newsletter via e-mail, calling employees' attention to relevant cybersecurity-related topics and thereby raising their awareness.

## Intellectual Property

### Utilization of Intellectual Property

We have established the Intellectual Property Department to supervise intellectual property. The Intellectual Property Department supports our business development and activities to increase the brand value of our products by collaborating with business and R&D departments to apply for, secure, maintain and utilize intellectual property rights, such as patents and trademarks.

### Initiatives to Utilize Intellectual Property

#### Promotion of Intellectual Property Activity Plans

We use the PDCA cycle to formulate IP Activity Plans based on the directives of the Intellectual Property Strategy Council headed by the general managers of each department. The departments, research laboratories, and the Intellectual Property Department work together to promote priority issues. We have also introduced the “Unit Structure,” which efficiently solves problems in a wide range of business fields, from petroleum to functional materials, in accordance with the characteristics and strategies of each business. By doing so, each unit can smoothly carry out intellectual property activities such as patent search and analysis, patent prosecution, negotiations, planning, and administration.

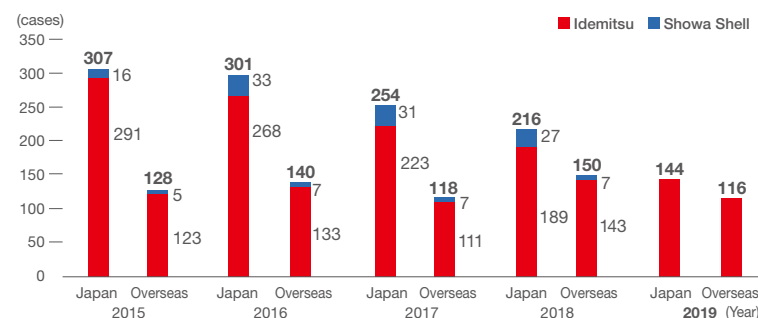
In the petroleum field, we have entered into a cross-licensing agreement and are working to strengthen our competitiveness, to this end reducing costs by making available patents from both parties. In the lubricants field, we command a large share of the global market for refrigerating machine oil, which is one of our strengths, and we have established global patent portfolios.

Because market growth is expected in the OLED business, the core field of the electronic materials business, we have entered into alliance agreements with companies in Japan and overseas that hold useful patents related to OLED materials, enabling the mutual use of patents in specific fields. Through these and other measures, we are working to create and expand businesses while expanding the areas in which development is possible.

#### Exercising Intellectual Property Rights

Intellectual property rights are being exercised with increasing frequency in response to the diversification of business activities, from licensing to the pursuit of alliances and mergers and acquisitions. We established a specialized negotiations team within the Intellectual Property Department to support its various business segments by handling the negotiation and signing of technology contracts with partners as well as performing due diligence.

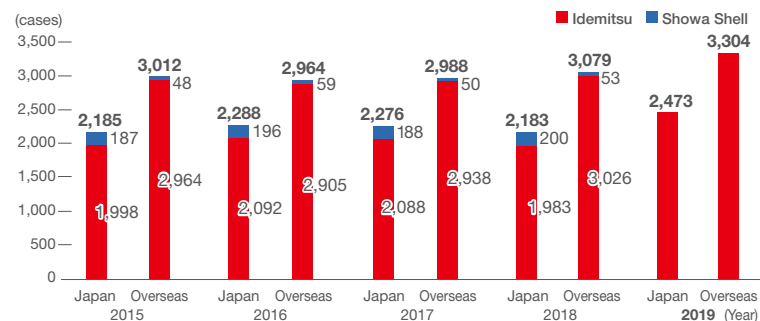
■ Number of patent publications





## Intellectual Property

### ■ Number of registered patents held



### Working with Patent Firms and Government Agencies

Through cooperative efforts with patent firms in Japan and major overseas countries, we are focusing our energy on securing the intellectual property rights necessary for business development. In particular, we are strengthening cooperation with overseas patent firms through direct communication with patent attorneys and the dispatch of trainees. To secure a strong patent portfolio, we are also engaging in direct interviews, negotiations, and technology presentations with each country's examiners. In addition, with the support of the Japan External Trade Organization (JETRO), we address pressing issues besetting emerging nations, such as counterfeit products, while lobbying governmental organizations. In these ways, we remain apprised of the patent-related problems and implement robust countermeasures.

### Responding to the Patent Laws of Each Country

Patent laws are set independently by each country, and the application for as well as the receipt and maintenance of patents requires adherence to said laws. With a rising number of corporations pursuing global expansion, there has recently been a global trend toward patent law revision aimed at facilitating swift patent acquisition and harmonization, including by ironing out differences between laws, rules, and examination processes. Because of this, in the countries in which they operate or their products are sold, businesses have to pay close attention to every law revision and new piece of legislation. In line with the globalization of business, the Intellectual Property Department stays informed of changes in relevant laws and examination processes used by individual countries and regions, from the United States to Europe, China, South Korea, Taiwan, and others, and takes these changes into account during daily intellectual property activities.

### Providing Staff Education

Idemitsu helps its employees be mindful of intellectual property by, for example, providing staff education. This means we strive to ensure employees' awareness of fair competition and respect for the intellectual property rights of other companies while promoting business development by leveraging competitive advantages afforded by acquiring and exercising our own intellectual property rights.

### Data Analysis

To beat global competition, it is imperative that the Idemitsu Group understand the strengths and weaknesses of its intellectual properties within the industry while comparing and analyzing the competitiveness of rival companies. To create our own strategies leveraging our strengths, we have established a specialized patent information group because it is important to examine and analyze large numbers of patent abstracts around the world.



## ESG Data

### Environment

- For each data from FY2016 to FY2018, the upper row is the Idemitsu Group and the lower row is the Showa Shell Group. (The Showa Shell Group's FY2018 results are reported for 15 months from January 2018 to March 2019.)
- FY2019 data is for the Idemitsu Group. Idemitsu Kosan and Showa Shell merged in April 2019, and the data is after the business integration.
- The scope of data for FY2019 is Idemitsu Kosan and consolidated subsidiaries. However, the reporting scope of some data point differs from the others. For details, please refer to the notes for each data point.
- Data calculation conditions have been revised in conjunction with business integration. Therefore, data for FY2019 is not consistent with the sum of the two companies' data before FY2018. (From FY2016 to FY2018, there are differences in the calculation conditions of the Idemitsu Group and Showa Shell Group.
- The data for FY2019 indicated with has been assured by the Independent Practitioner.

GHG Emissions by Scope	Unit	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Scope1	thousand tCO <sub>2</sub>	7,579	7,465	7,347	12,041		
		-	5,137	7,015			
	tCH <sub>4</sub>	-	-	-	1,986		
		-	-	-			
	tHFC	-	-	-	0.103		
		-	-	-			
	tN <sub>2</sub> O	-	-	-	228		
		-	-	-			
Scope2	tSF <sub>6</sub>	-	-	-	0.004		
		-	-	-			
	thousand tCO <sub>2</sub> e	-	-	-	12,158		Total 7 GHGs converted to carbon dioxide
		-	-	-			
	thousand tCO <sub>2</sub>	448	424	460	855		
		-	530	556			
	thousand tCO <sub>2</sub>	87,715	82,224	79,318	117,691		
		66,278	56,526	63,331			
Scope1+2	thousand tCO <sub>2</sub>	8,027	7,889	7,807	12,896		
		-	5,667	7,571			
	thousand tCO <sub>2</sub> e	-	-	-	13,014		Total 7 GHGs converted to carbon dioxide
		-	-	-			
Scope1+2+3*	thousand tCO <sub>2</sub>	95,742	90,113	87,125	130,586		
		-	62,193	70,902			
	thousand tCO <sub>2</sub> e	-	-	-	130,704		Total 7 GHGs converted to carbon dioxide
		-	-	-			

\*Scope3 records category 11 (Sold products consumption)



