

COSMO REPORT 2023

# Foundation



## Foundation

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Special Interview | Sustainable Management

# Sustainability in an energy company working to meet the challenge of realizing net zero carbon emissions

Shigeru Yamada

Representative Director,  
Group CEO

Miho Kurosaki

Climate Change and  
ESG Specialist

Miho Kurosaki graduated from the Faculty of Economics at Keio University. After obtaining her Master of Science in Environmental Technology from Imperial College London, she went on to work in survey analysis in the fields of climate change and ESG where she provides data and analysis-based surveys, as well as advice, to businesses, investors, and the national government. Until 2021, she worked for BloombergNEF (BNEF), Bloomberg's climate change research arm, overseeing analysis of Japanese energy policies and their economic efficiency. She has served as an expert on various government committees and is currently Vice President of Energy Impact Partners.



## Special Interview

## Changes in the external environment and the global trend toward carbon neutrality

**Yamada** In May 2021, the Company declared it would achieve net zero carbon emissions by 2050. Towards this goal, we established Vision 2030, which lays out the vision for our company in 2030, as well as the Seventh Consolidated Medium-Term Management Plan (hereafter, "the Seventh MTMP") which began in FY2023. Although the direction of our decarbonization efforts has not changed, 2050 is still a very long way off. We must be aware of wide ranging and ever-changing trends in countries around the world. These trends include regulations, as well as changes in investor and consumer awareness. Additionally, as the situation in Ukraine began immediately before

the formulation of the Seventh MTMP, the Company, as energy companies deeply involved in global energy trends, remain vigilant and keenly aware that the management decision-making and actions we take hereafter will have a huge impact on our enterprise value in the next decades. As uncertainties remain high, I believe it is vital for us to keep flexibility when it comes to making changes and additions even when this applies to our business strategy. At the same time, we will be keeping a close watch on what is happening all around us.

**Kurosaki** The situation in Ukraine was a huge shock to the world for several reasons. For Europe, supplies of Russian natural gas were cut and this led to an accelerated shift toward renewable energy within Europe. For the US, the budget for combating climate change accumulated under the IRA<sup>1</sup>. These effects gave us a clearer picture of the different moves being made in each region, such as in Europe and North America. In addition, there is large movement in regard to China, and I believe that Japanese companies are struggling with how to manage the situation. On the other hand, to help drive the shift to a carbon-free world, we are beginning to see frameworks for evaluating decarbonization and financing initiatives. With these developments, we are also seeing companies in the financial services industry actively seeking to deepen their knowledge about energy. We are in the midst of a huge period of transformation where we must maintain the balance of energy supply and demand while making future-minded investments, etc. The exacerbation of natural disasters caused by climate change has inspired stakeholders

across the globe to become keenly aware of climate-related issues and how these are being addressed. In recent years, there has been a global demand for action towards the 1.5°C scenario to prevent crossing the critical climate threshold. Even if we reach zero carbon dioxide emissions in 2050, since residual greenhouse gas (GHG) emissions will remain, activities to remove carbon dioxide will be essential. Although initiatives such as those listed in your Vision 2030, including making renewable energy a main power source, carbon-neutral fuels, and CCS/CCUS<sup>2</sup>, are challenging, I believe that we are currently in the most crucial moment for taking them on.

**Yamada** Since the situation in Ukraine began, and from the standpoint of energy security as well, I really feel the importance of realistic initiatives to achieve carbon neutrality. It is vital that we promote steady decarbonization while continuing to fulfil our role as an energy provider.

**Kurosaki** Yes, I agree. There are a great number of companies who are saying that 2023 is the year to start taking steps toward carbon neutrality. In fact, in 2022 alone, oil companies invested some US\$33.0 billion<sup>3</sup> in decarbonization. Until now there was active investment in the electric power sector, but recently, investments in electric power and carbon-neutral fuels, such as hydrogen, are split approximately 50-50. This development is one we must watch carefully. Looking at these figures,

<sup>1</sup> IRA (Inflation Reduction Act): Law passed in the US in 2022 to curb inflation and promote swift measures for energy security and to combat climate change.

<sup>2</sup> CCS: Carbon Capture and Storage technologies // CCUS: Carbon Capture, Usage and Storage

<sup>3</sup> Source: BloombergNEF



## Special Interview

we can discern that oil companies are making use of the knowledge and expertise they have gained over the years to develop decarbonized businesses in all corners of the globe.

**Yamada** The unavoidable cost incurred during this period of energy transition raises concern about weakening industrial competitiveness compared to China and India. However, while initial investments will be costly, I believe there will come a time when we can provide green electricity and next-generation energy at the same cost as fossil fuels. Already in Europe, there are cases where the price of green electricity is the same, or less expensive, than fossil fuels.

**Kurosaki** In China and India, against the backdrop of a massive market size, the introduction of renewable energy is increasing at a rapid pace. Pricewise, it is likely that China and India will have an edge in terms of industrial competitiveness in the short term. However, as we have seen in the example of the EU approval and introduction of the Carbon Border Adjustment Measure, we can expect to see the global spread of carbon pricing, in which the amount of carbon emitted in the production process is taxed. With this, I believe that industrial competitiveness will return to developed countries. Also, an issue facing Japan is that the country's energy transition promotion measures and subsidy systems are not as robust as those of other countries. We are seeing a rise in consumer awareness about carbon neutrality due to the IRA providing a significant incentive in the US and the sufficient subsidies provided in Europe to replace home heat pumps or switch to green electricity, as well as for efforts involving home insulation, etc.

