
■ ENEOS Holdings (5020) FY2024 Meeting of Investors and Outside Directors Q&A

1. Date, time: March 27, 2025 3:00 p.m.—4:20 p.m.
 2. Participants from ENEOS Holdings: Kawasaki Hiroko, Outside Director; Tochinoki Mayumi, Outside Director
 3. Number of companies represented by investors: 5
 4. Content of Q&A: See below
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— This document contains forward-looking statements. Please refer to the cautionary statement at the end. —

Q. Renewable energy plays an important role in the development of a decarbonized society, but ensuring profitability is also important. How do you aim to achieve a balance between these two elements?

A. (Outside Director) As a business enterprise, ensuring profitability is a given. With offshore wind power and other types of energy aimed at decarbonization, costs are high due to high construction costs and other factors. In the initial stages of renewable energy, development costs are high and profits are low, and the timeline for achieving profitability is relatively long. On the other hand, the Company believes that given the nature of our business, we must pursue decarbonization and low-carbon initiatives. In our energy business as a whole, we will endeavor to guarantee profitability while balancing these initiatives with our cash-generating businesses.

Q. While profitability is a given for renewable energy, it is anticipated that you may be unable to provide sufficient investment to make profitability a given, resulting in an unplanned surplus of free cash flow. Would that be carried over to the next Medium-Term Management Plan as a legitimate surplus, or would it be returned to investors and used as growth investment with zero carry-over to the next Medium-Term Management Plan? I assume this would be handled on a case-by-case basis, but please give us your thoughts.

A. (Outside Director) We currently have not determined whether to reset free cash flow with each Medium-Term Management Plan period. We will consider growth investment and returns to investors while monitoring cash flow and the balance sheet.

Q. Now that you have revised the selection process for directors, have you noticed any changes from previous candidates? Are you concerned about the possible formation of factions?

A. (Outside Director) After the occurrence of two instances of misconduct, we are taking measures such as checking for risks in situations where alcohol is involved and checking for risks of all types of harassment. As a result of these efforts, there are currently no executives in whom we have identified risks similar to those that led to the consecutive resignations of the two officers.

As the Company is very large and was formed through the integrations of many companies, we understand that the formation of factions among members of the original companies is of concern. However, in allocating human resources, instead of considering the right position for each person, we think about the right person for each position. In other words, we ascertain the business requirements for each position and then look for people who fulfill those requirements. This will help to prevent the formation of factions as we will have the right person in each position.

Q. From the standpoint of outside directors, can you tell us about any times when you felt that the corporate or organizational culture had changed, or any improvements that are being made? I would also like to hear your opinions on hiring executives and middle management from outside the company to create a diverse management pool, as well as your thoughts on your roles as outside directors on the Nomination Advisory Committee and the Board of Directors.

- A. (Outside Director A) We reflected on the misconduct mentioned previously and we are taking steps to improve the corporate culture. After the misconduct occurred, the Company launched a project to prevent harassment. It subsequently launched a project to re-establish a work environment where employees can work comfortably and with pride, and within this project it established the “Three Principles for everyone to work in peace.” The CEO of the Company and the president of ENEOS have also been tirelessly making the rounds of the workplaces to ensure that these principles take hold. I think that making changes starting with the top executives was a very good decision. We are starting to see improvements as indicated by the results of employee engagement surveys, and as an outside director, I will continue to monitor the situation.

Regarding the advancement of women in the workplace, the Company has female officers and one of the Group companies has a female president, so I think the level of diversity is above average. Since the General Meeting of Shareholders last year, the percentage of outside directors on the Board of Directors has been over 70%, and this also indicates management's intention to strive for further improvement.

(Outside Director B) We are closely monitoring the feedback and inspection results from the head office and other business sites to see what kinds of changes are occurring. From the results of these inspections and onsite interviews with employees, I truly feel that everyone involved is working proactively to make improvements in terms of governance, corporate culture and awareness, and I think management's stance and attitudes toward these issues has been clearly communicated to employees. ENEOS has hired women as operators at its refineries, which I think is part of its efforts to ensure that a diverse workforce can achieve success in their careers. The fact that the Company is willing to hire outside directors, including myself, who have no experience in the energy industry is a good example of its efforts to improve its corporate culture and governance, and I think these kinds of efforts are being implemented throughout the entire Group.

- Q. In regard to increasing discussion by the Board of Directors, what kinds of things do you keep in mind when setting the agenda and advancing the proceedings? Has increased awareness of communication with executives helped to stimulate discussion?

- A. (Outside Director) Now that the Board is made up of over 70% outside directors, it is much easier to ask questions, and I think this is a major factor in stimulating discussion.

Now that the Company is a pure holding company, my focus as chairman of the Board is to ensure the consistency of information between the Company and the Group companies. With the change in status of the Company to a pure holding company and the establishment of the CxO system, the operating companies are being supervised under a new governance system, but to ensure that the system is functioning properly, it is important to consider whether the thoughts and ideas of the CxOs and the CEO are being accurately communicated to the operating companies, how the operating companies are responding, and whether feedback from the operating companies is being communicated to the Company. In an effort to share as much information as possible with the Board of Directors in a timely manner without limiting the information to the meeting agenda, I maintain contact with Audit and Supervisory Committee members who participate in inspections, and also incorporate interviews of operating company presidents by outside directors.