## ESG Data

Energy Consumption	Unit	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Heat quantity equivalent	PJ	194	188	186	196	☑	Before FY2018, the energy consumption of both Idemitsu Group's and other companies' business activities are counted. In FY2019, the scope is limited only to the energy consumption of Idemitsu Group's business activities.
		83	84	108			
Crude oil equivalent	thousand kL	4,983	4,858	4,811	5,070	☑	
		2,153	2,156	2,808			
Unit energy consumption(Refinery)	L/kL	8.49	8.79	8.87	8.09	☑	Scope of Reporting: Hokkaido Refinery, Chiba Complex(Petroleum), Aichi Refinery, TOA Oil Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd.
		7.55	7.47	7.28			Unit energy consumption=Crude oil equivalent(L) / Atmospheric distillation equipment converted throughput(kL)
Unit energy consumption(Petrochemical plant)	kL/t	0.404	0.406	0.396	0.421	☑	Scope of Reporting: Chiba Complex(Chemicals), Tokuyama Complex
		-	-	-			Unit energy consumption=Crude oil equivalent(L) / Ethylene equivalent production(t)
Amount of Water Resources Intake and Wastewater	Unit	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Seawater intake	thousand t	1,231,103	1,257,447	1,288,375	1,330,838	☑	
		137,039	133,554	170,600			
Industrial water intake	thousand t	58,562	58,322	60,143	81,740	☑	
		33,223	31,797	41,795			
Tap water intake	thousand t	-	-	-	16,500	☑	The amount of Idemitsu before 2018 are included in industrial water.
		306	249	304			
Underground water intake	thousand t	-	-	-	18,894	☑	The amount of Idemitsu before 2018 are included in industrial water.
		1,734	2,009	2,102			
Total water intake	thousand t	1,289,665	1,315,769	1,348,518	1,447,972	☑	
		172,302	167,609	214,801			
Wastewater	thousand t	1,287,638	1,314,002	1,345,990	1,412,073	☑	
		155,332	150,515	199,813			
Water recycling rate	%	-	-	90	94	☑	The water recycling rate is for industrial water only
		-	97	97			
Water Pollution Effects	Unit	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
COD	t	96	104	97	276	☑	Scope of Reporting: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, TOA Oil Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., Solar Frontier K.K., Shell Lubricants Japan K.K., Nippon Grease Co., Ltd., IdemitsuSM(Malaysia), Petrochemicals(Malaysia)
		-	-	255			
Total nitrogen	t	91	93	104	97	☑	
		-	-	-			
Total phosphorus	t	1.1	1.2	1.5	1.8	☑	
		-	-	-			

## ESG Data


Air Pollutant Emissions	Unit	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
SOx	t	51,034	48,223	47,349	12,315		Before FY2018, the air pollutants of both Idemitsu Group's and other companies' business activities are counted. In FY2019, the scope is limited only to the air pollutants of Idemitsu Group's business activities.
		2,694	2,250	2,972			
NOx	t	44,353	42,823	42,029	17,286		
		2,189	1,942	2,769			
Soot/dust	t	285	230	231	232		
		91	72	95			
VOC	t	3,751	3,707	3,658	5,536		Scope of Reporting: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, TOA Oil Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., Shell Lubricants Japan K.K. Kobe Plant, Okinawa Idemitsu Co., Ltd.
		-	4,873	4,639			
Waste	Unit	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Total waste	t	213,550	215,354	209,828	217,516		Scope of Reporting: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, TOA Oil Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd.
		42,886	37,994	40,188			
Reduced by intermediate treatment	t	86,998	91,227	107,605	110,264		
		-	-	26,087			
Recycled	t	126,415	123,182	100,840	106,640		
		-	-	14,102			
Final disposal	t	137	945	1,383	614		
		-	-	0			
Final disposal rate	%	0.064	0.439	0.659	0.282		
		-	-	0			
Number of Environmental Abnormalities		FY2019					
		0 case					
Acquisition Status of ISO 14001 (Environmental Management Systems)							
*As of April 1, 2020							
Domestic business sites		24 sites					
Overseas business sites		13 sites					


















\*More than 95% of Idemitsu Group GHG emitted from the sites which acquired ISO 14001 certificate.



## ESG Data

## Social

- For each data from FY2016 to FY2018, the upper row is the Idemitsu Group and the lower row is the Showa Shell Group. (The Showa Shell Group's FY2018 results are reported for 15 months from January 2018 to March 2019.)
- FY2019 data is for the Idemitsu Group. Idemitsu Kosan and Showa Shell merged in April 2019, and the data is after the business integration.
- The scope of data for FY2019 is Idemitsu Kosan non-consolidated. However, the reporting scope of some data point differs from the others. For details, please refer to the notes for each data point.
- The data for FY2019 indicated with  has been assured by the Independent Practitioner.

Status of Employees <sup>*As of April 1, 2020</sup>		Unit	FY2020	Independent Practitioner's Assurance	Note
Number of employees		People	4,917		Scope of Reporting: Idemitsu hiring (Employees, seniors, full-time contract employees, and advisors) Excluding employees seconded to other companies
	Men	People	4,323		
	Women	People	594		
	Percentage of women	%	12.1		
	Foreign nationality	People	30		
	Percentage of foreign nationality	%	0.6		
	Seniors (Over 60 years old)	People	612		
Number of member		People	3,974		
	Men	People	3,403		
	Women	People	571		
	Percentage of women	%	14.4		
Number of employees in managerial positions (Including managers, general managers, and executive officers)		People	943		
	Men	People	920		
	Women	People	23		
	Percentage of women	%	2.4		
Of the numbers mentioned above, over general managers		People	33		
	Men	People	31		
	Women	People	2		
	Percentage of women	%	6.1		
Of the numbers mentioned above, managers		People	801		
	Men	People	780		
	Women	People	21		
	Percentage of women	%	2.6		
Average age		years old	42.1		
	Men	years old	42.4		
	Women	years old	40.2		
Average years employed		years	18.7		
	Men	years	19.0		
	Women	years	16.3		
Average wage	Men	yen/month	407,716		Scope of Reporting: Idemitsu hiring (Employees) Only base salary
	Women	yen/month	360,468		
Status of employees with disabilities <sup>*As of June 1, 2020</sup>	Percentage	%	2.20		Scope of Reporting: Scope of Reporting: Idemitsu hiring (Employees, seniors, full-time contract employees, and advisors) Including employees seconded to other companies, but excluding employees seconded from other companies Based on the calculation method of the Ministry of Health, Labour and Welfare
	Number	People	115		
Number of employees (Consolidated) <sup>*As of the end of March 2020</sup>		People	13,766		Scope of Reporting: Idemitsu and 65 consolidated subsidiaries
Turnover rate(Including honourable retreat)		%	6.39		Scope of Reporting: Idemitsu hiring (Employees, seniors, full-time contract employees, and advisors) Excluding employees seconded to other companies
Voluntary retirement rate		%	1.98		
New graduate retention rate (Average for newly hired employees between 2015 and 2017)		%	89.0		Scope of Reporting: Results are from Idemitsu's direct hiring
Turnover rate of new graduates		%	11.2		Retention rate: Average rate of three-year retention of new graduates in the relevant fiscal years Turnover rate: Turnover rate of new graduates within three years after employment in the relevant fiscal year





## ESG Data

Status of Recruitment		Unit	FY2019 / FY2020		Independent Practitioner's Assurance		Note	
Recruitment of new graduates *Hired in April 2020		People	190		☑		Scope of Reporting: Results are from Idemitsu's direct hiring	
	Men	People	163		☑			
	Women	People	27		☑			
	Percentage of women	%	14.2		☑			
	Foreign nationality	People	2		☑			
	Percentage of foreign nationality	%	1.1		☑			
Career recruitment *Hired in FY2019		People	82		☑			

