

# 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 enhance 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.

### Supervisory Committee

The Supervisory Committee is composed of three members in total, namely, one internal director and two independent outside directors, and 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.

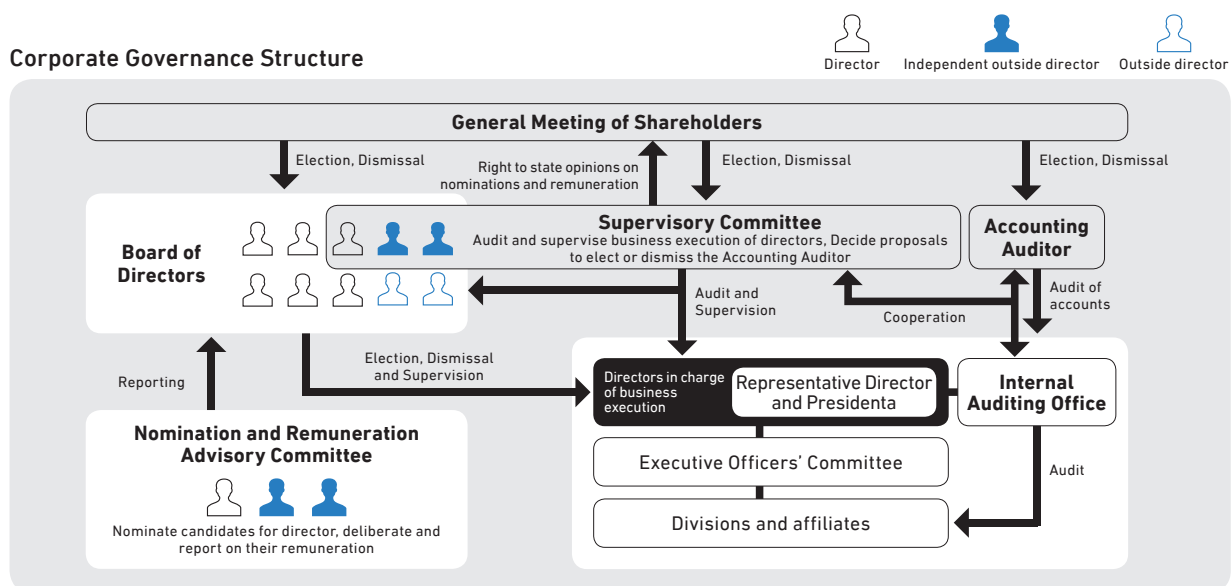
### Executive Officers' Committee

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 independent outside director.

## Corporate Governance Structure

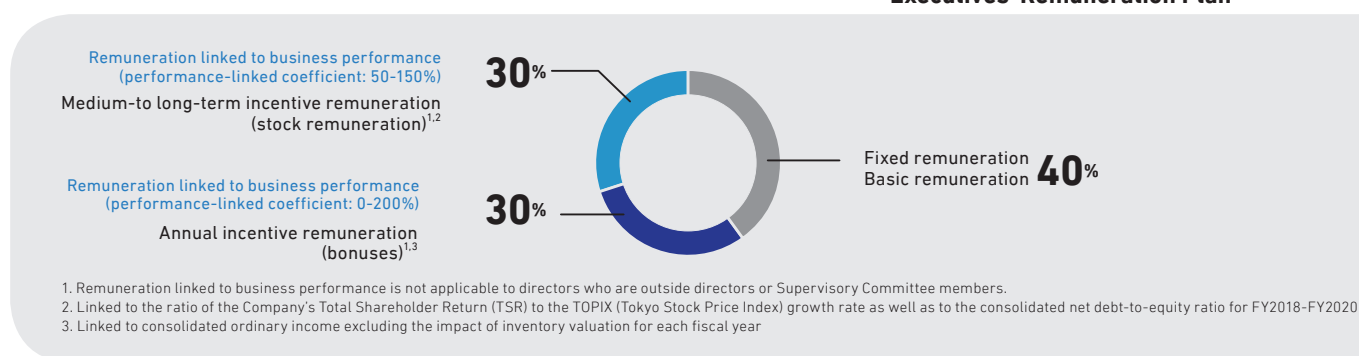


## Executives' Remuneration Plan

In FY2018 the Company introduced a new 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 medium- to long-term incentive remuneration (stock remuneration) linked to the ratio of the Company's Total Shareholder Return (TSR) to the TOPIX (Tokyo Stock Price Index) growth rate as well as to the

