

Message from the President



Saito Takeshi
Representative Director, President
ENEOS Holdings, Inc.

Achieving both a stable supply of energy and materials and the realization of a carbon-neutral society, while embracing new challenges as a first mover.

Working toward “tomorrow’s normal” with a new determination

In May 2023, the ENEOS Group announced its Long-Term Vision and third Medium-Term Management Plan (FY2023–FY2025). In our new Long-Term Vision, we take on the challenge of achieving both a stable supply of energy and materials and the realization of a carbon-neutral society.

Initiatives for the coming energy transition are essential as the world is changing at an accelerated pace toward the realization of a decarbonized, recycling-oriented society. With this major transformation before us, I am leading the Company in the spirit of a “second founding.” Whatever the circumstances, we will carry out our philosophy of continuously contributing to society with energy, resources, and materials, and we have clearly documented our determination to achieve this philosophy for all of our stakeholders.

Commitment to Realizing the Group Philosophy

Supporting “today’s normal,”
taking the lead for “tomorrow’s normal”

The ENEOS Group has continued to fulfill its mission of providing a stable supply of the energy and materials that are indispensable for everyday life in response to the changing times, thereby creating and supporting the normal of each era. Throughout our history, we have boldly taken on and overcome various social challenges, and this is now part of our corporate DNA.

While thoroughly fulfilling today’s responsibility of ensuring a stable supply, we will achieve the energy transition, paving the way toward “tomorrow’s normal” of carbon neutrality in Japan. In order to create this “tomorrow,” we have begun taking on new challenges as a “first mover.”

Measures under the third Medium-Term Management Plan determined based on the results and issues of the previous Medium-Term Management Plan

On the other hand, in the second Medium-Term Management Plan (FY2020–FY2022), positioned as the

foundation for the third Medium-Term Management Plan, we achieved positive results such as the replacement of our business portfolio through multiple M&As and asset sales. In addition, we implemented stable dividends and share buybacks to achieve a total shareholder return ratio of 66% (net income excluding inventory valuation effects basis) over the three years. Nevertheless, we fell short of many of our financial targets, and there are still issues, especially with earnings capacity in our base businesses.

Based on this, in the third Medium-Term Management Plan, we have established three basic policies, namely, “establish a solid earnings base” as a source of funds, along with “accelerate execution of measures for energy transition,” and “enhance the management base.” In formulating the plan, we took into account dialogue with shareholders and investors and the opinions they expressed.

We made two major decisions as part of our measures for “enhance the management base,” which is one of the basic policies. These decisions were to convert the High Performance Materials business, the Electricity business and the Renewable Energy business into separate companies, and to prepare for the listing of JX Metals. Regarding the conversion of businesses, we will transition each business to an autonomous management format that pursues capital efficiencies by around April 2024. Regarding JX Metals, we aim to transition the company to an equity-method affiliate in the future. By properly marketing the company’s high growth potential to stock markets, the listing will enable portfolio transformation as well as agile and reliable shareholder returns. JX Metals will use rapid decision-making to execute various strategies in growth fields such as semiconductor materials and ICT materials.

We will also work to create and strengthen intangible assets not booked on our balance sheet. In particular, for our human resources, we will work on skill development and work environment improvements based on the belief that human resources, which support the foundation of all of our measures, are the source of significant corporate value.

We will steadily implement these measures as we aim to maximize our corporate value.

Interview with the President

The ENEOS Group revised its Long-Term Vision and formulated its third Medium-Term Management Plan in May 2023.

The following focuses on questions asked by shareholders and other stakeholders during the formulation process.



Q2. What are your thoughts on the energy supply structure and the ENEOS Group's vision for the future?

A2. We expect the turning point toward carbon neutrality to be around 2030. We will continue to be a main player in supplying Japan's primary energy needs.

It is certain that society will move towards carbon neutrality. At this stage, however, it remains unclear what the main sources of primary energy will be in the future and when technological breakthroughs will occur.