Work-Life Balance Support Systems and Usage Numbers		Unit	FY2015	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Maternity leave	Women	People	22	25	26	28	39	☑	Scope of Reporting: Idemitsu hiring (Employees, seniors, re-employed, including employees seconded to other companies) Telecommuting, self-development leave of absence, and volunteer leave of absence are results only for Showa Shell
			-	-	-	26			
Childcare leave		People	42	51	47	47	96	☑	
			40	52	43	37			
	Men	People	-	-	-	3	15	☑	
			2	2	4	3			
	Women	People	-	-	-	44	81	☑	
			38	50	39	34			
Rate of employees returning to work after childcare leave	Women	%	-	-	-	-	100		
Nursing care leave		People	0	1	4	3	7	☑	
			1	0	1	2			
	Men	People	-	-	-	3	6	☑	
			1	0	1	2			
	Women	People	-	-	-	0	1	☑	
			0	0	0	0			
Reduced working hours for parenting		People	21	34	51	42	69	☑	
			19	27	32	38			
	Men	People	-	-	-	1	2	☑	
			1	1	0	0			
	Women	People	-	-	-	41	67	☑	
			18	26	32	38			
Leave to care for sick/injured child		People	-	-	-	113	206	☑	
			35	61	82	113			
	Men	People	-	-	-	51	103	☑	
			16	26	32	56			
	Women	People	-	-	-	62	103	☑	
			19	35	50	57			
Family care leave		People	-	-	-	43	50	☑	
			13	9	16	17			
	Men	People	-	-	-	34	19	☑	
			8	6	10	11			
	Women	People	-	-	-	9	31	☑	
			5	3	6	6			
Telecommuting		People	5	15	24	191	543	☑	
	Men	People	0	1	1	111	400	☑	
	Women	People	5	14	23	80	143	☑	
Self-development leave of absence		People	4	3	2	3	3	☑	
	Men	People	1	1	0	1	2	☑	
	Women	People	3	2	2	2	1	☑	
Volunteer leave of absence		People	-	-	0	1	1		
	Men	People	-	-	0	1	0		
	Women	People	-	-	0	0	1		

## ESG Data

Overtime Work and Annual Paid Leave		Unit	FY2015	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Average overtime work hours per employee		hours/month	8.8	9.9	12.3	15.3	18.9		Scope of Reporting: Idemitsu hiring (Employees, seniors, re-employed) Excluding employees on leave and seconded employees Results of overtime work is excluding employees in managerial positions
			-	12.0	12.0	14.8			
Average annual paid leave taken by an employee		days	10.5	11.2	11.7	12.7	14.2		
			-	13.9	13.3	14.9			
Average usage rate of annual paid leave per employee		%	-	-	-	68.4	70.0		
			-	68.3	65.7	74.6			
				*Excluding employees in managerial positions					
Training Results		Unit	FY2015	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Training hours	Total	hours	-	-	101,920	70,880	117,455		Scope of Reporting: Results for Idemitsu non-consolidated Results are from training organized by the Human Resources Department
			-	-	-	14,633			
Per person			-	-	26.0	17.8			
		hours	-	-	-	21.0	19.5		
Amount of investment in training	Total	thousand yen	-	-	142,612	226,769	352,000		
			117,030	133,853	198,733	299,611			
	Per person	thousand yen	-	-	51	57	59		
			145	170	275	430			
Results related to health		Unit	FY2019	Note					
Rate for having periodic health checkups		%	99	Scope of Reporting: Idemitsu hiring Including employees seconded to other companies, but excluding employees seconded from other companies and overseas workers					
OIFR (Occupational Illness Frequency Rate)		-	0.00	Scope of Reporting: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd., Anesaki Works, BASF Idemitsu Co., Ltd., TOA Oil Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., Seibu Oil Co., Ltd. Reporting period: From January to December 2019 [Calculation method] OIFR= Number of occupational illness or disease cases/hours of actual work) ×1,000,000					
Occupational Accidents		Unit	FY2015	FY2016	FY2017	FY2018	FY2019	Independent Practitioner's Assurance	Note
Occupational accidents frequency rate	Idemitsu's employees only	-	0.00	0.00	0.51	0.28	0.46		Scope of Reporting: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd., Anesaki Works, BASF Idemitsu Co., Ltd., TOA Oil Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., Seibu Oil Co., Ltd. Reporting period: From January to December 2019
			0.40	0.00	0.39	0.00			
Employees of partner companies			-	-	-	-	0.68		
	Idemitsu's employees only	People	-	-	-	-	0		
Fatalities due to occupational accidents			-	-	-	-	0		
	Employees of partner companies	People	-	-	-	-	0		
TRIFR (Total Recordable Injury Frequency Rate)	Idemitsu's employees only	-	-	-	-	-	2.94		[Calculation method] Frequency rate= (Number of fatalities and injuries due to occupational accidents/hours of actual work) ×1,000,000 TRIFR= (Number of overall occupational accidents/hours of actual work) ×1,000,000 LTIFR= (Number of accidents resulting in lost work days/hours of actual work) ×1,000,000 Severity rate= (Number of lost working days/hours of actual work) ×1,000
			-	-	-	-	2.11		
Employees of partner companies			-	-	-	-	0.46		
	Idemitsu's employees only	-	-	-	-	-	0.68		
LTIFR (Lost Time Incident Frequency Rate)			-	-	-	-	0.68		
	Employees of partner companies	-	-	-	-	-	0.68		
Severity rate	Idemitsu's employees only	-	0.00	0.00	0.01	0.03	0.03		
			0.12	0.00	0.01	0.00			
			-	-	-	-	0.03		
Employees of partner companies		-	-	-	-	-	0.03		
Number of accidents related to safety		Unit	FY2019	Note					
Serious accidents		cases	1	Scope of Reporting: Hokkaido Refinery, Chiba Complex, Aichi Refinery, Tokuyama Complex, Prime Polymer Co., Ltd., Anesaki Works, BASF Idemitsu Co., Ltd., TOA Oil Co., Ltd., Showa Yokkaichi Sekiyu Co., Ltd., Seibu Oil Co., Ltd. Reporting period: From January to December 2019					
	Of the numbers mentioned above, partner companies	cases	1						
Fatal accidents		cases	0						
	Of the numbers mentioned above, partner companies	cases	0						
Accidents resulting in lost time injuries		cases	13						
	Of the numbers mentioned above, partner companies	cases	10						
Accidents not resulting in lost time injuries		cases	37						
	Of the numbers mentioned above, partner companies	cases	21						
								Acquisition Status of ISO 9001 (Quality Management Systems)	
								*As of September 30, 2020	
								Domestic and overseas business sites	37 sites



## ESG Data

## Governance

Composition of Executive		Unit	FY2016	FY2017	FY2018	FY2019	FY2020
Directors		People	10	12	11	13	12
	Of the numbers mentioned above, Outside Directors	People	2 (Female:1)	4 (Female:1,Non-Japanese:1)	4 (Female:1,Non-Japanese:1)	5 (Female:1,Non-Japanese:1)	5 (Female:1,Non-Japanese:1)
Audit & Supervisory Board Members		People	5	4	4	4	4
	Of the numbers mentioned above, Outside Audit & Supervisory Board Members	People	3	2	2	2	2

Number of Convened Meetings of the Board of Directors, etc.		Unit	FY2019
Board of Directors	Number of meetings	times	16
	Average rate of attendance	%	100
Audit & Supervisory Board	Number of meetings	times	16
	Average rate of attendance	%	100



## ESG Data

## Environmental Data of Refineries and Complexes

## Hokkaido Refinery

	Unit	FY2016	FY2017	FY2018	FY2019
Crude oil throughput	thousand kL	7,450	8,235	6,750	7,768
Crude oil equivalent <sup>*1</sup>	thousand kL	549	608	522	578
Unit energy consumption	L/kL <sup>*2</sup>	8.21	8.46	8.73	8.24
Seawater	thousand t	116,515	138,293	121,659	128,835
Industrial water	thousand t	10,234	11,114	12,693	12,484
Tap water	thousand t	-	-	-	60
Underground water	thousand t	-	-	-	356
CO <sub>2</sub>	thousand tCO <sub>2</sub>	891	990	894	1,664
SO <sub>x</sub>	t	2,809	2,086	1,877	2,397
NO <sub>x</sub>	t	1,202	1,231	1,037	1,224
Soot/dust	t	2.0	5.3	15.3	8.0
Wastewater	thousand kL	126,749	149,407	134,352	141,380
COD	t	29.8	36.3	30.9	33.0
Total nitrogen	t	-	-	-	-
Total phosphorus	t	-	-	-	-
Total waste	t	12,372	12,003	9,155	9,584
Reduced by intermediate treatment	t	1,526	1,026	1,800	1,006
Recycled	t	10,842	10,973	7,351	8,575
Final disposal	t	4	4	4	3

