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Press Release

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Announcement on the Partial Revision of the Performance-linked Stock Compensation Plan and Additional Contribution to the Trust

Idemitsu Kosan Co.,Ltd. (the "Company") hereby announces that the Company, in the Board of Directors meeting held on May 15, 2019, adopted a resolution on the partial revision of the performance-linked stock compensation plan (hereinafter referred to as the "Plan") for Directors (excluding Outside Directors and those who are non-residents of Japan; the same applies hereinafter) and Executive Officers (excluding those who are non-residents of Japan; the same applies hereinafter) (hereinafter collectively referred to as the "Directors, etc.") that was introduced in 2018, and decided to submit a proposal on the partial revision of the Plan to the 104th ordinary general meeting of shareholders (hereinafter referred to as the "General Meeting of Shareholders") to be held on June 27, 2019.

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

2. Objective of the Revision of the Plan
   Effective on April 1, 2019, the Company has conducted the merger with Showa Shell Sekiyu K.K. and aims at further enhancement of the corporate value under the new management system (hereinafter referred to as the "New System") by means of maximization in creating synergy, recombination of the business portfolio and promoting efforts to environment, social and governance issues. In line with this, the Company has decided to partially revise the Plan, which has been implemented since 2018 as a medium and long-term incentive to the Directors, etc., in order to ensure that it responds to the increase in the number of Directors, etc. and the medium-term business plan under the New System, which is scheduled to be released in this autumn (hereinafter referred to as the "Revision of the Plan").

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

The Revision of the Plan is subject to approval at the General Meeting of Shareholders. For details, please refer to the Attachment. The Revision of the Plan will not accompany a substantial change in the content of the Trust except for the matters mentioned below.

End

<Attachment>

1. Content of the Revision of the Plan

(1) Change of Trust Period

A) Trust period

The initial period of the current Plan is until 2020 and the initial period of the Trust already established expires in August 2021. By the Revision of the Plan, the initial period of the Plan will be until 2021 and the initial period of the Trust will be extended for one additional year and will be for four (4) years from the August 2018 to August 2022 as a medium and long-term incentive under the New System.

B) Continuation of the Trust

At the expiration of the trust period, the Trust may be continued by amending the Trust Agreement and making additional contributions to the Trust. In such a case, the trust period of the Trust will be extended for an additional three years and the Company will contribute additional money within the upper limit of trust money that shall be approved/resolved at the General Meeting of Shareholders for every extended trust period, and Directors, etc. will continuously be given points during the extended trust period. Note that, if such additional contributions are to be made, and if there are some remaining Company's shares (excluding those that correspond to the points given to Directors, etc. and have yet to make Delivery, etc. to them) and money (hereinafter the "Remaining Shares, etc.") in the trust assets on the last day of the trust period before the extension, then the sum of the amount of the Remaining Shares, etc. and the amount of trust money to be additionally contributed shall be within the upper limit of trust money that shall be approved/resolved at the General Meeting of Shareholders. Such extension of the trust period will not be limited to once, and subsequently the Company may continue the Trust again or more than once in the same manner.

C) How to treat the termination of the Trust (Extension of the trust period without additional contributions)

Even in the case of terminating the Trust, if any of the Directors, etc. who may fulfill the beneficiary rights are still incumbent at the expiration of the trust period (or the extended trust period if the Trust is continued as described in the above B)), then the Trust will not be immediately terminated, and the trust period of the Trust will be extended for a certain limited period. Note that, in such a case, any new points will not be given to Directors, etc.

(2) Company's Shares, etc. subject to Delivery, etc. to Directors, etc.

Directors, etc. will be given "grant points," which are calculated by multiplying "basic points" (as described just below) by the performance-linked coefficient (also as described below). Basic points are calculated using the following formula predetermined by official position at a certain time every year during the trust period, while the performance-linked coefficient varies, depending on consolidated operating income and net income attributable to owners of the parent, etc. for each fiscal year as well as the degree of achievement for selected performance measurements from those set in the Company's Mid-term Management Plan. (The degree of achievement for each measurement is evaluated by using such measurement on the basis of excluding the impact from inventory valuation gain/loss.)

(Formula for 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 2019*1, *2

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

*2 In calculating basic points for the Directors, etc. in the fiscal year 2018, the average closing price of the Company's stock at the Tokyo Stock Exchange as of July 2018 will be applied. However, in calculating basic points for the Directors, etc. from fiscal year 2019, the abovementioned formula will apply from the perspective of appropriateness of the incentive under the New System.

(Formula for the grant points)
Basic points × Performance-linked coefficient

After the retirement of Directors, etc., cumulative grant points (hereinafter referred to as "Cumulative Points") are calculated, and Delivery, etc. of Company's Shares, etc. equivalent to Cumulative Points will be made. Note that one point shall be equivalent to one share of the Company's stock and that fractions less than one point shall be rounded off. In this regard, however, if the Company splits or consolidates its shares during the trust period, the number of Company's Shares, etc. subject to Delivery, etc. per point will be adjusted in accordance with the split ratio or the consolidation ratio of the Company's stock

(3) Maximum total amount of trust money to be contributed to the Trust and maximum total number of points to be given to Directors, etc. in the Trust

A) Maximum total amount of trust money to be contributed to the Trust
The total amount of trust money to be contributed to the Trust by the Company as compensation to the Directors, etc. for each trust period is subject to the upper limits mentioned below.