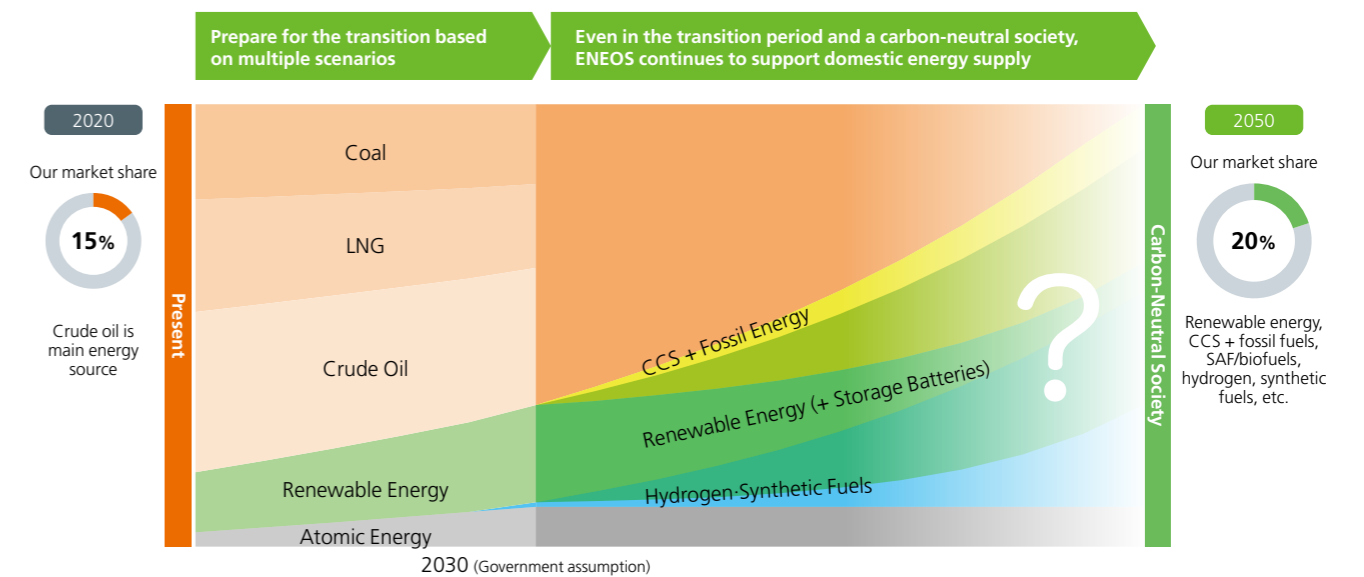
Taking into account policy trends and other factors, we believe that the turning point toward the spread of next-generation energy will be around 2030. For a smooth energy transition, it is necessary to fulfill S+3E¹. The Group will lead the Japan's energy transition and will continue to be a main player in the future. We aim to capture the largest share in synthetic aviation fuel (SAF), hydrogen, and synthetic fuels, and to supply 20% of Japan's primary energy needs.

This determination is expressed in our Long-Term Vision to take on the challenge of achieving both a stable supply of energy and materials and the realization of a carbon-neutral society.

The large-scale energy transition away from fossil fuels is by no means easy. The spread of petroleum resources, which are "today's normal," was only possible through the bold challenges taken on by our predecessors. In this way, we are confident that the important challenges we are taking on today will lead to "tomorrow's normal," bringing new value to society.

¹ Safety, Energy security, Economic efficiency, Environment

Future Domestic Primary Energy Supply Mix (Image)



Q1. What social scenario does the ENEOS Group envision for the future?

A1. We envision the development of a decarbonized and recycling-oriented society by 2040. The speed of change is also accelerating.