## Chiba Complex (Only oil refining until FY2017)

	Unit	FY2016	FY2017	FY2018	FY2019
Crude oil throughput	thousand kL	11,310	10,321	11,122	9,351
Petrochemical product manufacturing (Ethylene equivalent)	thousand t	-	-	2,056	1,661
Crude oil equivalent <sup>*1</sup>	thousand kL	904	833	1,555	1,315
Unit energy consumption	L/kL <sup>*2</sup>	8.53	8.65	8.42	9.11
	kL/t <sup>*3</sup>	-	-	0.317	0.345
Seawater	thousand t	355,018	349,977	503,972	418,108
Industrial water	thousand t	18,311	18,131	22,513	21,064
Tap water	thousand t	-	-	-	0
Underground water	thousand t	-	-	-	364
CO <sub>2</sub>	thousand tCO <sub>2</sub>	1,380	1,727	3,148	3,072
SO <sub>x</sub>	t	2,460	2,205	2,579	2,541
NO <sub>x</sub>	t	1,634	1,440	2,752	2,342
Soot/dust	t	206	150	160	128
Wastewater	thousand kL	373,329	368,108	524,140	437,723
COD	t	32	30	40	40
Total nitrogen	t	60	57	80	59
Total phosphorus	t	0.3	0.4	0.6	0.5
Total waste	t	83,181	78,087	66,850	51,488
Reduced by intermediate treatment	t	19,138	20,149	21,213	18,993
Recycled	t	64,038	57,916	45,630	32,470
Final disposal	t	5	22	7	27

## Chiba Complex (Petrochemicals)

	Unit	FY2016	FY2017	FY2018	FY2019
Petrochemical product manufacturing (Ethylene equivalent)	thousand t	2,054	1,838	Aggregate in Chiba Complex	Aggregate in Chiba Complex
Crude oil equivalent <sup>*1</sup>	thousand kL	662	611		
Unit energy consumption	kL/t <sup>*3</sup>	0.322	0.332		
Seawater	thousand t	127,806	109,444		
Industrial water	thousand t	3,447	3,303		
CO <sub>2</sub>	thousand tCO <sub>2</sub>	1,379	1,274		
SO <sub>x</sub>	t	17	16		
NO <sub>x</sub>	t	913	804		
Soot/dust	t	6	8		
Wastewater	thousand kL	129,233	110,987		
COD	t	8	9		
Total nitrogen	t	11	12		
Total phosphorus	t	0.1	0.1		
Total waste	t	8,842	8,730		
Reduced by intermediate treatment	t	2,219	3,200		
Recycled	t	6,613	5,524		
Final disposal	t	10	6		

## Aichi Refinery

	Unit	FY2016	FY2017	FY2018	FY2019
Crude oil throughput	thousand kL	8,435	7,049	7,699	8,577
Crude oil equivalent <sup>*1</sup>	thousand kL	676	586	608	681
Unit energy consumption	L/kL <sup>*2</sup>	8.70	9.40	9.76	8.51
Seawater	thousand t	233,974	207,469	242,389	241,254
Industrial water	thousand t	12,379	12,438	12,375	12,396
Tap water	thousand t	-	-	-	103
Underground water	thousand t	-	-	-	0
CO <sub>2</sub>	thousand tCO <sub>2</sub>	1,291	1,146	1,187	1,870
SO <sub>x</sub>	t	845	851	789	904
NO <sub>x</sub>	t	1,257	1,270	1,267	1,278
Soot/dust	t	53	52	38	60
Wastewater	thousand kL	246,353	219,907	254,764	253,753
COD	t	8	6	8	11
Total nitrogen	t	6	6	11	8
Total phosphorus	t	0.3	0.3	0.4	0.9
Total waste	t	80,904	81,988	99,762	94,556
Reduced by intermediate treatment	t	46,398	47,787	64,417	59,115
Recycled	t	34,493	34,149	35,321	35,410
Final disposal	t	13	52	24	31

<sup>\*1</sup> FY2019 result is the figure subtracted from sales of by-product energy.

<sup>\*2</sup> Unit energy consumption = Crude oil equivalent (L) / Atmospheric distillation equipment converted throughput(kL)

<sup>\*3</sup> Unit energy consumption = Crude oil equivalent (L) / Ethylene equivalent production(t)





## ESG Data

## Tokuyama Complex

	Unit	FY2016	FY2017	FY2018	FY2019
Petrochemical product manufacturing (Ethylene equivalent)	thousand t	1,656	1,986	1,814	1,888
Crude oil equivalent <sup>*1</sup>	thousand kL	835	958	898	920
Unit energy consumption	kL/t <sup>*3</sup>	0.504	0.474	0.486	0.487
Seawater	thousand t	397,790	452,264	420,355	431,407
Industrial water	thousand t	13,741	13,069	11,962	10,554
Tap water	thousand t	-	-	-	193
Underground water	thousand t	-	-	-	0
CO <sub>2</sub>	thousand tCO <sub>2</sub>	1,816	2,051	1,928	2,002
SO <sub>x</sub>	t	927	835	821	1,006
NO <sub>x</sub>	t	1,557	1,712	1,583	1,624
Soot/dust	t	17	15	18	14
Wastewater	thousand kL	411,531	465,332	432,508	442,154
COD	t	19	23	18	13
Total nitrogen	t	15	19	14	17
Total phosphorus	t	0.4	0.4	0.5	0.4
Total waste	t	28,278	34,573	34,061	31,786
Reduced by intermediate treatment	t	17,743	19,091	20,175	19,046
Recycled	t	10,430	14,621	12,537	12,187
Final disposal	t	105	861	1,348	553

\*1 FY2019 result is the figure subtracted from sales of by-product energy.

\*3 Unit energy consumption = Crude oil equivalent (L) / Ethylene equivalent production(t)

## Comparative Table with GRI Standards

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102-2	Activities, brands, products, and services	P.4 P.5 P.18	Review of Operations Idemitsu Group by the Numbers Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations	P.6 P.7-8 P.15-16	Idemitsu Group by the Numbers Review of Operations Value Creation Process
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102-4	Location of operations	-		P.78	Corporate Profile
102-5	Ownership and legal form	P.3	Editorial policy	P.1-2	Editorial policy
102-6	Markets served	P.4 P.5 P.9	Review of Operations Idemitsu Group by the Numbers Medium-term Management Plan	P.7-8 P.21-22	Review of Operations Medium-term Management Plan
102-7	Scale of the organization	P.4 P.18 P.37, 77	Review of Operations Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Status of Employees	P.7-8 P.15-16 P.73-78	Review of Operations Value Creation Process Data Section
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102-9	Supply chain	P.4	Review of Operations	P.7-8 P.23-42	Review of Operations Value Creation Initiatives
102-10	Significant changes to the organization and its supply chain	P.3	Editorial policy	P.1-2	Editorial policy
102-11	Precautionary Principle or approach	P.11-12 P.19	Idemitsu Group's Sustainability Our Response to Climate Change • Risks and Opportunities	P.17-20	Idemitsu Group's Sustainability
102-12	External initiatives	P.12	Idemitsu Group's Sustainability • Signing of the United Nations Global Compact and Accompanying Initiatives	P.18	Idemitsu Group's Sustainability • Signing of the United Nations Global Compact and Accompanying Initiatives
		P.27 P.34	Response to Circular Economy Pollution Prevention • Measures to Prevent Water and Marine Pollution	P.47	Organization and Human Capital • Promoting Work-Life Balance
		P.39	Promotion of D&I • Promoting Work-Life Balance		
102-13	Membership of associations	P.12  P.27 P.34	Idemitsu Group's Sustainability • Signing of the United Nations Global Compact and Accompanying Initiatives Response to Circular Economy Pollution Prevention • Measures to Prevent Water and Marine Pollution	P.18	Idemitsu Group's Sustainability • Signing of the United Nations Global Compact and Accompanying Initiatives