## Commitment to bolstering the green electricity supply chain

**Yamada** The theme of Vision 2030 is: *To create energy that shapes the future, energy that sustains society, and new forms of value.* Under this vision, we plan to invest ¥400.0 billion in *New fields*, such as green electricity and next-generation energy by 2030. Regarding the first pillar of our vision, *Bolstering the Green Electricity Supply Chain*, the Group has been involved in onshore wind power generation for quite a while and commands the third largest domestic share. Moving forward, we would like to expand our wind power generation businesses even further, including offshore wind power generation. In addition, when considering the shift in electric power sales from FIT to FIP<sup>4</sup>, we plan to begin validating our power storage business since supply-demand adjustment capabilities will be crucial in the future. Furthermore, we anticipate that our large-scale network of existing Petroleum Business customers will become prospective customers for green electricity in the future. For this reason, we will bolster our own independent supply chain that integrates power generation, supply-demand adjustment, and electric power sales. As set forth in the Seventh MTMP, we plan to invest ¥140.0 billion in *New fields* over three years.

**Kurosaki** Looking at your medium-term management plan, I sensed your company's strong commitment based on the fact that planned investment in *New fields* increased more than fourfold between the Sixth MTMP to the Seventh. I thought your



company has made a significant change in course. As an analyst, I was quite familiar with your company's projects and I recognize that Japanese wind power generation businesses require long-term assessments and constitute a highly challenging field. I also serve as an independent advisor for the RE100<sup>5</sup> initiative and believe that based on the increase in RE100 member companies we can estimate that demand for green electricity will increase and thereby make green electricity supply chains a particularly important field. Until now, the challenge for many of the companies operating green electricity businesses was gaining new customers, but your

<sup>4</sup> FIT: Feed-in Tariff; scheme in which renewable energy producers receive a fixed price for their energy // FIP: Feed-in Premium; scheme in which renewable energy producers receive a premium in addition to market price.

<sup>5</sup> RE100: Global initiative committed to procuring 100% renewable electricity for electricity consumed during the course of business activities.

## Special Interview



company has a huge advantage in that you have already built up an extensive customer network.

**Yamada** The challenges we face in terms of bolstering our green electricity supply chain lie in the supply-demand adjustment area. Therefore, the plan for our electricity storage business is to start small in the form of a demonstration project and accumulate various data.

**Kurosaki** I agree that supply-demand adjustment is the most difficult part of green electricity businesses. As Japan also sees long-term carbon-free power source market growth and companies seek 100% renewable energy sources, it will be hard to satisfy these needs. I think it comes down to how energy storage businesses, as you just mentioned, are utilized. I work with a climate tech venture capital firm and we observe various

companies that seek renewable electric power 24 hours a day, 365 days a year. Storage batteries are vital in trying to meet this need. Charging and discharging of lithium storage batteries takes approximately four hours, but in the Japanese market, costs are extremely high, and few market incentives exist. This situation makes for a reality where not many good business models exist. Currently underway in the US is a 100 hour-storage battery technology project using technology provided by one of the businesses in our portfolio. To reduce costs, the electric power company handling the project applied to a subsidy program run by the US Department of Energy. Since the Japanese government still offers few incentives, I think it's also important for you to engage with them as you pursue your energy storage business.

**Yamada** If we don't provide a stable supply of green electricity and push to make it a main power source, the goal of net zero carbon emissions will be difficult to achieve. We aim to bolster our green electricity supply chain and work to forge a new path forward.

**Kurosaki** I am hopeful that you will.

## Initiatives for next-generation energy expected to experience a sharp increase in global demand

**Yamada** The second pillar of Vision 2030 is the *Expansion of Next-generation Energy*. The Group aims to mass-produce Japan's first domestically produced SAF<sup>6</sup> and in June 2023, we began construction of a large-scale pilot production facility inside the Sakai Refinery. We established joint venture SAFFAIRE SKY ENERGY LLC for this project and, in 2025, we plan to produce 30,000 kiloliters of SAF per year, made from waste cooking oil. However, as this is only one tenth of the amount of SAF the Group aims to produce, we aim to establish a 300,000 kiloliter-per-year supply system in 2030 by producing SAF using highly efficient ATJ technology<sup>7</sup> developed by US-based LanzaJet, Inc. Going forward, in addition to entering the hydrogen supply chain market and commencing discussions about turquoise hydrogen<sup>8</sup> production technology, we would like to be involved in the utilization of ammonia fuel and research and development for synthetic fuels.

**Kurosaki** As it appears that the demand for both cargo and passenger flights will not decrease, the importance of alternative fuels cannot be

<sup>6</sup> SAF (Sustainable Aviation Fuel): fuel produced mainly from biomass-derived raw materials, including plants, as well as waste and waste cooking oil from restaurants and households. It enables the reduction of carbon dioxide emissions compared to fossil fuels.

<sup>7</sup> ATJ (Alcohol-to-Jet) technology: uses a catalytic process to turn ethanol into SAF.

<sup>8</sup> Turquoise hydrogen: hydrogen produced from natural gas via direct pyrolysis that uses a medium such as plasma. Solid carbon, not carbon dioxide, is produced as a by-product, and thus is not released into the atmosphere.

## Special Interview

overstated. I have high expectations for your SAF production project. Furthermore, as we have seen no decrease in shipping demand, shipping fuel will likely shift from heavy oil to LNG, methanol, and ammonia going forward. The trend towards alternative fuels is seen not only in the aviation industry but in all areas of transportation. With this in mind, I would recommend that while excelling in the SAF field, you also continue to expand businesses that would respond to the next key field.

**Yamada** I also consider ammonia fuel to be of the utmost importance. In fact, the Group is carrying out initiatives such as a demonstration project aimed at the practical application of ammonia fuel, as well as an effort to charter ships able to carry not just LPG, but also ammonia. However, with ammonia, there are concerns that there is an overwhelming lack of blue and green hydrogen<sup>9</sup> used in the production process. If we produce ammonia with blue or green hydrogen, I am unsure if we will be able to achieve a quantitative balance. Also, since blue and green hydrogen are not just used for ammonia production, they are utilized in a wide variety of fields as carbon-neutral fuels, and the amount required would likely be considerable.

