



June 11, 2024

To Our Shareholders and Investors

Company name: Idemitsu Kosan Co., Ltd.
Representative: Shunichi Kito
Representative Director & Chief Executive Officer
(Securities code: 5019; TSE Prime Market)
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**Company's Opinion Regarding ISS's Recommendation "Against" at the
109th Ordinary General Meeting of Shareholders**

Proxy advisory firm Institutional Shareholder Services Inc. ("ISS") is recommending a vote "Against" candidate for Outside Audit & Supervisory Board Member Masahiko Tezuka as per "Proposition No. 2: Election of one (1) auditor," to be proposed at the 109th Ordinary General Meeting of Shareholders, scheduled to be held on June 25, 2024.

The Company's thinking behind the proposal is included in the convocation notice. However, we are attaching the following additional explanation and ask that shareholders read and understand our opinion before you exercise your voting rights.

Please also note that proxy advisory firm Glass, Lewis & Co. LLC is recommending a vote "For" the proposition.

Details

1. Details of ISS's recommendation

ISS states in its voting recommendation criteria that "there must be no relationship between the company and the outside director or outside statutory auditor other than their selection as an outside director or outside statutory auditor," and there have been many cases involving "individuals who worked for the company's audit firm" for which ISS claimed the independence criteria have not met.

ISS is recommending a vote "Against" the election of Masahiko Tezuka because he has past work experience at the Company's independent auditor, Deloitte Touche Tohmatsu (current Deloitte Touche Tohmatsu LLC).

2. Company's opinion regarding ISS's recommendation "Against"

The Company sees no issues with Mr. Tezuka's independence for reasons that follow. The Company has also determined that he will appropriately carry out his responsibilities as an Outside Audit & Supervisory Board Member.

- (1) The Company's criteria for determining independence include a cooling-off period of three years. The Tokyo Stock Exchange, where the Company is listed, stipulates a cooling-off period of one year in cases of an accounting specialist who has received substantial monetary or other financial assets from the listed company (the Company) other than remuneration as an officer is selected as an outside officer. In addition, the New York Stock Exchange stipulates a cooling-off period of three years in similar cases. Therefore, we consider the cooling-off period in our criteria for independence to be appropriate. Roughly five years has passed since Mr. Tezuka retired from Deloitte Touche Tohmatsu in June 2019.
- (2) In addition, although Mr. Tezuka was an auditor responsible for auditing the Company while working for Deloitte Touche Tohmatsu, he did not participate in the Company's audits after his last involvement in 2015. Roughly nine years has passed since then. Given that roughly nine years is a considerably long period of time, we believe that his past experience does not negate Mr. Tezuka's independence.

For the above reasons, the Company has determined that no issues with regard to Mr. Tezuka's independence exist.

Mr. Tezuka held important positions at major audit firms and also served as Chairman of the Japanese Institute of Certified Public Accountants, experience that has given him expertise in auditing global businesses. We expect Mr. Tezuka to provide appropriate advice and audits of the Company's management from the perspectives of management strategy, international business, corporate governance, etc., as an Outside Audit & Supervisory Board Member.

We ask that shareholders and investors understand the Company's views stated above and carefully take them into consideration when determining the appropriateness of the proposition.

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