

Interview with Outside Directors

Aiming for a long-term increase in corporate value, each and every employee will play a role

Independent Outside Director,
Supervisory Committee Member

Teruo Miyamoto

* See details of his biography and reasons for selection on page40.



Q. How do you see the Cosmo Energy Group? Please also tell us what you think are the advantages or strengths and the issues of the Cosmo Energy Group.

A. The Cosmo Energy Group has an integrated business that involves not only sale of oil products, such as gasoline, to customers but also a comprehensive flow from oil exploration and development to transportation, refining, and sales. Making use of this strong advantage, measures in the new consolidated medium-term management plan should be promoted and the corporate value, that includes brand value, reputation, and other social value, should be maximized. This should be a challenge the Group is facing today.

Q. Will you share your thoughts on the role of an independent outside director in corporate management?

A. Independent outside directors are expected to play three roles; 1) to give advice needed for an increase in corporate value through the Board of Directors meetings and other occasions, from a viewpoint of protecting interests of general shareholders; 2) to supervise execution of duties of directors, by making use of its independent position from the management and controlling shareholders; and 3) to reflect opinions of stakeholders on management. Among these, I focus on encouraging the company to achieve sustainable growth and a long-term increase in corporate value.

Q. How do you evaluate the management as an outside director?

A. I highly value the fact that the Cosmo Energy Group made corporate-wide, solid efforts in implementing the previous consolidated medium-term management plan despite being in a difficult business environment, caused by significant damage from the Great East Japan Earthquake in 2011. The Cosmo Energy Group achieved profit improvement, that exceeded the targets, and firmly positioned itself as the third strongest force in the industry.

Q. How do you look at Cosmo's "long-term direction of business"?

A. The Cosmo Energy Group plans to enhance competitiveness in Petroleum-related Businesses so as to lead to improve earnings power. At the same time, we will respond to transition to a fossil-fuel-free society by focusing on the Petrochemical Business, which is related to materials, and by growing the Renewable Energy Business into a new main business segment. I highly regard such business direction as down-to-earth and easy-to-understand.

Q. What is your view on the slogan of the new consolidated medium-term management plan "Oil & New"? How about the consolidated medium-term CSR management plan?

A. According to the new consolidated medium-term management plan, the Cosmo Energy Group intends to strengthen its financial condition by increasing the profitability of the Oil E&P and Petroleum Businesses and then improve the business portfolio for subsequent growth from a long-term point of view. I highly appreciate the slogan "Oil & New" as appropriately indicating the process and intention along the Group's direction. On the other hand, the consolidated medium-term CSR management plan, states that initiatives based on the perspective of Environment, Society, and Governance (ESG) will be promoted not only by the Group but by its entire supply chain network, including business partners, so that the Group will contribute to achieving the Sustainable Development Goals (SDGs) through its sustainable growth. I am confident that the Cosmo Energy Group can contribute for a better future.

Q. What do you think are the advantage or strengths and the issues of the Cosmo Energy Group's corporate governance?

A. In my view, the Group is proactive in coping with Japan's Corporate Governance Code and the top management is highly aware of enhancing corporate governance in order to raise corporate value, while there is a corporate culture that allows active discussions among employees. Looking ahead, in addition to financial information concerning corporate management, the Group is expected to make timely disclosure of non-financial information, such as ESG-related initiatives, to shareholders and other stakeholders in order to ensure transparency in corporate governance.

Q. How do you regard the "effectiveness of the Board of Directors"?

A. The Board of Directors meetings' important agenda items include the update of the consolidated management plan (including core operational companies) for the current fiscal year, the plan for the next fiscal year, and the consolidated medium-term management plan. For example, during the discussion on the consolidated medium-term management plan, all directors actively participated in raising questions or opinions. I therefore believe that effectiveness of the Board of Directors is fully ensured.

Q. Will you give a message to shareholders and other stakeholders?

A. Each and every employee of the Cosmo Energy Group, young and old, is sharing the new consolidated medium-term management plan for a long-term increase in corporate value and playing his or her role for its achievement. I sincerely hope for your support to us.

Taking advantage of various initiatives and experiences for achieving FY2022 management goals

Outside Director
Khalifa Al Suwaidi

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Q.From your position as Outside Director, what is your impression of the Cosmo Energy Group and what do you see as its strengths and weaknesses?

A.Cosmo Energy Group has significant operating and management experience in the refining, petrochemicals, and renewables sectors through many cycles, which has helped it to survive and prosper in a challenging business environment. Cosmo's position has clearly improved from FY2014 when we had the negative impact of inventory valuation, not least in the strengthening of its balance sheet. As a result, Cosmo now has momentum to leverage on its core skills to further its business value.

Q.Please tell us your thoughts on the role that an outside director plays in corporate management.

A.Outside directors add value by bringing an independent, fresh and diverse perspective to decision-making process. They provide feedback and challenge to management on business strategies and plans, so that those are robust and acceptable from the standpoint of shareholders.

Q.How do you evaluate the new consolidated medium-term management plan?

A.The investment associated with the new consolidated medium-term management plan is well balanced to capitalize on current business strengths in refining, petrochemicals and upstream, and set a foundation for future direction in renewables, focused on growing the wind power business. The target is to increase ordinary income(excluding the impact of inventory valuation) by ¥80 billion through various initiatives. I am very hopeful that initiatives taken in accordance with the new consolidated medium-term management plan will lead to improved financial condition and income generation, thus, will support value creation for shareholders.

Q.What do you see as the areas of strength and the issues in regard to the Cosmo Energy Group's corporate governance?

A.Since the transformation to a holding company in October 2015, Cosmo has separated its supervisory function from operational execution. Consequently its Board of Directors is now focused intently on its supervisory function. I believe that introduction of Japan's Corporate Governance Code, driving the appointment of multiple outside directors, has boosted transparency and strengthened monitoring, and is definitely a move in right direction.

Q.How do you evaluate the "effectiveness of the Board of Directors"?

A.Much of the effectiveness of the Board of Directors depends on fulfilling its regulatory obligations along with a strong contribution to the development of company's strategic direction, lifecycle and culture. Cosmo implements its strategy through a medium-term management plan, this process and its review has been managed effectively at Board level.

Q.What does Mubadala Investment Company, as the top shareholder of Cosmo Energy Holdings, want Cosmo Management to do?

A.Cosmo's new consolidated medium-term management plan focuses on the improvement of profitability and developing a more diversified and stable business model to face future energy scenarios. Management should continue to make all efforts to improve structural profitability and meet targets as outlined in the business plan. New investments should be executed within budget and in a timely manner to deliver best value for all stakeholders.

Q.What do you think the Cosmo Energy Group needs to do to further raise its corporate value?

A.Cosmo has undertaken several initiatives such as a shift to holding company structure, the development of the Hail Oil field, and building of new alliances. Such initiatives have resulted in an increase in value during the last 2-3 years. The next phase of generating additional corporate value relies heavily upon the successful execution of the new consolidated medium-term management plan.

Q.Do you have any additional messages for shareholders and other stakeholders?

A.The demand for oil products in Japan has been in structural decline due to a number of factors, not least the aging population and improved fuel efficiency. Cosmo Energy Group has responded to these challenges by undertaking a range of strategic initiatives and we are very optimistic that management will deliver against its corporate targets.