**Kurosaki** Precisely. I think that there will be competition for hydrogen. If you consider that green hydrogen is produced using renewable energy, as well as that the demand for renewable energy in the field of electric power already exists, it is likely that some regions won't be able to use that renewable energy for hydrogen production. Furthermore, in addition to the needs of those

who want to produce methanol using green hydrogen, and bearing in mind that ammonia is most often used as fertilizer to begin with, we are looking at the possibility that the competition not just for green hydrogen, but for its feedstock, which is renewable energy, will only get worse. There is also the issue of cost competition, and it is anticipated that the battle for renewable energy will begin where it is cheapest. At the same time, many different blue hydrogen production technologies have emerged, and while the situation is quite chaotic, the field itself can still be seen as moving forward. Not limited to the shipping industry either, ammonia is viewed as a promising hydrogen carrier and ammonia cracking technologies are garnering considerable attention as well. In short, I think we're in the process of trying to see which is the most efficient and affordable.

## Facing the challenge of energy transition with a people strategy that motivates employees and harnesses their skills

**Kurosaki** Your Seventh MTMP is truly visionary and I'm really looking forward to the business developments that come with realizing your Vision 2030. Green electricity and next-generation energy are, of course, necessary

<sup>9</sup> Blue hydrogen: hydrogen produced mainly from natural gas using CCUS technology, without releasing carbon dioxide as a by-product into the atmosphere.

Green hydrogen: hydrogen generated through electrolysis of water using electric power produced from renewable energy sources.

technologies or fields, as attested to by the increasing need for them by companies and consumers. In terms of your Petroleum Business, as the Intergovernmental Panel on Climate Change (IPCC) states in their assessment report that CCS and CCUS are vital technologies, I believe that while these technologies are costly, a range of innovations in the near future will push them forward. I am eager for your contributions to decarbonization in your main line of business as well.

**Yamada** Realizing net zero carbon emissions is a huge priority for us and that will not change. In this period of great transformation that is energy transition, it is essential that we focus investments in the Group's areas of strategic focus in anticipation of the external environment and societal demand. The demand for green



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electricity and next-generation energy will undoubtedly increase rapidly, so, looking ahead, I'd like to continue to further refine our business plan, including the next medium-term management plan.

**Kurosaki** Regarding investments, the transition finance movement in Japan is becoming increasingly strong. Overseas, however, the movement has less momentum due to concerns about greenwashing which can sometimes, depending on the case, damage a company's brand. On the other hand, when it comes to GX bonds, investors are making different moves.

**Yamada** Investing in an age of great energy transformation, including forecasting feasibility and estimated energy recovery, is exceedingly difficult, but I'd like to add upfront investments, such as in moonshot projects and breakthrough technologies, to our plans. Clearly, there are some things that a single company cannot accomplish, so we believe that having support from the government, etc., makes it easier to take that step. As laid out in the basic policies of our Seventh MTMP, we plan to not only make conventional investments, but also investments that contribute to strengthening non-financial areas of our business, such as in HRX, DX, and GX. When it comes to carrying out technological innovations, DX, and GX, it is our *people* that are most important, as they are the ones who drive these transformations. That's why we are determined to focus on human resource development and enrichment.

**Kurosaki** When trying new things, human resources are most crucial, with innovations in corporate culture coming next. I'm sure that your strong determination for human resource development will filter down to your employees. Previously, when I was an ESG analyst, I reviewed the indicators of many different companies. True assessments of changes in human resources and corporate culture are difficult to express, but personally, I found that dialogue is most effective when working with organizations like ESG rating agencies, etc. Dialogue with your employees is, of course, a great way to improve engagement as well. People strategy is on your agenda over the medium- to long-term and I hold high hopes for these initiatives.

**Yamada** Since being appointed Group CEO, I've been visiting our refineries and other business sites one by one and talking directly to employees there. Doing so and engaging in dialogue has allowed me to experience firsthand the level of passion that employees have. They all have this immensely powerful energy. I believe that one of our biggest strengths as a company is that our employees agree with the broad direction that the Group is moving in and are self-motivated. Going forward, I will continue to focus on a people strategy that motivates employees and harnesses their skills so we are able to live up to the powerful words of advice you gave us and to the expectations you hold.



# Sustainable Management at the Cosmo Energy Group

The Cosmo Energy Group Management Vision—In striving for harmony and symbiosis between our planet, man and society, we aim for sustainable growth towards a future of limitless possibilities—incorporates our desire for the sustainable growth of our Group and society. The "Harmony and Symbiosis" and "Creating Future Values" included in our Group Management Vision constitute our Basic Concept of Sustainability and show our determination to promote sustainability in our management.

As a group, we have always strived to help realize a sustainable society through our businesses, and to achieve sustainable growth within the Group. The Cosmo Energy Group Code of Conduct, incorporated into our Group Management Vision, is the cornerstone of our sustainability and serves as the foundation for the actions and values of all employees.

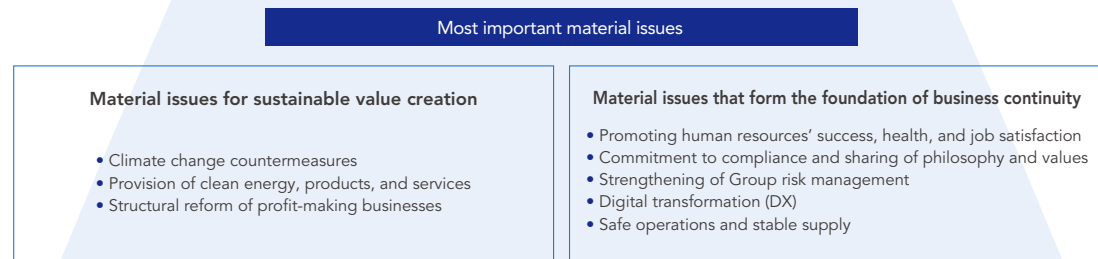
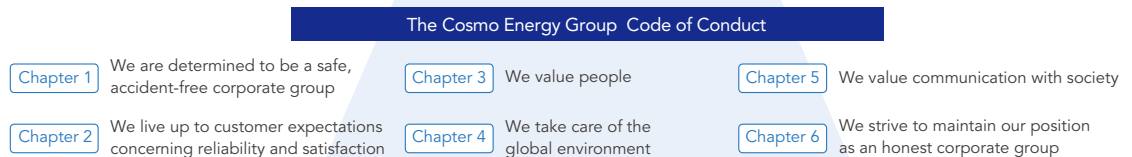
In March 2021, to further strengthen our sustainable management efforts, we identified the 10 most important material issues on the way to our vision for the Company in 2050. We reviewed the issues in April 2023, combining some and adding others, and are currently working to address the eight most important material issues.