consolidated net debt-to-equity ratio of three consecutive fiscal years starting from the fiscal year. A ratio of 4:3:3 has been established for basic remuneration: annual incentive remuneration (when consolidated ordinary income excluding the impact of inventory valuation reaches ¥100 billion); and medium- to long-term incentive remuneration (when stock price conditions are fully achieved). The stock remuneration plan is an incentive plan that uses a trust system. It 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



## Evaluation of Effectiveness of the Board of Directors

As a part of continued initiatives from FY2016 to enhance effectiveness of corporate governance, the Company evaluated the effectiveness of the Board of Directors in order to improve its management and functions.

<p><b>Method of evaluation</b></p>	<p>Upon explanation of the purpose of evaluation, questionnaires were distributed to all directors. Then the results were analyzed and evaluated based on the answers from all of them in consideration of discussions at the Board of Directors.</p> <p>Main points of inquiry</p> <ul style="list-style-type: none"> <li>Composition, roles, and operation of the Board of Directors</li> <li>Coping with the Corporate Governance Code</li> <li>Effectiveness of the Board of Directors</li> </ul>
<p><b>Summary of evaluation results</b></p>	<p>The Board of Directors analyzed and evaluated that the effectiveness of the Board of Directors as a whole is ensured due to the following:</p> <ul style="list-style-type: none"> <li>The Board of Directors is comprised of an appropriate number of directors and serves as a fair place that allows exchange of active, unrestricted opinions.</li> <li>The Board of Directors checked the progress of the consolidated medium-term management plan and had a constructive discussion.</li> </ul>
<p><b>Initiatives to enhance the effectiveness</b></p>	<p>Based on the above evaluation results, the Board of Directors will do the following.</p> <ul style="list-style-type: none"> <li>Supervision of the implementation status of the consolidated medium-term management plan</li> <li>Enhanced efficiency in management of the Board of Directors</li> <li>Continual evaluation of the effectiveness of the Board of Directors and improvement of the evaluation method</li> </ul>

## Directors and Executive Officers

(As of June 20, 2019)



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)

### Reasons for selection

He had led management as President, Representative Director for five years since 2012. He assumed the office of Chairman, Representative Director in 2017 and has served as Chairman of the Board of Directors, working to boost corporate value of the Group.



Representative Director, Group CEO  
**Hiroshi Kiriyama**

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
April	2019	Representative Director, Group CEO (current position)

### Reasons for selection

He has been responsible for the Corporate Planning Dept. for a long time, and is deeply versed in domestic and international energy business. He also possesses abundant expertise and experience regarding overall corporate management. In addition, he has shouldered management of the Group as President, Representative Director since June 2017.



Outside Director  
**Musabbah 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	Outside Director of the Company (current position)

### Reasons for selection

He engaged in the Oil Exploration and Production Business at the Abu Dhabi National Oil Company, and has experience serving as an officer at many corporations in the energy industry outside of Japan. He has an international viewpoint regarding the petroleum industry.



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	Outside Director of the Company (current position)

### Reasons for selection

He has worked at Abu Dhabi National Chemical Company for many years and possesses abundant knowledge and management experience regarding petrochemicals.



