

Corporate Governance

Basic Governance Structure and Business Execution System

The Cosmo Energy Group transitioned to a holding company structure in October 2015 and became a company with a supervisory committee structure in order to increase the ratio of outside directors and strengthen the audit and supervisory functions of the Board of Directors. Moreover, with the aim of clearly separating management oversight and business execution, the Company has adopted an executive officer system. As a result, some authority has been transferred to executive officers in order to enable the Company to respond promptly to changes in the business environment and carry out swift decision-making.

Board of Directors

The Board of Directors is composed of ten members in total, and comprises 6 internal directors (1 of whom is a member of the Supervisory Committee) and 4 outside directors (2 of whom are members of the Supervisory Committee). It decides important matters such as the basic management policy and also supervises the execution of business duties. To reinforce the supervisory function of the Board of Directors and realize fair and highly transparent management, the Company increased the number of outside directors by 2 members (2 of the 4 outside directors are independent outside directors) in tandem with the transition to a holding company structure. Outside directors have immediate access to necessary information via the Corporate Planning Department.

Supervisory Committee

The Supervisory Committee, which is composed of 3 Supervisory Committee members that include 2 independent outside directors, uses the internal control system to audit and supervise the business execution of directors as well as the state of execution of other business duties in general that are related to the management of the Group. The Chairperson is an independent outside director.

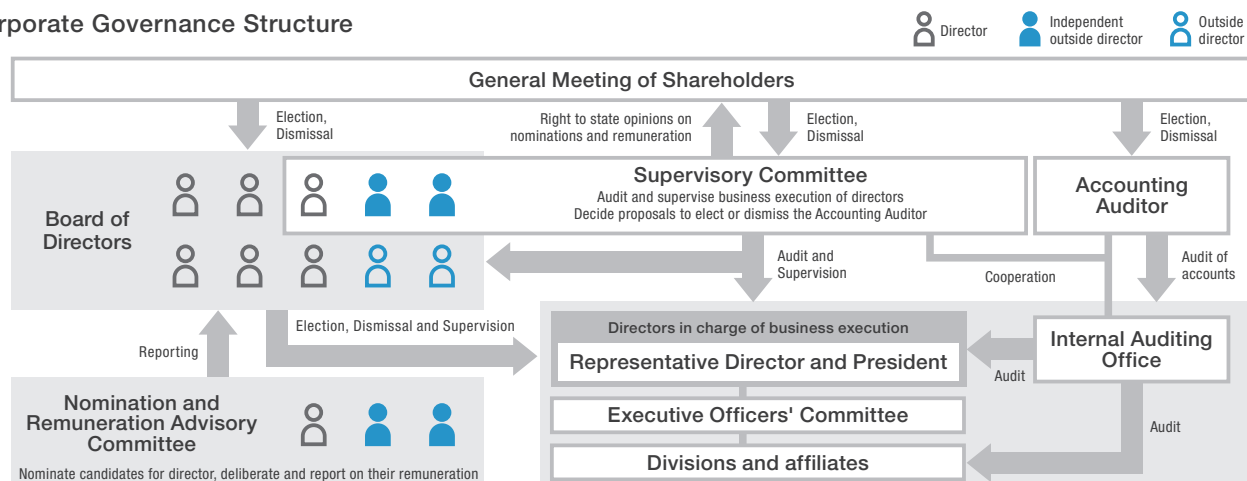
Executive Officers' Committee

The Company has adopted the executive officers' system to clarify the roles and responsibilities of "Directors" in charge of decision-making and management oversight, and "Executive Officers" in charge of business execution. The Executive Officers' Committee comprises major executive officers, including the Chief Executive Officer, and directors that are members of the Supervisory Committee, and functions as an advisory body to the President. The committee makes decisions concerning the execution of business in accordance with management policies determined by the Board of Directors.

Nomination and Remuneration Advisory Committee

The Company has established the Nomination and Remuneration Advisory Committee, which is an advisory body to the Board of Directors, to ensure transparency and objectivity in the selection of director candidates and the compensation determination process. This committee is composed of three members in total, namely, one internal director and two independent outside directors, and deliberates on the nomination and remuneration of executive officers. The Chairperson is an internal director.