Under the Seventh Consolidated Medium-Term Management Plan, we are working towards integrating financial and non-financial initiatives based on material issues, and are undertaking efforts toward this goal based on established KPIs. Regarding climate change countermeasures, one of the most important material issues, we unveiled the 2050 Carbon Net Zero Declaration, and in May 2022, we released a roadmap to achieve this end. Going forward, we will continue to promote sustainable management through the Group's business activities, aiming to sustainably enhance enterprise value and solve societal challenges.

\*See page 51 for further information on the Cosmo Energy Group's most important material issues.

**Cosmo Energy Group Management Vision**

In striving for harmony and symbiosis between our planet, man and society, we aim for sustainable growth towards a future of limitless possibilities.





## Message from the Executive Officer in Charge of Sustainability



**By approaching our business from both financial and non-financial perspectives, we will realize enhanced enterprise value and grow and develop sustainably along with society.**

**Takayuki Uematsu**

Representative Director, Senior Managing Executive Officer  
In charge of Sustainability Initiative Dept., Accounting Dept.  
and Finance Dept.

### Sustainable management kicks into high gear

The Cosmo Energy Group's sustainable management efforts were officially launched under the Sixth Consolidated Medium-Term Management Plan (hereafter, "the Sixth MTMP"), and with that, we have made strides toward sustainable management in our corporate structure through various initiatives, including establishing the Sustainability Initiative Department and setting up the Sustainability Strategy Committee, a non-financial decision-making body. This committee, chaired by the CEO, convened five times in FY2022 and discussed a range of topics regarding ESG (Environmental, Social, and Governance). One such topic is the improvement of our corporate philosophy system. Since more than 20 years ago, sustainability has been at the core of our business operations, as stated in the Cosmo Energy Group Management Vision, and we have consistently placed great importance on environmentally-focused management. The pursuit of sustainable value enhancement and development based on this management vision is none other than the cornerstone of sustainability at the Cosmo Energy Group. In our Sustainability Strategy Committee meetings, we steadily moved forward with the reevaluation of our internal control system, including the reworking of our corporate philosophy system grounded in our Group Management Vision.

### Evolving and promoting sustainable management

In the Sixth MTMP, for the material issues (high-priority issues) identified in the medium term, we backcasted from our vision of how we want the Group to be, set KPIs, and implemented the PDCA cycle for our initiatives. Looking at our achievements for FY2022, we further evolved sustainable management in terms of operations as well, such as linking the assessment of these results with executive remuneration.

Regarding the Seventh Consolidated Medium-Term Management Plan (hereafter, "the Seventh MTMP"), given that there is a gap between what we presently recognize as issues and the material issues we have addressed for the past two years, we carried out a reevaluation of our material issues in April 2023 in order to promote more effective initiatives. In this reevaluation, we identified the following sustainability-related priority issues: three material issues for creating sustainable value and five material issues that will form the foundation of our business continuity. As for each of the non-financial KPIs set for every material issue, in addition to thoroughly evaluating our level of target achievement, we will also analyze our progress based on environmental changes,

as well as discuss the validity of our goals at Sustainability Strategy Committee meetings.

### The road to realizing net zero carbon emissions in 2050

With the growing sense of crisis regarding climate change and the acceleration of decarbonization across the globe, the Cosmo Energy Group announced its 2050 Carbon Net Zero Declaration which aims to bring greenhouse gases emitted in our business operations to net zero by 2050. At the same time, we have identified climate change countermeasures as a critically important material issue. We have established KPIs as this is a high-priority issue that our entire group must work for.

When we announced the Seventh MTMP, we declared that we would expand our carbon net zero efforts to our supply chains and aim for net zero carbon emissions, including Scope 3. In order to realize this goal, the transformation of management itself is crucial. Therefore, in the Seventh MTMP, in addition to listing Green Transformation (GX) as one of our strategies, we also describe our contribution to decarbonization in our business strategy. Under the Seventh MTMP, the Cosmo Energy Group will work as one to take on the challenges that lie ahead on the road to carbon net zero.

### Engagement with stakeholders

In FY2022, we worked to engage in active dialogue with our investors and disclose information in the area of sustainability through measures such as our ESG Large Meeting. In these times of increasing uncertainty, I believe that sustainable management is a vital practice to boost management resilience. We will meet your expectations by working for the sustainable development of society and the Cosmo Energy Group by aiming for sustainable enterprise value enhancement, listening to our stakeholders, and continuing dialogue and collaboration.

# Initiatives to Promote Sustainability

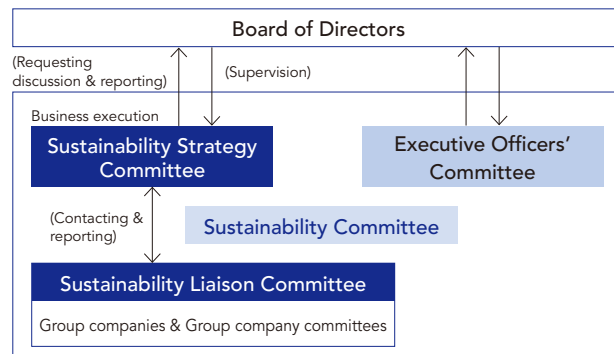
## Sustainability Strategy Committee

Aiming to realize our Group Management Vision, the Company has established a Sustainability Strategy Committee and a Sustainability Committee as organizational structures to oversee sustainability-related activities, including internal controls. The Sustainability Strategy Committee is composed of top executive officers, including the Group CEO, as well as the CEOs and executive officers in charge of sustainability at the three core operating companies. Directors who are members of the Audit and Supervisory Committee attend as observers. The Sustainability Strategy Committee promotes more focused and proactive initiatives by discussing policies for sustainability activities, including safety, risk management, human rights, and the environment, monitoring and evaluating performance, and reporting important matters to the Board of Directors. In FY2022, the Sustainability Strategy Committee met five times and discussed 14 agenda items, of which nine were reported to the Board of Directors for deliberation and further discussion. Committees have also been established at each core operating company and semi-core operating company\*

according to their respective functions. These committees work with the Company's Sustainability Strategy Committee to ensure that all Group companies are on the same page.