Maximum total amount of trust money to be contributed in the initial trust period
2,300,000,000 yen (for four years) *
Maximum total amount of trust money to be contributed to the Trust in case of the Continuation of the Trust under (1) B) mentioned above.
1,900,000,000 yen (for three years) *
* the Sum of the funds for share acquisition by the Trust and the trust fees/trust expenses during the trust period.

B) Maximum total number of points to be given to Directors, etc.
The maximum total number of points to be given to Directors, etc. per fiscal year is 200,000 points. The number of the shares which the Directors, etc. may be given from the Trust through the Delivery, etc. is subject to the upper limit of the number of the shares corresponding to such points. Therefore, as for the number of shares of the Company's stock to be acquired by the Trust during the initial trust period (hereinafter, the "Number of Shares to be Acquired"), the upper limit shall be 800,000 shares, which is calculated by multiplying the maximum total number of points to be given per fiscal year by four, i.e. the number of years in the trust period. Meanwhile, in case of the continuation of the Trust according to (1) B) above, the upper limit of the number of the shares to be acquired during the trust period shall

be 600,000 shares, which is calculated by multiplying the maximum total number of points to be given per fiscal year by three, i.e. the number of years in the trust period after the continuation.

2. The Amount of trust money to be additionally contributed to the Trust and the number of shares of the Company's stock to be additionally acquired during the initial trust period, etc.
Due to the extension of the initial trust period and the increase in Directors, etc. under the New System, the number of shares in the Trust is expected to fall below the number of shares corresponding to the cumulative points for Directors, etc. Therefore, the Company plans to contribute additional funds to the Trust in order to additionally acquire the shares of the Company's stock in the Trust on the condition that the Revision of the Plan is approved in resolutions by the General Meeting of Shareholders.
The upper limits of the amount of trust money to be additionally contributed to the Trust and of the number of shares of the Company's stock to be additionally acquired are as follows;
The Trust plans to acquire the Company's shares from the stock market.

Amount of trust money to be additionally contributed	The sum of the trust money already contributed to the Trust during the initial trust period before extension and the trust money to be additionally contributed shall be within the upper limit of the total trust money (2,300,000,000 yen for four years) approved by the General Meeting of Shareholders.
Number of shares to be additionally acquired	The sum of the number of shares of the Company's stock already acquired by the Trust and the number of shares of the Company's stock to be additionally acquired by the Trust shall be within the upper limit of the total number of shares acquired (800,000 shares for four years) that was approved by the General Meeting of Shareholders.
Period of acquiring shares	August 19, 2019 – August 30, 2019 (planned)
Method of acquiring shares	To be acquired from the stock market

*1 The upper limit of the additional trust money is decided by considering the current compensation to the Directors, etc. and by adding trust fees/trust expenses.
*2 The upper limit of the number of shares to be additionally acquired is decided by referring to the stock price level as of present and the current composition of the Directors, etc.

For more details relating to this Plan, please refer to the "Announcement on the Introduction of a Performance-linked Stock Compensation Plan" released on May 15, 2018.

(Reference)

[Details of the Trust Agreement]

(i)	Type of trust	Trust of money other than a specified individually operated monetary trust (third party benefit trust)
(ii)	Purpose of trust	Granting of incentives to Directors, etc.
(iii)	Entrustor	The Company
(iv)	Trustee	Mitsubishi UFJ Trust Banking (planned) (Co-trustee: The Master Trust Bank of Japan, Ltd.)
(v)	Beneficiaries	Directors, etc. who have retired and who fulfill beneficiary requirements
(vi)	Trust administrator	A third party having no vested interest in the Company (certified public accountant)
(vii)	Trust agreement date	August 15, 2018
(viii)	Trust period	August 15, 2018 – August 31, 2021 (Trust period is planned to extend until August 31, 2022)
(ix)	Starting date of plan	August 15, 2018
(x)	Exercise of voting rights	Not to be exercised
(xi)	Class of shares to be acquired	Common shares of the Company
(xii)	Amount of trust money	2,300,000,000 yen (upper limit) (including trust fees/trust expenses)
(xiii)	Period of acquiring shares	August 19, 2019 (planned) – August 30, 2019 (planned), (A certain time span from five business days before the end of each accounting period (including each interim and quarterly accounting period) to the end of each accounting period is excluded.)
(xiv)	Method of acquiring shares	To be acquired from the stock market
(xv)	Rights holder	The Company
(xvi)	Residual assets	Residual assets that may belong to the Company as the rights holder will be within the scope of the reserve fund for trust expenses, after the deduction of funds for acquiring shares from trust money.

[Details of administrative tasks related to trust and shares]

(i) Administrative tasks related to trust

Mitsubishi UFJ Trust Banking is to become a trustee of the Trust and handle administrative tasks related to the trust.

(ii) Administrative tasks related to shares

Mitsubishi UFJ Morgan Stanley Securities, Co., Ltd. is to handle clerical tasks for the delivery of shares of the Company to beneficiaries, in accordance with a service agreement.

End