Director, Senior Executive Officer  
**Masayoshi Noji**

April 1984 Joined The Industrial Bank of Japan, Limited (currently Mizuho Bank, Ltd.)  
 May 2013 Joined Cosmo Oil Co., Ltd. Assistant General Manager, Project Development Dept.  
 June 2014 General Manager, Power & Gas Business Dept.  
 July 2014 Executive Officer, General Manager, Power & Gas Business Dept.  
 June 2015 Executive Officer, General Manager, Power Dept.  
 October 2015 Executive Officer, General Manager, Power Dept. of the Company  
 April 2016 Senior Executive Officer, General Manager, Business Portfolio Management Dept.  
 June 2016 Senior Executive Officer, General Manager, Business Portfolio Management Dept.  
 April 2018 Senior Executive Officer  
 June 2018 Director, Senior Executive Officer (current position)

**Reasons for selection**

After many years with Mizuho Bank, he joined Cosmo Oil Co., Ltd. in 2013, and assumed the office of Executive Officer in 2014. He has since contributed to the promotion of the company's wind power generation business and the administration of the Group companies.



Director, Senior Executive Officer  
**Yasuhiro Suzuki**

April 1985 Joined Daikyo Oil Co., Ltd.  
 June 2013 General Manager, Human Resource Dept.,  
 Cosmo Oil Co., Ltd.  
 June 2015 General Manager, Power & Gas Business Dept.  
 October 2015 General Manager, Human Resource and General Affairs Dept.  
 June 2016 Executive Officer, General Manager, Human Resource and General Affairs Dept.  
 April 2017 Executive Officer, General Manager, Corporate Planning Dept.  
 April 2018 Senior Executive Officer  
 June 2018 Director, Senior Executive Officer (current position)

**Reasons for selection**

He has engaged in the departments of sales and administration such as human resources and corporate planning since he joined Daikyo Oil Co., Ltd., and is familiar with the general operations of the Company.



Director, Senior Executive Officer  
**Takayuki Uematsu**

November 1992 Joined Cosmo Oil Co., Ltd.  
 June 2014 Assistant General Manager, Accounting and Finance Dept.  
 June 2015 General Manager, Finance Dept.  
 October 2015 General Manager, Finance Dept. of the Company  
 June 2016 Executive Officer, General Manager, Finance Dept.  
 April 2018 Executive Officer, General Manager, Corporate Planning Dept.  
 April 2018 Senior Executive Officer  
 June 2018 Director, Senior Executive Officer (current position)

**Reasons for selection**

He has engaged in the departments of finance and accounting almost entirely throughout his career since he joined Cosmo Oil Co., Ltd., and fully knows the financial and accounting condition of the Company.



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 Outside Director of the Company (Supervisory Committee Member) (current position)

**Reasons for selection**

He 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.



Independent Outside Director, Supervisory Committee Member  
**Yasuko Takayama**

April 1980 Joined Shiseido Co., Ltd.  
 April 2009 General Manager, Social Affairs and Consumer Relations Department  
 April 2010 General Manager, Corporate Social Responsibility Department  
 June 2011 Full-time Audit & Supervisory Board Member  
 June 2015 Advisor Outside Director, The Chiba Bank, Ltd. (current position)  
 June 2016 Outside Audit & Supervisory Board Member, Mitsubishi Corporation (current position)  
 June 2017 Outside Audit & Supervisory Board Member, Yokogawa Electric Corporation (current position)  
 June 2019 Outside Director of the Company (Supervisory Committee Member) (current position)

**Reasons for selection**

She has experience as General Manager of the Consumer Information Center, General Manager of the Corporate Social Responsibility Department and other positions of Shiseido Co., Ltd., as well as being appointed Audit & Supervisory Board Member and Advisor of the same company. Since then, she has also served as Outside Director and Outside Audit & Supervisory Board Member for several listed companies. She serves as an Outside Director who is a Member of the Supervisory Committee from 2019.



Director, Full-time Supervisory Committee Member  
**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  
 June 2018 Director of the Company (Full-time Supervisory Committee Member) (current position)

**Reasons for selection**

He is thoroughly familiar with the Company's accounting situation as his career has been almost entirely within the Accounting Dept. since joining Daikyo Oil Co., Ltd., and possesses knowledge gained through his work regarding the wide range of operations within the Company.