

◆ Cosmo Energy Holdings (Security code: 5021)  
ESG Presentation: Main questions and answers

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—This material contains descriptions regarding future prospects. Notes are provided at the end of this material.

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1. Date and time : October 3, 2022 (Mon) 4:00 p.m. - 5:00 p.m.
2. Attendees : 66 persons
3. Main questions and answers :

Q1: Regarding CO<sub>2</sub> emission reductions in 2030 and 2050, what are the areas of high impact or high expectations?

A1: In part due to future technologies, the areas we can comment on clearly are limited, but a significant weighting in the 30% reduction for 2030 is the million-ton contribution due to wind power generation, and the decline in demand related to petroleum products in the future. We also expect a partial fuel switch due to LNG, but it is difficult to forecast a large contribution from this. However, CCS/CCUS, CO<sub>2</sub>-EOR and SAF have not been incorporated into our plans at this point, and if these are practically utilized in the future, we expect they will be added on top of the current targets.

Similarly in 2050, we expect significant reduction evens from considerable decline in the demand for petroleum products and wind power generation.

Q2: It was mentioned that in the next medium-term management plan, the relationship between financial and non-financial aspects would be organized. From a management perspective in what areas are there high financial expectations, and by extension will those areas lead to a future investment of resources?

A2: Our medium-term management plans until now have focused on financial aspects, and since we published the Medium-Term Sustainability Plan in parallel, it was difficult to see how financial and non-financial aspects related to one another. In the next medium-term management plan, financial aspects will continue to be the main element, but we hope to make corporate value the goal. There are two aspects to the value of the wind power generation business and similar endeavors: business revenue and the initiatives themselves. We want to be able to determine how these kinds of initiatives will contribute to corporate value by linking them in the form of a logic tree.

Q3: The CO<sub>2</sub> emission reduction target for FY2022 is net emissions of 6.26 million tons, compared to actual emissions in FY2021 of 6.97 million tons. How will you sort out the factors that have put you behind your target?

A3: A factor behind failing to meet our target was our refineries operating at a higher rate than the forecast in the medium-term management plan. Structurally speaking, we are working to reduce CO<sub>2</sub> emissions, but as long as there is demand from the customer side, we have a responsibility to supply as a petroleum wholesaler. If we shut down our refineries and handled the demand through imports, our CO<sub>2</sub> emissions as a company would decline, but the emissions generated by other suppliers would simply increase by around that amount, which would not solve the fundamental issue.

Q4: Recently it has been required that net zero emissions including Scope 3 emissions be met by 2050, and that progress towards this be made by 2030. How do you view these requirements?

A4: We believe that the handling of Scope 3 emissions is a very difficult issue. Petroleum-related industries account for by far the largest percentage of Scope 3 CO<sub>2</sub> emissions, and auto makers in the same supply chain are working to reduce Scope 3 emissions as individual company initiatives,

resulting in many overlaps.

Additionally, although it is possible to offset these emissions with wind power generation and other activities, we see it as extremely difficult for petroleum wholesalers to reduce the CO<sub>2</sub> emissions generated by the burning of gasoline, and we are considering action to address Scope 3 emissions with the sense of this challenge in mind.

C4: I fully understand the sense of this being a challenge. From the perspective of engagement, I suggest it be best to adopt the stance of sharing such information, including the sense of challenge recognized by the company itself, with capital markets.

Q5: I would like to ask about your approach to the roadmap. Will you be fully committed to the measures declared in the switch to New? Or, will you make technical judgments and make choices as you go? And if the latter is the case, what choices will Cosmo Energy Holdings make as its strength?

A5: We expect renewable energy to grow in a stable manner, but for things like hydrogen and ammonia, since there is not yet a clear favorite, we are at the stage of planting seeds so that no matter which field wins out, we will be involved in the business.  
We also recognize the need to determine where in the supply chain we will be responsible, such as manufacturing, distribution or sales.

Q6: Hypothetically speaking, if in the future having a board with a majority of outside directors become a condition of maintaining a listing in the Prime Market of the TSE, what would be your stance on this? In your answer, please include what you see as advantages or disadvantages to increasing the ratio of outside directors.

A6: Currently, our board of directors is structured with nine directors, four of whom are independent outside directors. Until now, we have been working on reforms to the board of directors, such as increasing the percentage of non-executive directors, in preparation for future changes to its structure.  
As it is difficult to increase the percentage of outside directors serving on the board, which is mainly focused on items that related to business execution, we are changing the board of directors into a body whose main functions are management and supervision. As a result, we have arrived at a situation where the majority of board members are currently non-executive.  
The composition of the board of directors is also something that is constantly discussed internally, and although it would be difficult to increase the percentage of outside directors to the majority of board members all at once, we are engaged in various considerations and preparations.

Q7: Financial numbers could be a constraint to achieving non-financial strategic objectives, and vice versa. How do you see your approach to ESG coming into play when making discontinuous investments?