## Comparative Table with GRI Standards

		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
<b>2. Strategy</b>					
102-14	Statement from senior decision-maker	P.6-8	Message from President	P.11-14	Message from President
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<b>3. Ethics and integrity</b>					
102-16	Values, principles, standards, and norms of behavior	P.2 P.35 P.36	Management Vision Action Mindset / Human Rights Policy Diversity & Inclusion Policy / Personnel Strategy Policy	P.1 P.45-46	Management Vision Organization and Human Capital •Human Resources Policy
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102-18	Governance structure	P.64-65	Corporate Governance •Outline of Corporate Governance System •Each Committee	P.61-62	Corporate Governance •Outline of Corporate Governance System •Overview of Each Committee
102-19	Delegating authority	P.64	Corporate Governance •Outline of Corporate Governance System	P.61	Corporate Governance •Outline of Corporate Governance System
102-20	Executive-level responsibility for economic, environmental, and social topics	P.16	Details of Our Environmental Management and Environmental Policy •Environmental Management System	P.62	Corporate Governance •Overview of Each Committee
		P.50	Ensuring Safety •System for Promoting HSSE Initiatives	P.67	Compliance •Compliance Promotion Structure
		P.53	Quality Control and Quality Assurance •Quality Control and Quality Assurance System	P.68	Risk Management •Risk Management Promotion Structure
		P.64-65	Corporate Governance •Each Committee	P.70	Ensuring Safety •System for Promoting HSSE Initiatives
		P.68	Compliance •Compliance Promotion Structure	P.72	Quality Control and Quality Assurance •Quality Control and Quality Assurance System
		P.70	Risk Management •Risk Management Promotional Framework		
102-21	Consulting stakeholders on economic, environmental, and social topics	P.13-14	Idemitsu Group's Sustainability •Dialogue with Stakeholders	P.17	Idemitsu Group's Sustainability •Dialogue with Stakeholders
102-22	Composition of the highest governance body and its committees	P.65-66	Corporate Governance •Changes in Corporate Governance Structure •Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors	P.62-63	Corporate Governance •Changes in Corporate Governance Structure •Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors
102-23	Chair of the highest governance body	P.62-63	Directors and Audit & Supervisory Board Members	P.59-60	Directors and Audit & Supervisory Board Members
102-24	Nominating and selecting the highest governance body	P.65-66	Corporate Governance •Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors	P.63	Corporate Governance •Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors

## Comparative Table with GRI Standards

		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
102-25	Conflicts of interest	P.64-67	Corporate Governance	P.61-66	Corporate Governance
102-26	Role of highest governance body in setting purpose, values, and strategy	P.12	Idemitsu Group's Sustainability • Sustainability Promotion Structure	P.17	Idemitsu Group's Sustainability • Sustainability Promotion Structure
		P.64-67	Corporate Governance	P.61-66	Corporate Governance
102-27	Collective knowledge of highest governance body	P.65-66	Corporate Governance • Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors	P.63	Corporate Governance • Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors
102-28	Evaluating the highest governance body's performance	P.66	Corporate Governance • Main Agenda Items Discussed by the Board of Directors • Assessment of the Effectiveness of the Board of Directors	P.64	Corporate Governance • Main Agenda Items Discussed by the Board of Directors • Assessment of the Effectiveness of the Board of Directors
102-29	Identifying and managing economic, environmental, and social impacts	P.12	Idemitsu Group's Sustainability • Sustainability Promotion Structure	P.18	Idemitsu Group's Sustainability • Sustainability Promotion Structure
		P.66	Corporate Governance • Main Agenda Items Discussed by the Board of Directors	P.64	Corporate Governance • Main Agenda Items Discussed by the Board of Directors
102-30	Effectiveness of risk management processes	P.70-71	Risk Management • Policy of Risk Management • Risk Management Promotional Framework • Other Risk Management Initiatives	P.68-69	Risk Management
102-31	Review of economic, environmental, and social topics	P.66	Corporate Governance • Main Agenda Items Discussed by the Board of Directors	P.64	Corporate Governance • Main Agenda Items Discussed by the Board of Directors
102-33	Communicating critical concerns	P.70	Risk Management • Policy of Risk Management • Risk Management Promotional Framework	P.68	Risk Management • Policy of Risk Management • Risk Management Promotion Structure
102-34	Nature and total number of critical concerns	P.70	Risk Management • Policy of Risk Management	P.68	Risk Management • Policy of Risk Management
102-35	Remuneration policies	P.67	Corporate Governance • Compensation for Executives	P.65-66	Corporate Governance • Compensation for Executives
102-36	Process for determining remuneration	P.67	Corporate Governance • Compensation for Executives	P.65-66	Corporate Governance • Compensation for Executives
102-37	Stakeholders' involvement in remuneration	P.67	Corporate Governance • Compensation for Executives	P.65-66	Corporate Governance • Compensation for Executives
5. Stakeholder engagement					
102-40	List of stakeholder groups	P.13-14	Idemitsu Group's Sustainability • Dialogue with Stakeholders	P.17	Idemitsu Group's Sustainability • Dialogue with Stakeholders
102-43	Approach to stakeholder engagement	P.13-14	Idemitsu Group's Sustainability • Dialogue with Stakeholders	P.17	Idemitsu Group's Sustainability • Dialogue with Stakeholders





## Comparative Table with GRI Standards

		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
<b>6. Reporting practice</b>					
102-46	Defining report content and topic Boundaries	P.3	Scope of the Reporting	P.2	Scope of the Reporting
102-47	List of material topics	P.11-12 P.19	Idemitsu Group's Sustainability Our Response to Climate Change • Scenario Analysis • Risks and Opportunities	P.17-20	Idemitsu Group's Sustainability
102-49	Changes in reporting	P.3	Editorial policy	P.2	Editorial policy
102-50	Reporting period	P.3	Reporting period	P.2	Reporting period
102-51	Date of most recent report	P.3	Publication information	P.2	Publication information
102-52	Reporting cycle	P.3	Publication information	P.2	Publication information
102-53	Contact point for questions regarding the report	P.3	Contact point for inquiries about Idemitsu Sustainability Report	P.2	Contact point for inquiries about Idemitsu Integrated Report
102-54	Claims of reporting in accordance with the GRI Standards	P.3	Reference guidelines	P.2	Reference guidelines
102-55	GRI content index	P.83-92 P.93-94	Comparative Table with GRI Standards Comparative Table with ISO 26000	-	
102-56	External assurance	P.95	Independent Practitioner's Assurance Report	-	
<b>GRI103: Management Approach</b>					
103-1	Explanation of the material topic and its Boundary	P.11-12 P.19	Idemitsu Group's Sustainability Our Response to Climate Change • Scenario Analysis • Risks and Opportunities	P.19-20	Idemitsu Group's Sustainability
103-2	The management approach and its components	P.11-12 P.9	Idemitsu Group's Sustainability Medium-term Management Plan	P.17-20 P.21-22	Idemitsu Group's Sustainability Medium-term Management Plan
103-3	Evaluation of the management approach	P.11-12 P.9	Idemitsu Group's Sustainability Medium-term Management Plan	P.17-20 P.21-22	Idemitsu Group's Sustainability Medium-term Management Plan

Comparative Table with GRI Standards

Economic					
		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
GRI201: Economic Performance					
201-2	Financial implications and other risks and opportunities due to climate change	P.11 P.19  P.27	Idemitsu Group's Sustainability Our Response to Climate Change • Risks and Opportunities Our Response to the TCFD Recommendations	P.17-20	Idemitsu Group's Sustainability
GRI203: Indirect Economic Impacts					
203-1	Infrastructure investments and services supported	P.56~59	Social Contribution Activities	-	
GRI205: Anti-corruption					
205-2	Communication and training about anti-corruption policies and procedures	P.68~70	Compliance	P.67-68	Compliance
205-3	Confirmed incidents of corruption and actions taken	P.69~70	Compliance • Compliance Promotion Activities	P.67-68	Compliance • Compliance Promotion Activities
GRI207: Tax					
207-1	Approach to tax	P.70	Compliance • Compliance Promotion Activities (Tax Compliance Initiatives)	P.68	Compliance • Compliance Promotion Activities (Tax Compliance Initiatives)
207-2	Tax governance, control, and risk management	P.64	Corporate Governance • Each Committee	-	
		P.70	Compliance • Compliance Promotion Activities (Tax Compliance Initiatives)		
207-3	Stakeholder engagement and management of concerns related to tax	P.70	Compliance • Compliance Promotion Activities (Tax Compliance Initiatives)	-	