Corporate Governance Structure

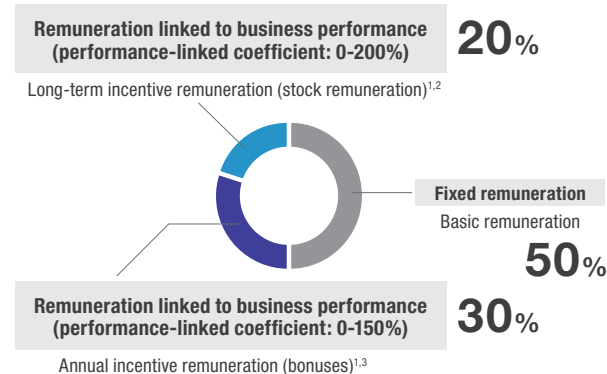


Reflecting our corporate mission and our responsibility to society at large, we have established the "Cosmo Energy Group Management Vision" and the "Cosmo Energy Group Code of Conduct," which serves as a specific set of guidelines to fulfill this vision. On this basis, we aim to satisfy the requirements of all stakeholders including shareholders to the utmost by seeking to achieve "sustainable growth and medium- to long-term growth in corporate value", "improvement in transparency and efficiency of corporate management", "swift operational executions", and "thorough risk management and compliance". Furthermore, the Company has implemented all of the principles related to Japan's Corporate Governance Code.

Executives' Remuneration Plan

The Company has introduced a remuneration plan linked to business performance with the purpose of enhancing medium-term business performance, increasing corporate value, and sharing profits with shareholders. It applies to directors (excluding outside directors and directors who are Supervisory Committee members) and executive officers. This plan consists of annual incentive remuneration (bonuses) linked to consolidated performance indices for each fiscal year and long-term incentive remuneration (stock remuneration) linked to the level of achievement of targets in the Consolidated Medium-Term Management Plan. A ratio of 5:3:2 has been established for basic remuneration, annual incentive remuneration, and long-term incentive remuneration. The stock remuneration plan is an incentive plan that uses a trust system, and is a mechanism that creates management motivation based on awareness of increasing corporate value in the long term, as directors and executive officers share changes in shareholder value with shareholders.

Executives' Remuneration Plan



1. Remuneration linked to business performance is not applicable to directors who are outside directors or Supervisory Committee members.
2. Linked to the level of achievement of the Fifth Consolidated Medium-Term Management Plan, which ends on March 31, 2018
3. Linked to consolidated performance indices for each fiscal year

Stock remuneration plan

Mechanism	Shares, which a trust company acquires using the money contributed by the holding company, are granted in accordance with the degree of achievement of target performance indices for the 5th Consolidated Medium-Term Management Plan (ROE, consolidated ordinary income, and net D/E ratio).
Recipients	Directors (excluding Outside Directors, and Directors who are members of the Supervisory Committee) and Executive Officers

Evaluation period	Fiscal year ending March 31, 2016 through fiscal year ending March 31, 2018
Trust term	November 6, 2015 to August 31, 2018
Timing of share grants	July 2018, promptly after the end of the final year of the Consolidated Medium-Term Management Plan (FY2017)

Upper Limit of Remuneration for Executives

Cash remuneration (basic remuneration + bonuses)

Directors (who are not members of the Supervisory Committee)	500 million yen or less (total amount per year; no more than 12, the number of such Directors prescribed in the Articles of Incorporation of the holding company)
Directors (who are members of the Supervisory Committee)	90 million yen or less (total amount per year; no more than 5, the number of such Directors prescribed in the Articles of Incorporation of the holding company)

Stock remuneration

Trust money contributed during the trust term	687 million yen
Maximum number of shares granted	380,000 shares

Inclusion in the ESG indices

The Cosmo Energy Holdings has been selected as a constituent of the "FTSE Blossom Japan Index", which the Government Pension Investment Fund (GPIF)¹ has adopted as a passive investment index for Japanese equities. This index, developed by FTSE Russell² is composed of Japanese companies with outstanding performance in the Environmental, Social and Governance (ESG) standards. In addition, the Cosmo Energy Holdings has been included in the "FTSE4Good Index Series" for 15 consecutive years since 2003 when the Company was adopted as the first Japanese oil company.