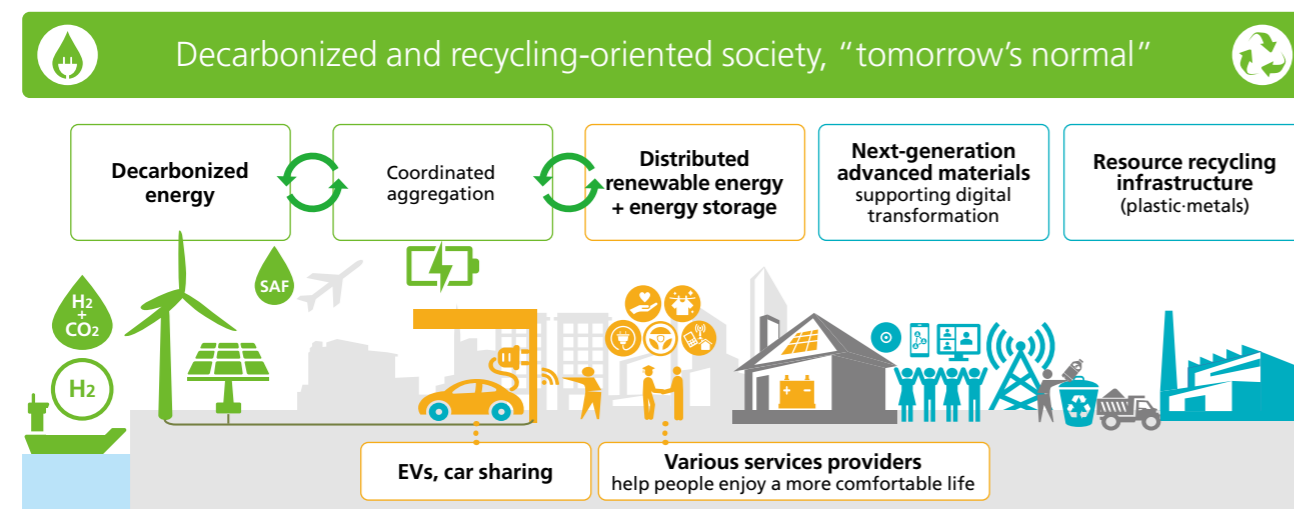
In our Long-Term Vision, we envision the development of a decarbonized and recycling-oriented society by 2040. The scenario is as follows.

In the energy field, in addition to various types of renewable energy and decarbonized energy produced in industry such as hydrogen and synthetic fuels, distributed energy will be produced in homes and communities. Storage batteries to balance supply and demand and systems for optimal control will also become increasingly important.

In the materials field, demand for next-generation advanced materials will increase along with the digital transformation (DX). Recycling infrastructure will be developed, which is expected to result in a circular economy. New services will also be required in response to people's diverse lifestyles.

The speed of transition to such a society is undoubtedly accelerating. As an energy and materials group, we must take on the challenges of the energy transition toward decarbonization.

Social Scenario



Q3. What about the path toward reducing greenhouse gas emissions?

A3. We aim to halve our CO₂ emissions per unit of energy supply by 2040.

Looking ahead to the realization of a carbon-neutral society by 2050, we are also steadily working to reduce greenhouse gas emissions, which is an urgent issue. We have set an ambitious target of halving CO₂ emissions per unit of energy supply (carbon intensity or CI) by 2040.

To achieve this, we first aim to achieve carbon neutrality in the Group's greenhouse gas emissions (Scope 1 and 2). To this end, we will make efficiency improvements in manufacturing and businesses, implement CO₂ capture

and storage (CCS), and remove CO₂ from the atmosphere through forest absorption. In addition, in order to reduce greenhouse gas emissions in society as a whole (Scope 3), we will pursue the energy transition through the supply of hydrogen, synthetic fuels, renewable energy and other energy sources, and promote a circular economy through recycling and sharing.

→ For details of the ENEOS Group Carbon Neutrality Plan, see pages 29–34.

Interview with the President

Q4. What are the ENEOS Group's strengths in terms of future potential?

A4. We have the technologies and customer networks to address each scenario flexibly.

(1) Resilience in dealing with multiple scenarios for the energy transition

As I mentioned earlier, at this stage, there is no definitive answer as to what the main sources of energy will be in a carbon-neutral society, so we are considering multiple scenarios.

One of the Group's strengths is its high resilience in dealing with any of these scenarios, and the fact that we are making investments, conducting research and development, and pursuing demonstration projects. Another strength is the location of our refineries and plants adjacent to industrial customers such as power plants, as well as our ability to make effective use of existing refinery and plant infrastructure without making significant investments.

In addition, the Green Innovation (GI) Fund and other support systems for reaching Japan's target for carbon neutrality by 2050 have been established and are expected

to be expanded in the future. We are steadily taking the necessary steps, such as utilizing government support and partnerships with leading companies in Japan and overseas.

I am proud that the Group has a high level of resilience to future uncertainties.