A7: We explained in that the target value in the next medium-term management plan would be corporate value. This is based on the idea that there are investments we cannot make if earnings are set as the target, but can be made if corporate value is set as the target.

Q8: What was the background and thinking behind incorporating ESG perspectives into officer remuneration? How did that discussion play out in the board of directors meeting?

A8: We had discussions about introducing this last year as well, but the board concluded that it was premature and put it off for one year, which resulted in its introduction this year. This year the evaluation may be focused on qualitative aspects, but next year we hope to create mechanisms enabling quantitative evaluations linked with the next medium-term management plan.

Q9: Contributions to CO<sub>2</sub> reductions through wind power generation is an approach that is not accepted by overseas GHG protocols or SBTi. What are Cosmo Energy Holdings' thoughts about this?

A9: We recognize that attributing reductions to CO<sub>2</sub> emissions to wind power generation is a difficult issue. At present, both the business operators that purchase electricity generated through wind power and the business operators that generate the electricity from wind power are making certain claims about contributions to the reductions. We currently state this as a reduction contribution on the part of Cosmo Energy Holdings, but if disclosures rules are set forth regarding reduction contributions, we will consider following them.

#### Question for Director Takayama

Q10: Were there any cases or items that were given board resolutions at the initiative of outside directors, or which were lobbied for and materialized?

A10: While none went to the point of being board resolutions, there were several items that were changed or realized in response to lobbying by outside directors. In particular, evaluations of the effectiveness of the board of directors have been excellent opportunities, and on the company side we take the feedback from outside directors and use it to improve the role and operation of the board of directors.

Additionally, the recommendation by the executive site to delegate authority of the execution of business to the executive site and to have the board of directors focus on supervision has also been supported by me in my capacity as a director engaged in supervision, and I feel that the board of directors is going to undergo major changes.

In connection with that, agenda items related to risks and compliance have increased, and we now get reports on the business execution from each operating company for monitoring purposes.

Outside directors have also recommended that formal agenda items and items that have been described sufficiently in advance be treated as "items with detailed explanations omitted," in order to increase the time allotted to discussion on the day.

Q11: From your perspective as someone who has served as an outside officer in other industries, what positives do you see at Cosmo Energy Holdings in terms of monitoring, and where do you think improvements are needed?

A11: It is difficult to make a general comparison, but Cosmo Energy Holdings has an open culture that flexibly accepts various outside feedback including the opinions of outside directors. In terms of specifics, items pointed out and recommendations made by outside directors at sustainability strategy meetings were carefully listened to by the executive side leading to actual improvements. I think there are positives to be drawn from the flexibility in taking on ideas that are considered good, the speed with which action is taken, and the good footwork involved. Those outcomes lead to outside directors themselves thinking about what other suggestions they can make, which promotes a healthy competition to put forward ideas and produces a positive cycle.

However, as the board of directors moves in the direction of strengthening monitoring, it is important to set monitoring KPIs in an appropriate and feasible way, and for that reason I hope the company will keep such points in mind in the next medium-term management plan that is currently being formulated.

Q12: Compared with the previous year, there have been changes to major shareholders in the company and the members serving as outside directors. Has there been any change in the quality of discussions taking place during board of directors meetings?

A12: Up until March 2022, there were two directors from major shareholders, and they mainly offered advice on corporate management and provided expert insight on global energy.

Currently there are four independent outside directors on the board, and their backgrounds are

diverse. In addition to members experienced in the energy sector and corporate management, there are board members with in-depth knowledge about sustainability, governance, national policy and legal matters. I believe this has enabled discussions of a more multifaceted nature than before. In connection with this, remarks made by internal directors have also increased. In addition, I believe that the percentage of female directors exceeding the 30% level has given minorities a greater presence, enlivened discussions, and enhanced their quality. Looking ahead, I think it will be necessary to further improve the quality of discussions, and I want to encourage the board to narrow down the points for discussion on the agenda so that each can be more thoroughly discussed.

Q13: Regarding the percentage of managerial positions filled by women, you are on track to reach your target a year ahead of schedule, but the figure of 6% seems low. How do you, Director Takayama, perceive this figure? And what feedback have you shared in terms of accelerating initiatives in the future?

A13: As you have pointed out, when you only look at the number, it is undeniably low compared with average companies. However, the percentage of employees who are female has always been very low, at a little over 10%, and we recognize that this is a tough situation for the entire industry. On top of that, the HR Department and the company as a whole is currently working to develop female managers and foster a comfortable work environment. In my capacity as an outside director, I will closely monitor the progress of these efforts, and offer my support when there is anything I can do to help.

End

This Q&A contains forward-looking statements about the plans, strategies and performance of Cosmo Energy Group. These statements are based on forecasts we produced by assessing information currently available to us. These statements include assumptions and judgments that are based on information currently available to us.