1. The Government Pension Investment Fund (GPIF) is the world's largest pension fund. The GPIF manages and invests the reserve funds of the Employee's Pension Insurance and National Pension Programs out of Japan's public pension funds.
2. FTSE Russell belongs to the London Stock Exchange Group plc and is a major provider that constructs and manages indices on a global basis.

Directors and Executive Officers

(As of June 22, 2017)

**Chairman,
Representative Director
Keizo Morikawa**



April 1971 Joined Daikyo Oil Co., Ltd.
June 2000 Director of Cosmo Oil Co., Ltd.
June 2002 Managing Director
June 2004 Senior Managing Director
June 2006 Representative Senior Managing Director
June 2008 Executive Vice President, Representative Director
June 2010 Executive Vice President, Representative Director, Executive Officer
June 2012 President, Representative Director, Chief Executive Officer
October 2015 President, Representative Director, Chief Executive Officer of the Company
June 2017 Chairman, Representative Director (current position)

**President, Representative Director,
Chief Executive Officer
Hiroshi Kiriya**



April 1979 Joined Daikyo Oil Co., Ltd.
June 2011 Senior Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept., Cosmo Oil Co., Ltd.
June 2012 Senior Executive Officer
June 2013 Director, Senior Executive Officer
October 2015 Director, Senior Managing Executive Officer of the Company
June 2016 Representative Director, Executive Vice President
June 2017 President, Representative Director, Chief Executive Officer of the Company (current position)

**Director,
Senior Executive Officer
Koji Moriyama**



April 1984 Joined Daikyo Oil Co., Ltd.
June 2008 General Manager, Sales Support Dept., Cosmo Oil Co., Ltd.
June 2014 Executive Officer, General Manager, Corporate Planning Dept.
October 2015 Executive Officer, General Manager, Corporate Planning Dept. of the Company
June 2016 Senior Executive Officer, General Manager, Corporate Planning Dept.
April 2017 Senior Executive Officer
June 2017 Director, Senior Executive Officer (current position)

**Outside Director
Musabbih Al Kaabi**



October 1997 Joined Abu Dhabi National Oil Company
July 2007 Manager, Exploration Division
October 2013 Chief Growth Officer, Mubadala Petroleum
December 2014 Chief Executive Officer
February 2017 Chief Executive Officer, Petroleum and Petrochemicals, Mubadala Investment Company (current position)
June 2017 Director of the Company (current position)

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



April 1969 Joined Tokyo Electric Co., Ltd. (Currently Toshiba Tec Corporation)
February 1997 Acting General Manager on Corporate Planning of General Affairs Group and Acting General Manager on International Affairs of General Affairs Group, Toshiba Tec Corporation
June 1999 Deputy General Manager of General Affairs Department and Acting General Manager on Legal Affairs of General Affairs Group, Toshiba Tec Corporation
June 2002 Full-time Audit & Supervisory Board Member, Toshiba Tec Corporation
October 2009 Managing Director & Assistant Secretary General, Japan Audit & Supervisory Board Members Association
October 2010 Executive Managing Director & Secretary General, Japan Audit & Supervisory Board Members Association
October 2011 Representative Executive Managing Director & Secretary General, Japan Audit & Supervisory Board Members Association
November 2014 Advisor, Japan Audit & Supervisory Board Members Association
October 2015 Director of the Company (Supervisory Committee Member) (current position)

**Director, Full-time Supervisory
Committee Member
Katsuhisa Ohtaki**



April 1978 Joined Daikyo Oil Co., Ltd.
June 2005 General Manager, Sendai Branch Office, Cosmo Oil Co., Ltd.
June 2007 Executive Officer, General Manager, Industrial Fuel Marketing Dept.
June 2009 Executive Officer, General Manager, Yokkaichi Refinery
June 2011 Senior Executive Officer, General Manager, Yokkaichi Refinery
March 2012 Senior Executive Officer, General Manager, Chiba Refinery
June 2014 Director, Senior Executive Officer
October 2015 Director, Full-time Supervisory Committee Member (current position)