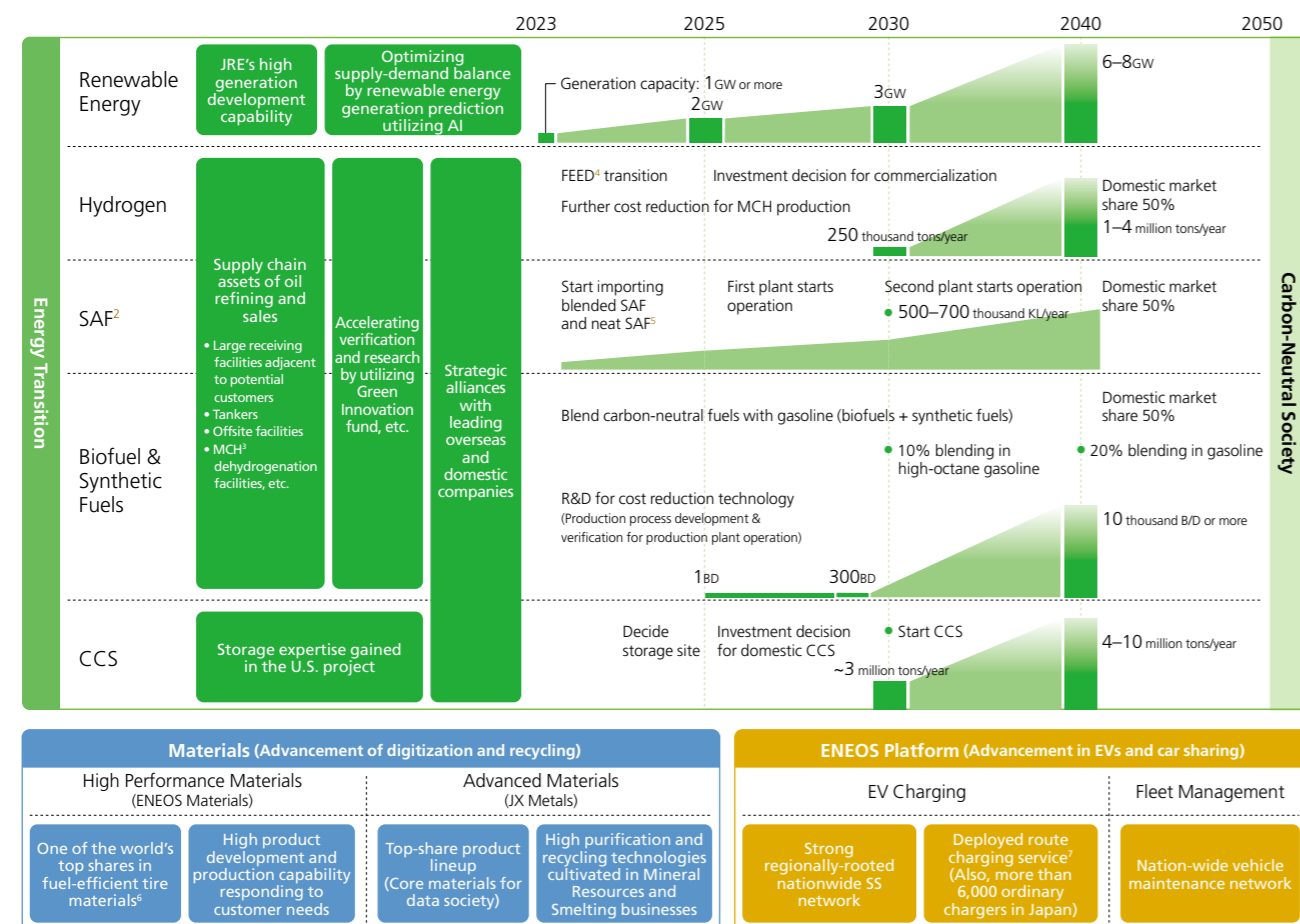
(2) Materials supporting a digital society

Materials supporting advanced needs

In addition to next-generation energy, we expect earnings growth in the materials business.

The Group possesses advanced technologies and high market shares in the semiconductor materials and ICT materials that support the digital society, and high performance materials such as elastomers, which are in high demand and have excellent environmental performance. These materials are indispensable for the realization of a carbon-neutral society.

Strengths for Tomorrow's Normal



² Sustainable Aviation Fuel ³ Methylcyclohexane: a hydrogen carrier ⁴ Front End Engineering Design ⁵ SAF raw materials before mixing ⁶ Solution polymerization styrene-butadiene rubber ⁷ ENEOS Charge Plus

(3) ENEOS Platform as social infrastructure

We have a nationwide service station network that is a real and strong point of contact with customers and local residents. In addition to the locations and number of our service stations, another key strength is that we have accumulated a large amount of extremely useful data. We will make the most of these strengths by building a system

to provide route charging services for EVs, next-generation energy, and new services, for which demand is expected to increase in the future.