\*For information on core operating companies and semi-core operating companies, please refer to the Report Scope on page 86.

### Governance system driving sustainability



## Main themes discussed by the Sustainability Strategy Committee in FY2022

April 20, 2022	7th meeting	· 2050 Carbon Net Zero Declaration roadmap
June 3, 2022	8th meeting	· Corporate Governance Code response policy · Report on achievement of FY2021 non-financial KPIs
September 5, 2022	9th meeting	· Establishment of Safety Policy and Quality Policy · Vision for material issues and direction of sustainability strategy in the Seventh MTMP · Status of Cosmo Energy Group's risk management initiatives
December 8, 2022	10th meeting	· Review of material issues and setting of KPIs · First half year FY2022 (April-September) progress report on non-financial KPIs · Report on implementation of human rights due diligence process
March 2, 2023	11th meeting	· The Seventh MTMP: Non-financial KPIs · Establishment of Risk Management Policy

## Raising awareness of ESG internally

Members of the Company's senior management team explain the background and importance of ESG initiatives during in-house training sessions, and we proactively utilize internal newsletters, our intranet, and other media to ensure that the message reaches and is understood by employees. In FY2022, we held three study sessions for management to foster an understanding of sustainable management. We are working to improve sustainability literacy by offering e-learning and workshops to provide insights and deepen understanding of how we can contribute to solving societal challenges through our businesses.

## Participation in the UN Global Compact

The Cosmo Energy Group has participated in the Global Compact advocated by the United Nations since 2006. By supporting 10 principles related to human rights, labor, the environment, and anti-corruption, we incorporate an international perspective, commit ourselves before society to promoting sustainable management, and aim to further improve our sustainability activities.



## Information disclosure: ESG assessment

Cosmo Energy Holdings has been included in the FTSE4Good Developed Index, one of the world's leading ESG investment indices, for 21 consecutive years since it became the first Japanese oil company to be included in the index in 2003.

Furthermore, for seven consecutive years, we have been a constituent of the FTSE Blossom Japan Index, which is selected by the Government Pension Investment Fund (GPIF) as an ESG investment index.

In 2023, the Company was included in the Empowering Women Select Index (known as "WIN"), devised by the US company MSCI based on women's employment data disclosed under the Act on Promotion of Women's Participation and Advancement in the Workplace. In addition, we have been selected for SOMPO Asset Management's SOMPO Sustainability Index, which was independently established by combining ESG assessments and stock valuations, for seven consecutive years\*.

\*Includes years up to FY2019, when we were a constituent of the SNAM Sustainability Index.



### 2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Our inclusion in an MSCI index and use of the MSCI logo, trademark, service mark, or index name does not constitute sponsorship, endorsement, or promotion of our company by MSCI or its affiliated companies. MSCI is the sole owner of MSCI indices. MSCI index names and logos are trademarks or service marks of MSCI or its affiliated companies.

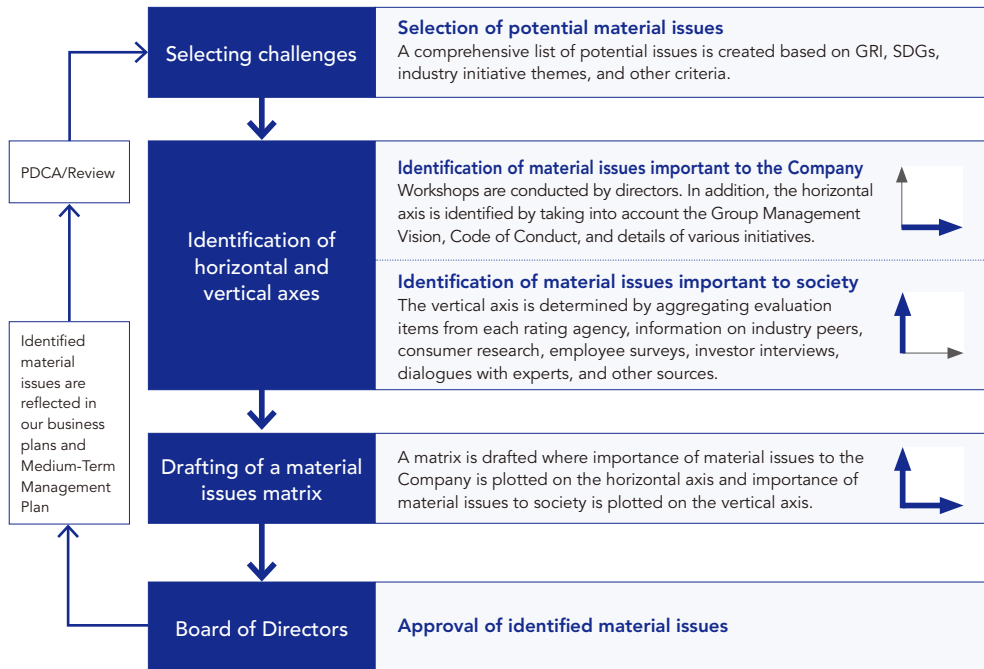
# Material Issues of the Cosmo Energy Group and Results of the Consolidated Medium-Term Sustainability Management Plan