Comparative Table with GRI Standards

Environmental				
		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing
GRI301: Materials				
301-2	Recycled input materials used	P.27-28	Response to Circular Economy	-
GRI302: Energy				
302-1	Energy consumption within the organization	P.18 P.75	Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Energy Consumption	-
302-3	Energy intensity	P.75	Energy Consumption	-
GRI303: Water and Effluents				
303-1	Interactions with water as a shared resource	P.29-30	Water Management	-
303-2	Management of water discharge-related impacts	P.34	Pollution Prevention • Measures to Prevent Water and Marine Pollution	-
303-3	Water withdrawal	P.75	Amount of Water Resources Intake and Wastewater	-
303-4	Water discharge	P.75	Amount of Water Resources Intake and Wastewater	-
303-5	Water consumption	P.18 P.75	Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Amount of Water Resources Intake and Wastewater	-
GRI304: Biodiversity				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P.30-32 P.59	Conservation of Biodiversity Social Contribution Activities	-
304-2	Significant impacts of activities, products, and services on biodiversity	P.30-32 P.59	Conservation of Biodiversity Social Contribution Activities	-
304-3	Habitats protected or restored	P.30-32 P.59	Conservation of Biodiversity Social Contribution Activities	-
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	P.30-32 P.59	Conservation of Biodiversity Social Contribution Activities	-
GRI305: Emissions				
305-1	Direct (Scope 1) GHG emissions	P.18 P.20-21 P.74	Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Our Response to Climate Change • Our Thoughts on How We Can Help Mitigate the Impact of Climate Change • CO <sub>2</sub> Reduction Targets and Monitoring Indicators GHG Emissions by Scope	P.55-56 Natural Capital

Comparative Table with GRI Standards

Environmental		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
305-2	Energy indirect (Scope 2) GHG emissions	P.18 P.20-21 P.74	Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Our Response to Climate Change • Our Response to Climate Change • CO <sub>2</sub> Reduction Targets and Monitoring Indicators GHG Emissions by Scope	P.55-56	Natural Capital
305-3	Other indirect (Scope 3) GHG emissions	P.18 P.20-21 P.74	Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Our Response to Climate Change • Our Response to Climate Change • CO <sub>2</sub> Reduction Targets and Monitoring Indicators GHG Emissions by Scope	P.55-56	Natural Capital
305-5	Reduction of GHG emissions	P.21	Our Response to Climate Change • CO <sub>2</sub> Reduction Targets and Monitoring Indicators	P.56	Natural Capital • CO <sub>2</sub> Reduction Targets and Monitoring Indicators
305-6	Emissions of ozone-depleting substances (ODS)	P.33	Management of Chemical Substances and Reduction of Hazardous Substances	-	
305-7	"Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions"	P.18 P.34 P.76	Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Pollution Prevention • Measures to Prevent Air Pollution Air Pollutant Emissions	-	
GRI306: Effluents and Waste					
306-1	Waste generation and significant waste-related impacts	P.29	Initiatives to Reduce Industrial Waste Disposal	-	
306-2	Management of significant waste-related impacts	P.29	Initiatives to Reduce Industrial Waste Disposal	-	
306-3	Waste generated	P.18 P.29 P.76	Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations Initiatives to Reduce Industrial Waste Disposal Waste	-	
306-4	Waste diverted from disposal	P.29 P.76	Initiatives to Reduce Industrial Waste Disposal Waste	-	
306-5	Waste directed to disposal	P.29 P.76	Initiatives to Reduce Industrial Waste Disposal Waste	-	
GRI307: Environmental Compliance					
307-1	Non-compliance with environmental laws and regulations	P.17 P.76	Details of Our Environmental Management and Environmental Policy • Environmental Compliance (Number of Serious Compliance Violations) Number of Environmental Accidents	-	

Comparative Table with GRI Standards

Social					
		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
GRI401: Employment					
401-1	New employee hires and employee turnover	P.37	Promotion of D&I •Status of Recruitment	-	
		P.77	Status of Employees		
		P.78	Status of Recruitment		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	P.42	Human Resource Development •Education and Training Results	-	
		P.79	Training Results		
401-3	Parental leave	P.40	Promotion of D&I •Systems Supporting Diverse Employees	-	
		P.78	Work-Life Balance Support Systems and Usage Numbers		
GRI403: Occupational Health and Safety					
403-1	Occupational health and safety management system	P.50	Ensuring Safety •System for Promoting HSSE Initiatives	P.70	Ensuring Safety •System for Promoting HSSE Initiatives
403-2	Hazard identification, risk assessment, and incident investigation	P.50-52	Ensuring Safety	P.70-71	Ensuring Safety
403-3	Occupational health services	P.45-46	Promotion of Employees' Health	-	
403-4	Worker participation, consultation, and communication on occupational health and safety	P.50-52	Ensuring Safety	P.70-71	Ensuring Safety
403-5	Worker training on occupational health and safety	P.52	Ensuring Safety •Safety Education	-	
403-6	Promotion of worker health	P.45-46	Promotion of Employees' Health	-	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	P.50-52	Ensuring Safety	P.70-71	Ensuring Safety
403-8	Workers covered by an occupational health and safety management system	P.50	Ensuring Safety •System for Promoting HSSE Initiatives	P.70	Ensuring Safety •System for Promoting HSSE Initiatives
403-9	Work-related injuries	P.50	Ensuring Safety •Activities and Results Based on the Annual Basic Policies on HSSE	P.70-71	Ensuring Safety •Activities and Results Based on the Annual Basic Policies on HSSE
		P.79	Occupational Accidents, Number of accidents related to safety		
403-10	Work-related ill health	P.45-46	Promotion of Employees' Health	-	
		P.79	Results related to health		



## Comparative Table with GRI Standards

Social					
		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
GRI404: Training and Education					
404-1	Average hours of training per year per employee	P.42	Human Resource Development	-	
		P.79	•Education and Training Results Training Results		
404-2	Programs for upgrading employee skills and transition assistance programs	P.36	Diversity & Inclusion Policy / Personnel Strategy Policy	-	
		P.42-43	•Personnel Strategy Policy Human Resource Development		
404-3	Percentage of employees receiving regular performance and career development reviews	P.44	Various HR Systems •Fair Evaluation and Compensation	-	
GRI405: Diversity and Equal Opportunity					
405-1	Diversity of governance bodies and employees	P.37, 77	Status of Employees	P.62~63	Corporate Governance •Changes in Corporate Governance Structure •Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors
		P.38	Promotion of D&I •Promoting the Active Participation of Women		
		P.65-66	Corporate Governance •Changes in Corporate Governance Structure •Policy for the Nomination of Director and Audit & Supervisory Board Member Candidates by the Board of Directors		
		P.80	Composition of Executive		
405-2	Ratio of basic salary and remuneration of women to men	P.77	Status of Employees	-	
GRI406: Non-discrimination					
406-1	Incidents of discrimination and corrective actions taken	P.69	Compliance •Establishment of Consultation Center	P.67	Compliance •Establishment of Consultation Center
GRI410: Security Practices					
410-1	Security personnel trained in human rights policies or procedures	P.52	Ensuring Safety •Safety Education	-	
GRI412: Human Rights Assessment					
412-1	Operations that have been subject to human rights reviews or impact assessments	P.35	Action Mindset / Human Rights Policy •Initiatives Related to Human Rights	P.45	Organization and Human Capital •Human Resources Policy
412-2	Employee training on human rights policies or procedures	P.35	Action Mindset / Human Rights Policy •Initiatives Related to Human Rights	P.45~46	Organization and Human Capital •Human Resources Policy •D&I Initiatives
		P.36	Diversity & Inclusion Policy / Personnel Strategy Policy •Diversity & Inclusion Policy		
		P.49	Harassment Prevention Initiatives		