Through the utilization of this service station network as the ENEOS Platform, "tomorrow's normal" will take root throughout society.

Q5. What are your measures for achieving the energy transition?

A5. We will establish advantages as a pioneer by preparing for the expansion phase of decarbonization investment after 2030, focusing on improving the efficiency of our fossil fuels business and developing intangible assets required for the future.

The energy transition for continuing our role as a main player naturally requires a substantial strategic investment. We intend to expand our capital investment for decarbonization in earnest from 2030 onward.

In the meantime, we will make the necessary investments to ensure resilience for the future, but we will not unnecessarily inflate our balance sheet. We will focus on the development of intangible assets not booked on the balance sheet, such as technological development, collaboration with leading partners, utilization of support systems from the government, and above all, human resources development. Meanwhile, we will also streamline and improve the efficiency of our existing fossil-resource-derived energy businesses in line with the decline in demand in the domestic market.

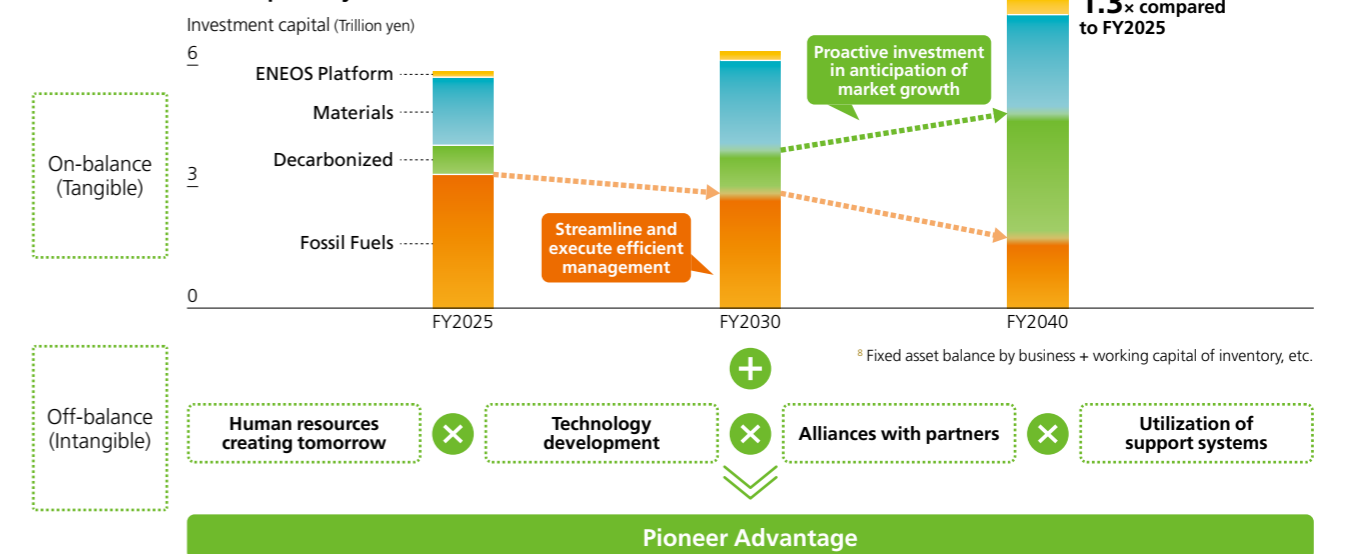
For the Company, which has mainly dealt with fossil fuels, the challenge of achieving carbon neutrality is a major transformation that can be viewed as a "second founding" of sorts. We believe that the most important key to success or failure is human resources. Through various

measures, we will foster a corporate culture in which management and employees align their perspectives to ensure that our Long-Term Vision is realized. We will secure and develop human resources and other intangible assets during the third Medium-Term Management Plan to establish our advantage as a pioneer.

In addition, we will monitor the growth of the decarbonization market and expand capital investment in promising fields from 2030 onward. In terms of the scale of capital to be invested, we plan to increase the total amount by 1.3 times compared to fiscal 2025 by 2040.

When implementing full-scale investments, we will incorporate the perspective of cold-eye reviews to narrow investments down to those that are expected to exceed the cost of capital. Especially in energy transition fields, such as renewables, long-term rather than short-term returns are needed. We must carefully consider this point and convey the status of the investment plan to shareholders and investors as appropriate.

Scale of Investment Capital⁸ by Business Area



Interview with the President

Q6. What is the optimal portfolio and what is the key to achieving it?