## Material issue identification process

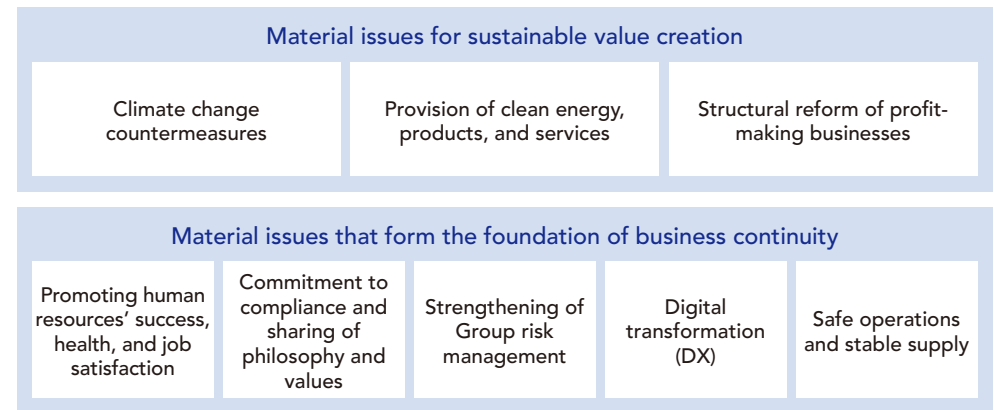
In March 2021, the Cosmo Energy Group identified 10 important ESG challenges (material issues) that will influence the sustainable development of society and our Group, including our medium- to long-term enterprise value, as we build the society we envisage in 2050. In April 2023, we combined some issues and added others, revising the number to eight. With regard to material issues for sustainable value creation, we will promote activities under the "Oil & New ~ Next Stage ~" slogan of the Seventh Consolidated Medium-Term Management Plan from the perspective of societal challenges as well. These activities will be underpinned by material issues that form the foundation of business continuity.

The Group has set KPIs for each material issue and working on addressing them.

### Material issue identification process



## Most important material issues



## Results of Consolidated Medium-Term Sustainability Plan (FY2018-2022)

During the period of the Sixth Medium-Term Management Plan (FY2018-2022), we established KPIs based on material issues and implemented the Consolidated Medium-Term Sustainability Plan (hereafter, "the Sustainability Plan").

- E Unveiled 2050 Carbon Net Zero Declaration and roadmap to achieve net zero carbon emissions**  
 CO<sub>2</sub> emissions target: -16% (vs. FY2013) → Actual: -8% (high operating rate due to supply to Kygnus Sekiyu K.K.)
- S Established our Human Resources Policy and various development measures, including the active participation of diverse human resources**  
 Target proportion of females in managerial roles: 6% → Actual: 6.7% (as of April 1, 2023)  
 Target ratio of females among new university graduate hires: 50% → Actual: 60%  
 \*Professional staff (date of hiring: April 1, 2023)
- G Appointed female executive officers and increased the number of independent outside directors to ensure diversity among directors**  
 Ratio of female directors at start of MTMP: 0/10 → FY2022: 3/9  
 Independent outside directors: 2/10 → 4/9

