

Recommendation from Independent Outside Directors

Working for the transformation into a vertically-integrated global energy company



Make indicators more visible in order to enable appropriate objective evaluation

Independent Outside Director, Supervisory Committee Member
Sakae Kanno

Sakae Kanno has experience as a Director and Audit & Supervisory Board Member of The Kansai Electric Power Co., Inc. after serving in positions such as Executive Officer of the Office of Affiliates Management and Business Development, and Executive Vice President and Director (see details of his biography on page 32).

Since the transformation to a holding company in October 2015, the Company has more clearly separated the supervisory function from operational execution and its Board of Directors is managing with a focus on the supervisory function. From an outside director's viewpoint, I find that the Group's orientation and issues have become clearer. The Board meetings provide a valuable place for active discussions, as the Chairman helps create a good open atmosphere that encourages participants to speak out. I believe that important roles of Cosmo Energy Holdings are to establish the Group's basic policies and to make objective performance evaluation so as to fulfill its supervisory function. The management is undertaking an initiative to adopt various data benchmarks so that functions and conditions become easier to observe and monitor. I think this will have tremendous impact on sharing of the issues and targets.

Back in March 2011, the Great East Japan Earthquake presented a big challenge to the Cosmo Energy Group, as Chiba Refinery was damaged by fire and the operating performance fell to an all-time low level. However, the

management put together a new medium-term management plan and made arrangements so that the company's intended and desired future direction would be visible. In fact, according to the management plan, the petroleum refining division was restructured, the company was converted to a holding company structure, and its alliances were strengthened, thereby displaying a roadmap to evolve its business portfolio. And now, we have begun to see the outcome. I am greatly impressed with this entire process. Looking at the market in Japan, the demand/supply outlook is uncertain due to progress in energy conservation and other factors. However, the Group is currently taking initiatives to expand oil exploration and production arrangements, promote rationalization and efficiency in the refining division, and enhance alliances. By realizing these objectives, I am expecting that the Company will continue to grow.

The Cosmo Energy Group is transforming itself toward achieving its medium-term management plan. From an outside position I hope to give an advice to help them realize the plan.



Cosmo Energy Holdings has adopted the governance model of a company, which provides for an audit and supervisory committee to enhance managerial and supervisory functions and improve transparency and efficiency in management. The Supervisory Committee comprises three members including two independent outside directors. These members utilize the internal control system, and they audit and supervise overall execution of tasks concerning group management, including directors' execution of duties.

Independent outside directors provide various opinions and suggestions from a wide-ranging viewpoint, which extends beyond the industry to which the Cosmo Energy Group belongs.

More information disclosure to stakeholders for improving corporate value

Independent Outside Director, Supervisory Committee Member **Teruo Miyamoto**

Teruo Miyamoto served important positions in the International Division and Legal Affairs Division of Toshiba Tec Corporation, and later as Executive Managing Director and Head of Secretariat of the Japan Audit & Supervisory Board Members Association. He has deep knowledge of corporate accounting and corporate governance as well as abundant knowledge in legal affairs, gained through such experience (see details of his biography on page 32).



The Board of Directors meetings intrinsically have important agenda items, including the update of the management plan (including plans of core business companies) for the current fiscal year, the plan for the next year, and matters related to the medium-term management plan. At that time, we also discuss, for example, whether the data presented accurately reflect the industry's situation, market trend, or the company's condition. I find such decision-making process is highly transparent.

The Company is also proactively coping with the Corporate Governance Code. In particular, I think the top management is highly committed to raise corporate value by enhancing corporate governance. The Company has established the Nomination and Remuneration Advisory Committee, in which two outside directors from the Supervisory Committee are members and have a chance to state opinions and discuss personnel affairs (nomination and remuneration) of directors. I believe this is a commendable point concerning the Company's corporate governance.

On the other hand, I am aware that more can be done in complying with accountability requirements by information disclosure to shareholders and other stakeholders, as such disclosure will lead to raising corporate value.

The Cosmo Energy Group made a resolution, at the General Meeting of Shareholders held in June 2015, to transform into a vertically-integrated global

energy company. In addition, the newly-established holding company has adopted the governance model including an audit and supervisory committee, from the viewpoint of enhancing governance. With the new structure, the Group, centered on the holding company, is aggressively developing business activities and aiming to fulfill its unifying mission of safe and reliable energy supply, and contribute to society. I am determined to play my role, as an outside director, to achieve this aim. At the same time, I would like to help develop a corporate culture in which all employees, young and old, share the Group's future vision and each one can dynamically play a role in achieving it.



Cosmo Energy Holding's President Morikawa regularly meets with the two independent outside directors and exchanges opinions on achieving the Medium-Term Management Plan and realizing corporate value creation.