



Press Release



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## Idemitsu Kosan Develops Fifth Consolidated Medium-term Management Plan (FY2018-2020)

**Please be informed that Idemitsu Kosan Group has developed its Fifth Consolidated Medium-term Management Plan, covering the three year period from FY2018 through FY2020, as well as drawing up our management vision and management goal, which is based on long-term environmental aspects.**

### 1. Understanding of current conditions

The Idemitsu Group depends heavily for earnings on the three businesses of petroleum, oil exploration and production, and coal.

While the importance of these businesses, which are connected directly to our social mission of ensuring a stable supply of energy, will remain unchanged in the future as well, but there is an issue with overdependence on the above three businesses for sustainable growth because of uncertainty in earnings due to fluctuations in resource prices and global warming countermeasure. In addition, the sources of energy that are in demand today are changing with the times. As such, there is a need for reforms to our business structure suited to these changes.

### 2. Management vision for 2030

#### (1) Management vision

The Idemitsu Kosan Group has identified as its vision for 2030, “We are an international energy company who creates new value while seeking harmony with the Earth”.

To realize this vision, we will aim to transform ourselves into a resilient corporate entity, by taking on the following challenges:

- Supporting the social infrastructure as a supplier of energy and materials
- Contributing to enrich society and people’s lives through functional materials
- Contributing to economic development in individual countries and regions using the technologies and expertise we have built up in Japan
- Creating new businesses through development of next-generation materials and services

#### (2) Management targets (2030)

We aim to enhance our earnings potential while transforming ourselves with a resilient portfolio—through structurally reforming the petroleum, resource, and other businesses, growing our businesses in growth markets and growth fields, and developing new businesses.

- Operating income\* of JPY250 billion (vs. JPY203 billion in FY2017)
- Achieving a structure in which the three businesses of petroleum, oil exploration and production, and coal account for no more than 50% of operating income (vs. 67% in FY2017)

- Achieving a structure in which businesses in growth markets and growth fields and new businesses account for at least 40% of operating income (vs. 17% in FY2017)
- \* Excluding inventory impact and including income from equity method affiliates

### 3. Fifth Consolidated Medium-term Management Plan (FY2018-2020)

#### (1) Priority topics

- (i) Realizing a resilient business portfolio
  - A. Structural reforms to the three businesses of petroleum, oil exploration and production, and coal
  - B. Business expansion in growth markets and growth fields
  - C. Creation of new businesses towards 2050
- (ii) Enhancing initiatives from the perspectives of the environment, society, and governance

#### (2) Business strategies

- (i) Structural reforms to the three businesses of petroleum, oil exploration and production, and coal
  - A. Generating synergies from the alliance with Showa Shell Sekiyu and realizing management integration
  - B. Developing new services to increase the value of the domestic retail network and stimulate local activities
  - C. Increasing overseas petroleum sales ratio to 50%
  - D. Shifting from oil exploration and production to gas field development
  - E. Promoting low-carbon solutions
- (ii) Business expansion in growth markets and growth fields
  - A. Expanding alliances with overseas producers (lubricants, performance chemicals)
  - B. Enhancing overseas production facilities for lubricants, performance chemicals, and electronic materials
  - C. Enhancing the R&D structure to accelerate product development
- (iii) Creation of new businesses towards 2050
  - A. Developing and commercializing a key material for all-solid-state lithium ion batteries
  - B. Enhancing corporate R&D to develop next-generation materials
- (iv) Enhancing initiatives from the perspectives of the environment, society, and governance
  - A. Establishing a Corporate Sustainability Department (April 2018)
  - B. Establishing a Group-wide sustainability initiatives policy and implementing related activities

#### (3) Management targets

(Units: JPY billion)

	FY2017 forecasts	FY2020 plans
Net sales	3,650	4,000
Operating income*1	203	203
Net income	120	130
Return on equity*2	16.5%	More than 10%
Net debt equity ratio	0.95	0.7 or less

\*1 Excluding inventory impact and including income from equity method affiliates

\*2. Net income(Excluding inventory impact, one-time factors)/Shareholders equity

(4) Investment strategies

Total investment: JPY390 billion (FY2018-2020)

Of this total amount, 67% (JPY260 billion) will be allocated to strategic investments, of which 62% (JPY160 billion) will be allocated to investing in growth and creating new businesses.

Strengthening the business foundation	Petroleum (domestic): Maintaining the retail network, improving refining facilities; Resource: maintaining the foundation
Investing in growth; Creating new businesses	Petroleum (overseas): Business expansion; Resource: Gas field development (new fields); Lubricants: Enhancing overseas facilities; Electronic materials: Enhancing OLED production capacity; New businesses: Developing new materials, etc.

(5) Returns to shareholders

(i) Policy on returns to shareholders

Considering returns to shareholders to be an important responsibility of management, we will strive to continue stable payment of dividends with consideration for balancing strategic investment towards strengthening existing businesses and deploying future businesses, improvements to the Group's financial structure, and operating results.

(ii) Concept of the Fifth Medium-term Management Plan

We intend to enhance returns to shareholders in stages, reflecting the generation of free cash flow and based on a policy of stable dividends.

Appendix: Fifth Consolidated Medium-term Management Plan (FY2018-2020)

Cautionary note on forward-looking statements

Forward-looking statements concerning the Idemitsu Kosan Group's forecasts of operating results, strategies, and management policies that are not historical facts represent forward-looking statements based on management's judgment of economic and financial data available as of the publication date.

Factors that may impact actual operating results include potential risks and uncertainties such as economic conditions, oil prices, trends in demand for Petroleum Products, market conditions, exchange rates, and interest rates.

Accordingly, please note that actual operating results may differ substantially from the Company's forecasts of operating results, due to changes in these factors.