Comparative Table with GRI Standards

Social					
		Idemitsu Sustainability Report 2020 Page Listing		Idemitsu Integration Report 2020 Page Listing	
GRI413: Local Communities					
413-1	Operations with local community engagement, impact assessments, and development programs	P.56-59	Social Contribution Activities	-	
GRI416: Customer Health and Safety					
416-1	Assessment of the health and safety impacts of product and service categories	P.53	Quality Control and Quality Assurance • Quality Control and Quality Assurance System	P.72	Quality Control and Quality Assurance • Quality Control and Quality Assurance System
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	P.53	Quality Control and Quality Assurance • Promotion of Quality Control and Quality Assurance	P.72	Quality Control and Quality Assurance
GRI417: Marketing and Labeling					
417-1	Requirements for product and service information and labeling	P.53	Quality Control and Quality Assurance • Promotion of Quality Control and Quality Assurance	P.72	Quality Control and Quality Assurance
417-2	Incidents of non-compliance concerning product and service information and labeling	P.53	Quality Control and Quality Assurance • Promotion of Quality Control and Quality Assurance	P.72	Quality Control and Quality Assurance
GRI419: Socioeconomic Compliance					
419-1	Non-compliance with laws and regulations in the social and economic area	P.69-70	Compliance • Compliance Promotion Activities	P.67~68	Compliance • Compliance Promotion Activities

## Comparative Table with ISO 26000

Core Subjects and Issues	Idemitsu Sustainability Report 2020 Page Listing	Idemitsu Integrated Report 2020 Page Listing
Organizational governance 1: Organizational governance	P.6-8 Message from President P.11-12 Idemitsu Group's Sustainability P.62-63 Directors and Audit & Supervisory Board Members P.64-67 Corporate Governance P.68-70 Compliance P.70-72 Risk Management P.72-73 Intellectual Property	P.11-14 Message from President P.17-20 Idemitsu Group's Sustainability P.51 Intellectual Capital • Initiatives to Utilize Intellectual Property P.59-60 Directors and Audit & Supervisory Board Members P.61-66 Corporate Governance P.67-68 Compliance P.68-69 Risk Management
Human rights 1: Due diligence 2: Human rights risk situations 3: Avoidance of complicity 4: Resolving grievances 5: Discrimination and vulnerable groups 6: Civil and political rights 7: Economic, social and cultural rights 8: Fundamental principles and rights at work	P.35 Action Mindset / Human Rights Policy P.36 Diversity & Inclusion Policy / Personnel Strategy Policy P.37-41 Promotion of D&I P.45-46 Promotion of Employees' Health P.49 Harassment Prevention Initiatives P.50-52 Ensuring Safety P.56-59 Social Contribution Activities P.68-70 Compliance P.70-72 Risk Management	P.45-47 Organization and Human Capital • Human Resources Policy • D&I Initiatives P.67-68 Compliance P.68-69 Risk Management P.70-71 Ensuring Safety
Labour practices 1: Employment and employment relationships 2: Conditions of work and social protection 3: Social dialogue 4: Health and safety at work 5: Human development and training in the workplace	P.13-14 Idemitsu Group's Sustainability • Dialogue with Stakeholders P.35 Action Mindset / Human Rights Policy P.36 Diversity & Inclusion Policy / Personnel Strategy Policy P.40 Promotion of D&I • Systems Supporting Diverse Employees P.42-43 Human Resource Development P.43-44 Various HR Systems P.45-46 Promotion of Employees' Health P.47-49 Efforts to Improve Workplace Culture and Engagement P.50-52 Ensuring Safety P.68-70 Compliance	P.17 Idemitsu Group's Sustainability • Dialogue with Stakeholders P.45-48 Organization and Human Capital P.67-68 Compliance P.70-71 Ensuring Safety
The environment 1: Prevention of pollution 2: Sustainable resource use 3: Climate change mitigation and adaptation 4: Protection of the environment, biodiversity and restoration of natural habitats	P.16-17 Details of Our Environmental Management and Environmental Policy P.18 Resource Inputs and Environmental Footprints Attributable to the Idemitsu Group's Operations P.19-24 Our Response to Climate Change P.27-28 Response to Circular Economy P.29 Initiatives to Reduce Industrial Waste Disposal P.29-30 Water Management P.30-32 Conservation of Biodiversity P.33 Management of Chemical Substances and Reduction of Hazardous Substances P.34 Pollution Prevention	P.23-42 Value Creation Initiatives P.55-56 Natural Capital
Fair operating practices 1: Anti-corruption 2: Responsible political involvement 3: Fair competition 4: Promoting social responsibility in the value chain 5: Respect for property rights	P.54-55 Cooperation with Partners P.64-67 Corporate Governance P.68-70 Compliance P.70-72 Risk Management P.72-73 Intellectual Property	P.49-50 Social and Relationship Capital P.51-52 Intellectual Capital P.51-54 Corporate Governance P.67-68 Compliance P.68-69 Risk Management P.72 Quality Control and Quality Assurance

Comparative Table with ISO 26000

Core Subjects and Issues	Idemitsu Sustainability Report 2020 Page Listing	Idemitsu Integrated Report 2020 Page Listing
Consumer issues 1: Fair marketing, factual and unbiased information and fair contractual practices 2: Protecting consumers' health and safety 3: Sustainable consumption 4: Consumer service, support, and complaint and dispute resolution 5: Consumer data protection and privacy 6: Access to essential services 7: Education and awareness	P.13-14 Idemitsu Group's Sustainability • Dialogue with Stakeholders P.16-17 Details of Our Environmental Management and Environmental Policy P.19-24 Our Response to Climate Change P.27-28 Response to Circular Economy P.33 Management of Chemical Substances and Reduction of Hazardous Substances P.53 Quality Control and Quality Assurance P.64-67 Corporate Governance P.68-70 Compliance P.70-72 Risk Management	P.17 Idemitsu Group's Sustainability • Dialogue with Stakeholders P.51-52 Intellectual Capital P.55-56 Natural Capital P.61-66 Corporate Governance P.67-68 Compliance P.68-69 Risk Management P.72 Quality Control and Quality Assurance
Community involvement and development 1: Community involvement 2: Education and culture 3: Employment creation and skills development 4: Technology development and access 5: Wealth and income creation 6: Health 7: Social investment	P.25-26 The Idemitsu Group's Technologies Underpinning Innovation P.37-41 Promotion of D&I P.45-46 Promotion of Employees' Health P.47-49 Efforts to Improve Workplace Culture and Engagement P.56-59 Social Contribution Activities P.69 Compliance • Establishment of Consultation Center	P.17 Idemitsu Group's Sustainability • Dialogue with Stakeholders P.45-48 Organization and Human Capital P.51-52 Intellectual Capital P.67 Compliance • Establishment of Consultation Center



## Independent Practitioner's Assurance Report

## Independent Assurance Report



**Mr. Shunichi Kito**  
President and Representative Director  
Idemitsu Kosan Co., Ltd.

We, SOCOTEC Certification Japan (hereafter "SOCOTEC"), have performed a limited assurance engagement, in relation to Idemitsu Kosan Co., Ltd. (hereafter "the Company") in order to provide an opinion as to whether the subject matter information ("FY2019 GHG Emissions and Environmental Performance Data" and "FY2019 Social Performance Data") of the Company meets the criteria in all material respects.

#### 1 Subject Matter Information and Criteria

The subject matter information for our assurance is "a report on GHG emissions, Environmental and Social Performance Data (shown in APPENDIX)" covering the operations and activities of the Company and the consolidated companies as Idemitsu Kosan Co., Ltd. group described in "FY2019 GHG Emissions and Environmental Performance Data" and "FY2019 Social Performance Data (period ("1): April 2019 to March 2020)".

The criteria for preparing subject matter information is "GHG emissions, Environmental and Social Performance Data Calculation Rule (Ver. 1.0)".

#### 2 Management Responsibility

"FY2019 GHG Emissions and Environmental Performance Data" and "FY2019 Social Performance Data" was prepared by the management of the Company, who is responsible for the integrity of the assertions, statements, and claims made therein (including the assertions over which we have been engaged to provide limited assurance), the collection, quantification and presentation of all data and information in the report, and applied criteria, analyses and publication.

The management of the Company is responsible for maintaining adequate records and internal controls that are designed to support the reporting process and ensure that "FY2019 GHG Emissions and Environmental Performance Data" and "FY2019 Social Performance Data" is free from material misstatement whether due to fraud or error.

#### 3 Assurance Practitioner's Responsibility

The responsibility of SOCOTEC is to express a limited assurance conclusion as to whether the subject matter information has been prepared in compliance with the criteria in all material respects.