- Q. How would you evaluate the current status of governance at ENEOS Holdings and what are some of the challenges? Along those same lines, what is the extent and frequency of involvement by outside directors in communication with the operating companies and CxOs? Have there been any changes in management decision-making with the introduction of the pure holding company system and the CxO system?

- A. (Outside Director) With the introduction of these new systems, fiscal 2024 was the year that we worked

on overall improvements in governance, including risk management, investment strategies and people strategies, for the entire Group, including its subsidiaries. Any challenges we encounter are shared with directors and the management team, and the entire Group is continuing its efforts to achieve further improvements in order to build an even better governance system.

Currently, the first challenge is communication. The Company cannot take the lead in strategic portfolio management without close communication with the operating companies. We are currently exploring how to achieve effective communication between the Company and the operating companies. So, one challenge is implementing strategic portfolio management more effectively through better communication.

The second challenge is determining how much each operating company should be involved in monitoring, and maintaining a good balance in this involvement. If the Company gets too involved in the management of the operating companies, the operating companies' autonomous management decision-making may be compromised, but if everything is left to the operating companies, the Company's monitoring function cannot operate properly, making it impossible to build an effective governance system. Finding a good balance is a challenge to be addressed in the next fiscal year.

The third challenge is ensuring that the new governance processes are firmly established and take root at the Company and the operating companies. Thorough discussions are indispensable for the newly incorporated investment decision-making processes as well as communication among the CxOs and with the operating companies. It is extremely important to carry out thorough communication before establishing new governance processes, and this is a major challenge that we will continue to address.

Q. None of the current outside directors has a manufacturing or technological background. Do you think the outside directors' skillsets are sufficient for the current system? What kind of knowledge and experience will you use as the basis for carrying out your roles as outside directors? In particular, as the supervisory function, what do you focus on in monitoring initiatives implemented by the executive function for base businesses and energy transition?

A. (Outside Director) Each of the inside and outside directors has a different skillset, so looking at the Board of Directors as a whole, I think we have the necessary skillsets for realizing the Long-Term Vision. As for how I personally carry out my role as an outside director, my contribution is based on my experience in the finance sector, where my responsibilities included financial audits, work audits and compliance-related work, all carried out under rigorous risk management and compliance systems. From a standpoint of ideal risk management and fostering a compliance mindset, my experience is completely different from that of the Company, which has been successful under a more traditional system. I always keep this point in mind and focus on monitoring. I pay particular attention to whether the companies' progress and actions to achieve management plans is aligned with the Company's intentions, and if and how the plans are revised and executed as a result.

Q. How would you evaluate and what are the challenges of sustainability management? How do you see the future of ENEOS Holdings and what are your expectations for this company?

A. (Outside Director A) For an oil company, it is important to be aware of material ESG issues and implement well-balanced management, and also maintain awareness of external assessments such as FTSE and MSCI.

Regarding sustainability management, I personally feel that first of all, it is important to maintain safe operations and a stable supply so that people can go about their day-to-day lives without thinking about oil or energy. The next step is to contribute to decarbonization and low carbonization while maintaining safe operations and a stable supply, and this is the core of sustainability management. While the Company is also working on bioenergy, sustainable aviation fuel (SAF), liquified natural gas (LNG) and other types of energy, with its transition to a pure holding company, the continued implementation and functioning of a strong governance system will be the source of competitiveness and increased corporate value for the entire Group. For this reason, I think the firm establishment and monitoring of governance

is an important point of sustainability management.

(Outside Director B) With the continuation of society as a given, from a long-term perspective, I think it is important to implement management that leads to the growth of the enterprise. In terms of the ENEOS Group, Group companies make concerted efforts to address material ESG issues, and employees work with pride in the fact that they belong to companies that are leaders in the energy industry. The Group is also focusing on next-generation energies, and with the accumulation of results in this area, I expect that it will continue to play an important role in the future as a company group that supplies new energies and supports the nation's infrastructure.

- Q. Regarding capital allocation for the 2040 portfolio, I would like for any activity in this area up to 2040 to be reported to investors when it occurs. As the timeline is long, discussions about how to use cash on hand now are important for determining the business portfolio. Over the past year, how specific have these discussions been, and have you reached a consensus?
- A. (Outside Director) With the release of the Japanese government's 7th Strategic Energy Plan, we are thinking about our plan to 2040. The Carbon Neutral Strategy Department is discussing what kind of scenarios are realistic, and this is being discussed by the Board of Directors as well. It is important to focus on which energies the end consumers choose, and we must also communicate with investors about matters pertaining to our portfolio and cash allocation at the appropriate times. The CFO understands this, and all of the directors share an awareness of this issue based on the 7th Strategic Energy Plan.

End

This notice contains certain forward-looking statements, however, actual results may differ materially from those reflected in any forward-looking statement, due to various factors, including but not limited to, the following:

- (1) macroeconomic conditions and changes in the competitive environment in the energy, resources and materials industries;
- (2) changes in laws and regulations; and
- (3) risks related to litigation and other legal proceedings.