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Press Release

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Announcement on Conclusion of Basic Memorandum Regarding Consideration toward Purchase of Petrochemicals Manufacturing Equipment

Idemitsu Kosan Co., Ltd. (Representative Director & Chief Executive Officer: Shunichi Kito, the "Company") announces that it has concluded a basic memorandum with ENEOS Corporation (Representative Director, President: Katsuyuki Ota, "ENEOS") regarding the Company and ENEOS considering the purchase by the Company of petrochemicals manufacturing equipment located at the ENEOS Chita Plant (the "Chita Plant").

1. Purpose of the Consideration

To prepare for the structural decline in demand for domestic petroleum products and the future growth of the Asian market, the Company has been setting up an optimal production and supply system. On the other hand, the demand for gasoline fraction is declining, and the Company's utilization of such gasoline fraction more than ever has been a significant issue for improving the overall group refineries' competitiveness and maximizing their value.

Under these circumstances, the Company was informed that ENEOS had decided to stop the Chita Plant's manufacturing function and thought that it would be more efficient for the Company to purchase the petrochemicals manufacturing equipment (paraxylene manufacturing plant and ancillary facilities) located at the Chita Plant than to build new equipment. Therefore, the Company has agreed with ENEOS to proceed with the consideration thereof.

Although a severe business environment due to the influence of COVID-19 is expected, in order to realize a resilient business portfolio, which is described as one of the basic policies in the Company's medium-term management plan (FY2020-2022), the Company will further focus on the structural reform of its core revenue-generating businesses and proceed with an establishment of the optimal production and supply system.

2. Manufacturing Equipment Subject to Purchase

Paraxylene manufacturing plant: 400 thousand tons/year
Ancillary facilities such as a transalkylation unit

Paraxylene: used as raw material for terephthalic acid (PTA: high purity terephthalic acid, DMT: dimethyl terephthalate) which is an intermediate material in polyester (fiber (yarn and cotton), PET resin). The Company owns manufacturing devices of 479 thousand tons/year in Japan.

3. Future Outlook

The impact on the Company's business performance in the current fiscal year has not been decided. The Company will promptly announce what should be disclosed if it arises in the future.

<Overview of ENEOS Chita Plant>
Location: Kitahamamachi 25, Chita City, Aichi Prefecture
Beginning of operation: 1973
Site area: Approximately 1,300,000 square meters