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Press Release

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

Idemitsu Kosan Co., Ltd. ("Idemitsu" or the "Company") hereby announces that its board of directors adopted a resolution on the revision of the performance-linked stock compensation plan (the "Plan") for directors (excluding part-time directors, outside directors and non-residents of Japan; the same applies hereinafter) and officers ranked senior executive officer or above (excluding non-residents of Japan; the same applies hereinafter; collectively referred to hereinafter as "Directors, etc.") initially introduced in fiscal year 2018, and decided to submit a proposal on such revision as an agenda item for its 111th annual general meeting of shareholders to be held on June 24, 2026 (the "AGM"), as detailed below.

1. Overview of the Plan

The Plan is a performance-linked stock compensation plan where the shares of the Company that are acquired through the trust (the "Trust") with compensation to Directors, etc. to be paid by the Company as well as the money equivalent to the converted value of such shares (hereinafter referred to as "Company Shares, etc.") are delivered and granted to Directors, etc. in accordance with their official positions and the degree of achievement of performance targets, etc. (such delivery and grant shall be referred to as the "Delivery, etc."). In general, Delivery, etc. of Company Shares, etc. to the Directors, etc. occurs after their retirement. In continuing this Plan, the Company will extend the predetermined trust period for the Trust and make a revision to the Plan. This revision of the plan (the "Plan Revision") will be subject to shareholder approval at the AGM.

2. Objectives of the Revision

Today, Idemitsu announced its new Medium-Term Management Plan (the "Medium-Term Management Plan") for fiscal years (FY) 2026 to 2030. In order to realize our mid- to long-term vision and the Medium-Term Management Plan, we will continue to align the performance indicators of this system with the key metrics of the Medium-Term Management Plan and related objectives. By setting the level of stock-based compensation for Directors, etc. at a market-competitive standard, we aim to enhance their motivation to contribute to the Company's mid- to long-term performance improvement and increase corporate value. Furthermore, by promoting the ownership of our own shares, we seek to further strengthen the sense of shared value with our shareholders. Accordingly, we are revising this system.

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

Please refer to the Attachment for details on the Plan Revision. Unless otherwise stated in the following Attachment, the Plan revised in FY2023 will generally be maintained.

< Attachment>

1. Description of the Plan Revision

In continuing the Plan, Idemitsu will partially revise the details of the Plan as follows.

(The underlined portions indicate the changes.)

	Current	As Revised
Maximum Contribution Amount	the amount calculated by multiplying JPY640 million per year by the number of years in the applicable period	the amount calculated by multiplying JPY920 million per year by the number of years in the applicable period
Indicators used to calculate the Company's shares, etc. granted to the Directors, etc.	・The indicators used to measure the degree of achievement of the performance targets are those highlighted in the Company's medium- to long-term vision and the medium-term management plan. ・The indicators for the initial applicable period after the Plan Revision include the financial indicators related to the transformation of the business portfolio (ROIC, ROE, and the ratio of fossil fuel business revenue), as well as non-financial indicators essential for achieving carbon neutrality (CO_2 reduction and employee engagement indicators that assess initiatives aimed at maximizing employee growth and fulfillment).	・The indicators used to measure the degree of achievement of the performance targets are those highlighted in the Company's medium- to long-term vision and the medium-term management plan, as well as those that promote value sharing with shareholders shareholder value indicators, are selected. ・The indicators for the initial applicable period after the Plan Revision, particular emphasis is placed on aligning with the medium-term management plan (FY2026–FY2030) from the perspective of value sharing with shareholders and sustainable enhancement of corporate value. Specifically, the evaluation consists of various financial indicators related to capital efficiency (ROIC, ROE), as well as non-financial indicators in accordance with the company's materiality—such as indicators essential for CO_2 reduction, and indicators for employee engagement that assess efforts toward maximizing employee growth and fulfillment.

(*) The maximum number of shares of the Company to be acquired for granting, etc., to Directors, etc., was approved at the 108th Ordinary General Meeting of Shareholders held on June 22, 2023, as "the number of shares equivalent to the number obtained by multiplying the maximum number of points per business year, 200,000 points (equivalent to 200,000 shares), by the number of years in the applicable period." However, as a result of the stock split carried out by the Company with an effective date of January 1, 2024 (where one share was split into five shares), the limit has been adjusted to "the number of shares equivalent to the number obtained by multiplying the maximum number of points per business year, 1,000,000 points (equivalent to 1,000,000 shares), by the number of years in the applicable period."

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

Performance Indicator	Weight for Evaluation
Capital efficiency (ROIC, ROE)	60%
CO_2 reduction	20%
Employee engagement	20%

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

(Formula for the basic points)
Basic amount by official position / Average closing price (rounded off to the closest whole number) of the Company’s stock at the Tokyo Stock Exchange as of July 2026. *

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

(Formula for the grant points)
Basic points × Payment rate based on the degree of achievement

By further strengthening the link between the Plan and the Company’s medium-to-long-term vision and the medium-term plan (fiscal years 2026-2030) through the Plan Revision, the Company believes that the Plan will function properly as an incentive to the Directors, etc. who will lead efforts to realize the medium-to-long-term strategy and that created value can be shared with its shareholders and other stakeholders.

For details on the Plan, please refer to “Announcement on the Continuation and Revision of the Performance-linked Stock Compensation Plan” announced on May 9, 2023, “Announcement on the Continuation and Partial Revision of the Performance-linked Stock Compensation Plan” announced on May 10, 2022, “Announcement on the Partial Revision of the Performance-linked Stock Compensation Plan and Additional Contribution to the Trust” announced on May 15, 2019, and “Announcement on the Introduction of a Performance-linked Stock Compensation Plan” announced on May 15, 2018.
(Reference)

<Description of the Trust Agreement>

1) Trust type	Entrustment of cash other than money trusts for designated standalone investments (third-party-benefit trust)
2) Objective	Grant incentives to Directors, etc.
3) Assignor	Idemitsu
4) Assignee	Mitsubishi UFJ Trust and Banking Corporation (co-assignee: The Master Trust Bank of Japan, Ltd.)
5) Beneficiary	Retired Directors, etc. who meet the conditions for a beneficiary
6) Trust executor	Third party with no conflicts of interest with the Company (certified public accountant)
7) Trust contact date	August 15, 2018
8) Trust period	August 15, 2018~ August 31, 2026 (Expected to be extended to August 31, 2031, by revising the trust agreement)
9) Plan start date	August 15, 2018
10) Exercise of voting rights	No exercise
11) Type of shares to be acquired	Idemitsu common shares
12) Additional trust contribution and	About JPY 1,800 million (expected; including trust fees expenses)
13) Stock acquisition method	Additional shares under the Plan Revision will be acquired from the open market
14) Stock acquisition period	August 18-31, 2026 (expected) (Excludes the period from 5 days before the end of reporting periods (including interim and quarterly reporting periods) to the final day of such reporting periods)
15) Rightsholder	Idemitsu
16) Residual assets	Residual assets that the rightsholder Idemitsu can receive are limited to trust expense reserves, calculated as trust money minus stock acquisition costs