A6. We expect the decarbonized business to grow after 2030 and will pursue the capital efficiency of each business using rigorous ROIC management.

Portfolio plan based on the progress of the energy transition

Currently, fossil energy accounts for more than half of the Group's earnings. Under the third Medium-Term Management Plan, we will implement various measures following the basic policies of "establish a solid earnings base," "accelerate execution of measures for energy transition," and "enhance the management base," to maximize earnings in our current business portfolio.

At the same time, by 2030, in addition to upfront investment in decarbonization, we will build a business foundation for EV charging and the ENEOS Platform to meet the needs of local communities and individuals. By around 2040, the "permeation" phase of the energy transition, we expect our earnings portfolio to comprise 50% decarbonized energy and fossil energy offset by CCS and other measures, and 50% materials and the ENEOS Platform.

The expected changes in the portfolio are illustrated in the third Medium-Term Management Plan (see the figure below). In the figure, since the Electricity business spans both "fossil fuels" and "decarbonized," the scale is shown outside the pie charts. The overseas business ratio is also shown. In anticipation of the population decline in Japan, we will grasp the needs of overseas energy transitions and

increase the ratio of overseas business.

Importance of generating returns in excess of capital cost

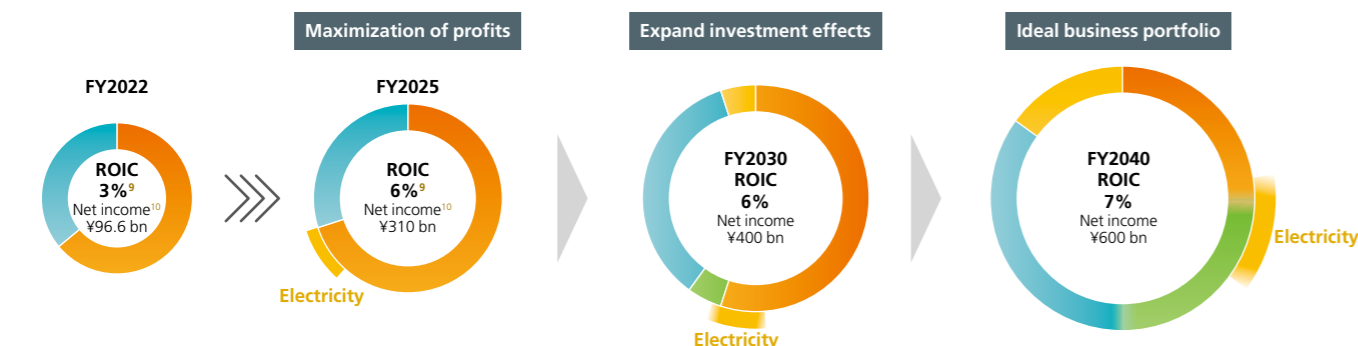
In the third Medium-Term Management Plan, the Group will introduce rigorous business management based on the return on invested capital (ROIC) in pursuit of increased capital efficiency. By disclosing ROIC results, targets, and weighted average cost of capital (WACC) for each business, and converting the High Performance Materials business, the Electricity business, and the Renewable Energy business into separate companies, we will shift to autonomous management that visualizes the results of each business and focuses on results.

For businesses with low profitability (i.e., businesses that do not exceed WACC), we will set deadlines and make fundamental improvements. If there is still no improvement, we will consider business continuity or withdrawal based on certain criteria.

In 2022, we were unable to generate sufficient returns above WACC. However, in 2025, the final year of the third Medium-Term Management Plan, we anticipate ROIC of 6%. In 2030, we expect to generate returns, such as 6%, that will always exceed WACC, rising to 7% in 2040.

ROIC / Scale of Profits by Business Area

Materials Fossil Fuels Decarbonized ENEOS Platform



Ratio of overseas business	50%	45%	45%
business 50% (ENEOS 20%)	(20%)	(20%)	(25%)

⁹ Including incubation businesses. The target for FY2025 is 7% or higher excluding the incubation businesses.
¹⁰ Net Income attributable to owners of the parent

Q7. How do you analyze the current situation of ENEOS's price-to-book ratio (PBR)? How will you improve it?

A7. First, it is important to achieve the third Medium-Term Management Plan. We will focus carefully on the equity spread and further enhance dialogue with our stakeholders.