SOCOTEC performed limited assurance engagement in accordance with the verification procedures stipulated by SOCOTEC and "ISO14064-3: Specification with guidance for the validation and verification of greenhouse gas assertions", "the International Standard on Assurance Engagements (ISAE) 3000 Revised: Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and "the International Standard on Assurance Engagements (ISAE) 3410: Assurance Engagements on Greenhouse Gas Statements".

The procedures implemented in the limited assurance engagement are limited in their type, timing and scope as compared to the procedures implemented in the reasonable assurance engagement. As a result, our limited assurance engagement does not provide as high assurance as reasonable assurance engagement.

The procedures performed depend on the assurance professional practitioner's judgement, including the risk of material misstatement, whether due to fraud or error.

Our conclusion was not designed to provide assurance on internal controls.

We believe that we have obtained the evidence to provide a basis for the conclusion for limited assurance.



#### 4 Assurance Procedures

The procedures that SOCOTEC has conducted are based on professional judgment and include, but are not limited to:

- Evaluation of policies and procedures created by the Company in relation to subject matter information
- Questions to Company personnel to understand the above policies and procedures
- Verification that the target project meets eligibility requirements
- Matching with the basis data by trial calculation and recalculation
- Obtaining and collating material for important assumptions and other data
- We selected the headquarters and Aichi refinery as verification sites in order to confirm the calculation structure and procedures, data collection and implementation status of record control.

#### 5 Statement of Our Independence, Quality Control and Competence

SOCOTEC Certification International has introduced and maintained a comprehensive management system that conforms to the accreditation requirements of ISO 17021 "Conformity assessment -- Requirements for bodies providing audit and certification of management systems". In addition, we have also established a management system according to ISO 14065 "Greenhouse gases -- Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition". These meet the requirements of "International Standard on Quality Control 1" by the International Auditing and Assurance Standards Board and "Code of Ethics for Professional Accountants" by IESBA ("2"). We maintain a comprehensive quality control system that includes ethical rules, professional standards and documented policies and procedures for compliance with applicable laws and regulations.

The SOCOTEC Group is a comprehensive third-party organisation in inspection, testing and verification operations, and conducts management system certification services and training services related to quality, environment, labour and information security in countries around the world. Engaged in performance data and sustainability report assurance of environmental and social information, SOCOTEC affirms that it is independent of the organisation that has ordered the assurance engagement, its affiliated companies, and stakeholders, and that there is no possibility of impairing impartiality or conflict of interest.

We assure that the team engaged in the assurance is selected based on knowledge, experience in the relevant industry, and the competence requirements for this assurance engagement.

#### 6 Use of Report

Our responsibility in performing our limited assurance activities is to the management of the Company only in accordance with the terms for this engagement as agreed with the Company. We do not therefore assume any responsibility for any other purpose or to any other person or organisation.

#### 7 Our Conclusion

On the basis of our procedures performed and evidence obtained nothing has come to our attention that causes us to believe that the subject matter information is not, in all material respects, prepared and reported in accordance with the stated criteria.

SOCOTEC Certification Japan

Seigo Futaba  
Managing Director  
30 November 2020

\*1: The figure on FY2020 referred in some Social Performance Data as shown in the APPENDIX of Independent Assurance Report

\*2: International Ethics Standards Board for Accountants





## Independent Practitioner's Assurance Report



## APPENDIX of Independent Assurance Report

: GHG Emissions, Environmental and Social Performance Data

Table 1-1 GHG Emissions by Scope

-	Figure	Unit
Scope 1	12,041	thousand tCO <sub>2</sub>
	1,986	tCH <sub>4</sub>
	0.103	tHFC
	228	tN <sub>2</sub> O
	0.004	tSF <sub>6</sub>
	12,158	thousand tCO <sub>2</sub> e
Scope 2	855	thousand tCO <sub>2</sub>
Scope 3 <sup>*1</sup>	117,691	thousand tCO <sub>2</sub>
Scope 1 + 2	12,896	thousand tCO <sub>2</sub>
	13,014	thousand tCO <sub>2</sub> e
Scope 1 + 2 + 3 <sup>*1</sup>	130,586	thousand tCO <sub>2</sub>
	130,704	thousand tCO <sub>2</sub> e

<sup>\*1</sup> Scope3 records category 11 (Solid products consumption)

Table 1-2 Energy Consumption

-	Figure	Unit
Heat quantity equivalent	196	PJ
Crude oil equivalent	5,070	thousand kL
Unit energy consumption (Refinery)	8.09	L/kL
Unit energy consumption (Petrochemical plant)	0.421	kL/t

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Table 1-3 Amount of Water Resources Intake and Wastewater

-	Figure	Unit
Seawater intake	1,330,838	thousand t
Industrial water intake	81,740	thousand t
Tap water intake	16,500	thousand t
Underground water intake	18,894	thousand t
Total water intake	1,447,972	thousand t
Wastewater	1,412,073	thousand t
Water recycling rate	94	%

Table 1-4 Water Pollution Effects

-	Figure	Unit
COD	276	t
Total nitrogen	97	t
Total phosphorus	1.8	t

Table 1-5 Air Pollutant Emissions

-	Figure	Unit
SO <sub>x</sub>	12,315	t
NO <sub>x</sub>	17,286	t
Soot/dust	232	t
VOC	5,536	t

Table 1-6 Waste

-	Figure	Unit
Total waste	217,516	t
Reduced by intermediate treatment	110,264	t
Recycled	106,640	t
Final disposal	614	t
Final disposal rate	0.282	%

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Table 2-1 Status of Employees

-	Figure	Unit
Number of employees <sup>*2</sup>	4,917	People
	Men	4,323
	Women	594
	Percentage of women	12.1
Number of employees in managerial positions (Including managers, general managers, and executive officers) <sup>*2</sup>	943	People
	Men	920
	Women	23
	Percentage of women	2.4
Average age <sup>*2</sup>	42.1	years old
	Men	42.4
	Women	40.2
Average years employed <sup>*2</sup>	18.7	years
	Men	19.0
	Women	16.3
Status of employees with disabilities <sup>*3</sup>	-	2.20
New graduate retention rate (Average for newly hired employees between 2015 and 2017)	-	89.0
Turnover rate of new graduates	-	11.2

<sup>\*2</sup> As of April 1, 2020<sup>\*3</sup> As of June 1, 2020

Table 2-2 Status of Recruitment

-	Figure	Unit
Recruitment of new graduates <sup>*1</sup>	190	People
	Men	163
	Women	27

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## Independent Practitioner's Assurance Report



	Percentage of women	14.2	%
	Foreign nationality	2	People
	Percentage of foreign nationality	1.1	%
Career recruitment <sup>*1</sup>		82	People

<sup>\*1</sup> Hired in April 2020

<sup>\*5</sup> Hired in FY2019

Table 2-3 Work-Life Balance Support Systems and Usage Numbers

-		Figure	Unit
Maternity leave	Women	39	People
		96	People
Childcare leave	Men	15	People
	Women	81	People
Nursing care leave		7	People
	Men	6	People
	Women	1	People
Reduced working hours for parenting		69	People
	Men	2	People
	Women	67	People
Leave to care for sick/injured child		206	People
	Men	103	People
	Women	103	People
Family care leave		50	People
	Men	19	People
	Women	31	People
Telecommuting		543	People
	Men	400	People
	Women	143	People
Self-development leave of absence		3	People
	Men	2	People
	Women	1	People

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Table 2-4 Overtime Work and Annual Paid Leave

-		Figure	Unit
Average overtime work hours per employee		18.9	hours/month
Average annual paid leave taken by an employee		14.2	days
Average usage rate of annual paid leave per employee		70.0	%

Table 2-5 Training Results

-		Figure	Unit
Training hours	Total	117,455	hours
	Per person	19.5	hours
Amount of investment in training	Total	352,000	thousand yen
	Per person	59	thousand yen

Table 2-6 Occupational Accidents<sup>\*6</sup>

-		Figure	Unit
Occupational accidents frequency rate		0.46	-
Severity rate		0.03	-

<sup>\*6</sup> January 2019 to December 2019

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