# KPIs for Material Issues in the Seventh Consolidated Medium-Term Management Plan

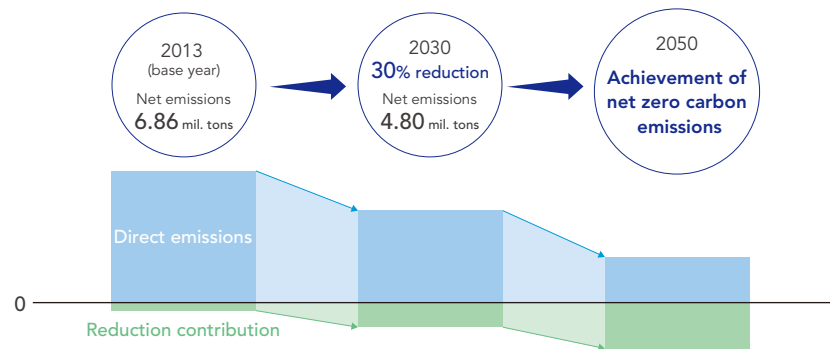
	Material issues	Vision for the future	KPIs	Related SDGs
Material issues for sustainable value creation	Climate change countermeasures	<ul style="list-style-type: none"> <li>GHG emissions are managed appropriately</li> <li>Progress has been made toward achieving net zero carbon emissions by 2050</li> </ul>	<ul style="list-style-type: none"> <li>30% reduction in emissions by FY2030 (vs. FY2013)</li> <li>CO<sub>2</sub> emissions reduction (Scope 1, 2)</li> <li>CO<sub>2</sub> offset amount</li> </ul>	
	Provision of clean energy, products, and services	<ul style="list-style-type: none"> <li>Clean fuel that meets customer needs has been developed and is supplied</li> <li>We have become a leading company in domestic renewable energy generation</li> <li>Clean products have been developed and are being provided across the entire value chain</li> <li>Technologies and services that support low carbonization and decarbonization have been developed and are being supplied</li> </ul>	<ul style="list-style-type: none"> <li>Amount of clean fuel supplied and supply ratio</li> <li>Wind power generation facility capacity</li> <li>Other renewable energy generation facility capacity</li> <li>Construction of a green electricity supply chain</li> <li>Amount of next-generation raw materials supplied</li> <li>Sales excluding fossil fuels</li> <li>R&amp;D expenses and investment in new businesses</li> </ul>	
	Structural reform of profit-making businesses	<ul style="list-style-type: none"> <li>Business profits are generated in a decarbonized society by investing profits from existing businesses in new businesses</li> <li>Enterprise value is being enhanced through new businesses centered on clean technology</li> </ul>	<ul style="list-style-type: none"> <li>Investment in New businesses</li> </ul>	
Material issues that form the foundation of business continuity	Promoting human resources' success, health, and job satisfaction	<ul style="list-style-type: none"> <li>All employees can demonstrate their abilities to the fullest, regardless of age, gender, nationality, job type, affiliation, or work history</li> <li>Decisions are made through dynamic discussions that incorporate diverse opinions</li> <li>Overwork and harassment are prevented, and employees can work healthily and with peace of mind</li> <li>Employees take the lead in managing their own physical and mental healthcare, and manage and improve their health</li> <li>Employees autonomously improve and utilize their strengths and expertise to implement business strategies</li> <li>Employees are energetic and challenge themselves, and enjoy continuous growth with job satisfaction and fulfillment</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of females in managerial roles</li> <li>Ratio of females among new university graduate hires</li> <li>Percentage of employees who have taken a stress check (mental health)</li> <li>Percentage of employees who have received lifestyle health guidance (physical health)</li> <li>Investment in employee education and training</li> <li>Employee awareness survey "work satisfaction/pride" score</li> </ul>	
	Commitment to compliance and sharing of philosophy and values	<ul style="list-style-type: none"> <li>Laws, regulations, and social norms are observed</li> <li>Officers, employees, and other staff members understand and observe the Group Management Vision, policies, and internal regulations</li> <li>The Cosmo Energy Group Code of Conduct and policies are widely understood and individuals are able to make appropriate decisions</li> </ul>	<ul style="list-style-type: none"> <li>Number of compliance violations</li> <li>Employee awareness survey scores for "compliance education," "awareness of consultation helplines," and "understanding of Code of Conduct"</li> </ul>	
	Strengthening of Group risk management	<ul style="list-style-type: none"> <li>Both the Company's operational risks and strategic risks (including opportunities) can be identified, and risks are appropriately hedged or taken</li> <li>Serious risks for the entire Group are understood and managed</li> </ul>	<ul style="list-style-type: none"> <li>Risks associated with CEG priority initiatives are additionally monitored</li> <li>Risks associated with priority initiatives undertaken by each company are monitored</li> </ul>	
	Digital transformation (DX)	<ul style="list-style-type: none"> <li>A corporate culture that uses digital technology to change work processes and continuously pursue innovation is being fostered to bring about business transformation</li> <li>Efforts are being made to improve internal and external CX (customer experience) by providing customers and employees with solutions to solve internal and external challenges centered on data utilization</li> </ul>	<ul style="list-style-type: none"> <li>Cultivation of core digital personnel</li> </ul>	
	Safe operations and stable supply	<ul style="list-style-type: none"> <li>Employee injuries are prevented</li> <li>Plant accidents and product (quality) accidents are prevented</li> <li>Operations are carried out so they do not threaten the safety of the operating area or surrounding residents</li> <li>A stable supply of energy is provided, even during disasters and emergencies</li> </ul>	<ul style="list-style-type: none"> <li>Number of work-related accidents</li> <li>Number of accidents</li> <li>Number of accidents with an impact on the environment</li> <li>Number of days when supply was impossible</li> </ul>	

# Climate Change Countermeasures

Our Basic Concept of Sustainability is "Harmony and Symbiosis with the Global Environment," and we have undertaken a variety of initiatives with the goal of becoming an environmentally conscious group of energy companies. With efforts to reduce greenhouse gases (GHG) garnering attention worldwide, the Cosmo Energy Group has announced its 2050 Carbon Net Zero Declaration. In this section, we introduce our environmental initiatives and activities, including energy conservation efforts.

## GHG emission targets and reductions

### GHG emission targets and reductions



\*Our Group reports Scope 1 and Scope 2 greenhouse gas (GHG) emissions and reductions.

While fulfilling its responsibility to provide a stable supply of energy, the Cosmo Energy Group aims to reduce emissions from its business operations (Scope 1 and 2) by 30% in 2030 compared to FY2013. We will do this by converting to zero-carbon energy and utilizing negative emissions technologies. Furthermore, to contribute to the carbon neutrality of society as a whole, we seek to achieve net zero carbon emissions, including Scope 3, by 2050.

## Priority themes for achieving carbon net zero

In addition to working on converting to zero-carbon energy and using negative emissions technologies, we will contribute to carbon neutrality of society as a whole by working on producing and supplying energy that shapes the future.

- Direct reductions
- Bolstering of green electricity supply chain
- Use of carbon credits
- Use of negative emissions technology
- Working on next-generation energy and raw materials

## Efforts to reduce GHG emissions

Our Group has always considered the reduction of GHG emissions to be an important challenge and has been working to reduce CO<sub>2</sub> emissions throughout the supply chain.

Actual CO<sub>2</sub> emissions in FY2022, the final year of the Sixth Medium-Term Management Plan, totaled 6.92 million tons, a 7.2% reduction compared to FY2013 (target 16% reduction). Although CO<sub>2</sub> emissions per unit of production improved due to efficiency improvements in the manufacturing division, crude oil processing exceeded targets set out in our plan due to increased sales, and the operation of facilities to enable expansion of our Renewable Energy Business (wind power generation) was partially delayed until FY2023, affecting their contribution to CO<sub>2</sub> reduction.

Under our Group's Seventh Medium-Term Management Plan, we will make further efforts to reduce GHG emissions based on our Roadmap for Achieving Net Zero Carbon Emissions by 2050.

### Cosmo Energy Group's CO<sub>2</sub> emissions (10,000 tons CO<sub>2</sub>)<sup>3</sup>

	FY2013	FY2018	FY2019	FY2020	FY2021	FY2022
Transportation division (crude oil, raw materials, and products)	90	81	75	71	77	84
Manufacturing division (petroleum and petrochemicals)	676	620	650	631	662	651
Other (service stations, research centers, etc.).	4	2	2	3	2	1
Biofuel (blended with ETBE) <sup>1</sup>	-7	-14	-13	-14	-17	-19
Expansion of renewable energy (wind power generation) <sup>2</sup>	-16	-24	-27	-25	-27	-24
Subtotal: CO <sub>2</sub> emissions	746	665	688	666	697	692
GHG emissions other than CO <sub>2</sub>	2	2	2	2	2	3
Total: GHG emissions	747	667	690	668	699	695

1 The amount due to biofuels is the CO<sub>2</sub> emissions reduction due to the contributions of ethyl tert-butyl ether (ETBE)-blended gasoline, which is considered to have negative CO<sub>2</sub> emissions.