Our WACC is about 4%, of which the cost of equity is about 8%. On the other hand, ROE excluding inventory valuation effects has been below the cost of equity, averaging around 6% over the past five years, and the so-called equity spread continues to be negative.

Although we have formulated a growth strategy that covers the petroleum business, mainly in the decarbonized business area, we recognize that growth expectations from the equities markets is negative due to the protracted time frame until the realization of profits.

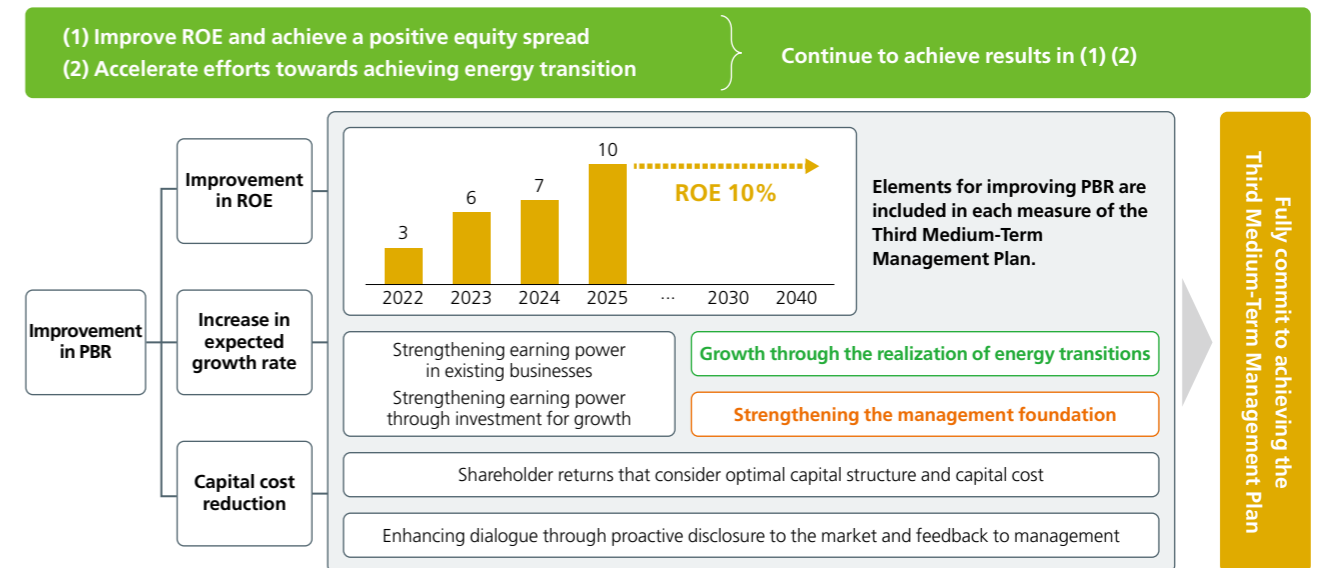
In light of this situation, we believe that our PBR can be improved and exceed one time by (1) improving ROE and making the equity spread positive, and (2) by steadily accelerating and growing efforts to realize energy

transitions economically and technologically, and by continuing to produce these results, increasing the probability of success, and gaining trust in our ability to meet future expectations.

First, we will make every effort to achieve the third Medium-Term Management Plan, and will actively disclose the progress of growth businesses, one of our initiatives for realizing the energy transition, and our stories for monetization, in an effort to enhance our reputation in equities markets. In addition, we will expand dialogue with stakeholders and utilize the findings in management.

We plan to continue discussions by the Board of Directors on how to increase our PBR, and disclose the status of these efforts.

Initiatives Aimed at Enhancing Corporate Value



Q8. Can you provide closing words to stakeholders?

A8. We will dedicate our best efforts to continuing to be a company that is required by society.

For the ENEOS Group, which has been engaged in fossil fuels businesses since its founding, the challenge of the energy transition is truly a major undertaking that can be seen as our "second founding." By fostering a corporate culture of transformation and taking on challenges, and consistently providing the energy, materials, and services needed by society, today and tomorrow, we will meet the expectations of all stakeholders and enhance our corporate

value. In order to achieve this, we will first steadily implement the various measures I have discussed above and exert our best efforts to achieve the third Medium-Term Management Plan and, by extension, the Long-Term Vision.

I ask shareholders and other stakeholders for your continued support and guidance of the ENEOS Group as we move forward.