**Director,
Senior Managing Executive Officer**
Yasushi Ohe



April 1979 Joined Daikyo Oil Co., Ltd.
June 2009 Executive Officer, General Manager, Supply & Demand Coordination Dept., Cosmo Oil Co., Ltd.
June 2012 Senior Executive Officer, General Manager, Crude Oil & Tanker Dept.
June 2013 Senior Executive Officer
June 2014 Director, Senior Executive Officer
October 2015 Director, Senior Executive Officer of the Company
June 2016 Director, Senior Managing Executive Officer (current position)

Director, Senior Executive Officer
Kenichi Taki



April 1975 Joined Daikyo Oil Co., Ltd.
June 2008 General Manager, Internal Auditing Office, Cosmo Oil Co., Ltd.
June 2012 Executive Officer, General Manager, Accounting Dept.
June 2014 Senior Executive Officer, General Manager, Accounting & Finance Dept.
June 2015 Senior Executive Officer, General Manager, Accounting Dept.
October 2015 Senior Executive Officer, General Manager, Accounting Dept. of the Company
April 2016 Senior Executive Officer
June 2016 Director, Senior Executive Officer (current position)

Outside Director
Khalifa Al Suwaidi



September 2000 Joined Abu Dhabi Polymers Company
October 2008 Senior Vice President, Corporate Planning & Support Unit, Abu Dhabi National Chemical Company
October 2010 Deputy Chief Executive Officer
February 2016 Acting Chief Executive Officer
March 2017 Executive Director, Refining & Petrochemicals, Mubadala Investment Company (current position)
June 2017 Director of the Company (current position)

**Independent Outside Director,
Supervisory Committee Member**
Sakae Kanno



April 1971 Joined The Kansai Electric Power Co., Inc.
June 2003 Managing Director, The Kansai Electric Power Co., Inc.
June 2007 Executive Vice President and Director, The Kansai Electric Power Co., Inc.
June 2011 Audit & Supervisory Board Member, The Kansai Electric Power Co., Inc.
June 2013 Audit & Supervisory Board Member, Cosmo Oil Co., Ltd.
October 2015 Director of the Company (Supervisory Committee Member) (current position)

Reasons for Selection of Outside Directors

Musabbeh Al Kaabi has engaged in the Oil Exploration and Production Business at Abu Dhabi National Oil Company, and has experience serving as an officer at many corporations in the energy industry outside of Japan. The Company judges him capable of properly executing the duties of an Outside Director with his international viewpoint on the petroleum industry.

Khalifa Al Suwaidi has worked at Abu Dhabi National Chemical Company for many years and possesses abundant knowledge and management experience regarding petrochemicals. The Company judges that he will provide proper oversight of management as an Outside Director.

Sakae Kanno has experience as a director and audit & supervisory board member at the Kansai Electric Power Co., Inc. He has served as an Audit & Supervisory Board Member of Cosmo Oil Co., Ltd. since 2013, and as an Outside Director who is a Member of the Supervisory Committee of the Company since 2015. The Company judges him capable of properly executing duties from his wide-ranging viewpoint, which extends beyond the industry to which the Company belongs.

Teruo Miyamoto, after serving as an Audit & Supervisory Board Member at Toshiba Tec Corporation and holding important positions at the Japan Audit & Supervisory Board Members Association, has served as an Outside Director who is a Member of the Supervisory Committee of the Company since 2015. The Company judges him capable of properly executing duties while making the most of his experience and knowledge as a corporate governance specialist.

Engagement with Shareholders and Investors

IR activities are conducted mainly by the IR Office, which was established within the Corporate Communication Department, and it actively visits institutional investors in Japan and overseas. Besides individual meetings, the IR Office is increasing opportunities for dialogue with shareholders and investors, including business results briefings for investors that are held each quarter and oil refinery tours that are regularly conducted. Moreover, the Company is striving to enhance tools for constructive dialogue. This includes expanding investor information on the Company website as well as issuing shareholder communications and integrated report of "Cosmo Report."