2 Expansion of renewable energy has been calculated using the total power generation volume multiplied by the alternative value for each year.

3 Refer to the Cosmo Energy Holdings' corporate website (Japanese) for information on the differences in the methods for aggregating CO<sub>2</sub> emissions in "Cosmo Energy Group's CO<sub>2</sub> Emissions" and "Environmental Impact in Business Activities," disclosed on the sustainability website.

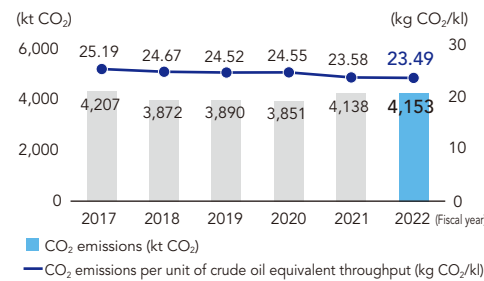
## Climate Change Countermeasures

### Energy conservation at refineries

In FY2022, the energy consumption rate improved around 0.4% year on year due to the promotion of energy-saving activities (including the introduction of a system optimizing the utility balance) and the improvement of refinery operating rates attributed to a reduction in failures and the number of maintenance days. However, CO<sub>2</sub> emissions increased approximately 0.4% year on year due in part to the improvement of refinery operating rates mentioned above.

We will continue to strive for energy conservation both physically (through the use of high-efficiency equipment) and non-physically (by pursuing energy-efficient operations).

CO<sub>2</sub> emissions and CO<sub>2</sub> emissions per unit of crude oil equivalent throughput



### Promoting wind power generation and contributing to the reduction of CO<sub>2</sub> emissions

Wind power is an eco-friendly, clean energy that does not emit CO<sub>2</sub> during generation and eliminates concern over resource depletion. The total wind power generation capacity of Cosmo Eco Power Co., Ltd., a Cosmo Energy Group company, was over 300 MW as of June 30, 2023, contributing to CO<sub>2</sub> emissions reduction and to improvement in the energy self-sufficiency rate of Japan, which is highly dependent on imported energy. We plan to continue developing new onshore wind farms and proactively entering the offshore wind power generation business.

### Successful transition to electricity that is virtually all from renewable energy sources at 603 sites, including directly-operated service stations

As the first step towards the Group's achievement of net zero carbon emissions, in May 2022, we completed the transition to electricity that is virtually all from renewable energy sources at all of the service stations operated by Cosmo Oil Sales Corporation. We initially planned to complete the switch over three to five years beginning in May 2021, when we announced this project, but actually completed it much earlier, about one year after the announcement. We are the first oil wholesaler in Japan to begin to switch to electricity that is virtually entirely from renewable energy sources at more than 600 locations.

By utilizing the Cosmo Denki (Electricity) Business Green scheme, Cosmo Oil Sales

operates all of its service stations, vehicle inspection centers, and other such sites<sup>1</sup> using electricity generated virtually entirely from renewable energy (approximately 40 million kWh annually)<sup>2</sup>.

<sup>1</sup> 589 out of 603 directly-operated service stations as of May 31, 2022

<sup>2</sup> Excluding CO<sub>2</sub> emissions from the use (consumption) of fuel oil and other products sold at service stations

### Maruzen Petrochemical: Fuel switch initiative

In a Green Innovation Fund Project that was publicly tendered by NEDO\*, Maruzen Petrochemical Co., Ltd. is working on developing advanced naphtha cracking furnace technologies for producing raw materials for plastics using CO<sub>2</sub> and other sources through the practical application of ammonia fuel in naphtha cracking furnaces. This work is being undertaken jointly with Mitsui Chemicals, Inc., Toyo Engineering Corporation, and Sojitz Machinery Corporation. The naphtha cracking furnaces at ethylene plants traditionally use methane as their main fuel, but by switching to ammonia, we aim to almost entirely eliminate CO<sub>2</sub> emitted during combustion. The project will last 10 years from FY2021 to FY2030, with plans to complete validation using an ammonia combustion furnace in the final fiscal year. The four participating companies, with their knowledge and technical capabilities in ethylene plants gained through plant operation, construction, and equipment manufacturing, aim to make ammonia combustion furnaces a feasible alternative for society and contribute to the reduction of CO<sub>2</sub> emissions throughout the petrochemical industry.

\*NEDO: New Energy and Industrial Technology Development Organization

### Initiatives related to CCS/CCUS

To achieve net zero carbon emissions, the petroleum development division is expected to apply CCS/CCUS\* and CO<sub>2</sub>-EOR technologies to reduce and effectively utilize CO<sub>2</sub> in the exploration blocks for which we hold concessions. In 2001, our Group became the first in the Middle East to achieve zero-flare operations, in which all the gas generated during crude oil production is re-injected into the oil reservoir. This kind of technology, which achieves both environmental conservation and improved crude oil recovery through injection of associated gas, is highly compatible with CCS/CCUS, and our strength is that we have technologies and expertise in related fields. With the aim of collaborating on CCS/CCUS\*, the Cosmo Energy Group agreed in 2022 to launch a joint study with Abu Dhabi National Oil Company (ADNOC). Together we will assess the feasibility of CCS/CCUS in the Emirate of Abu Dhabi and we have signed a memorandum of understanding to that effect. Based on our strong relationship of trust with the Abu Dhabi government, including ADNOC, we will consider developing new technologies, evaluating business feasibility, acquiring knowledge, and creating opportunities for collaboration regarding new CCS/CCUS initiatives.

\*CCS: Carbon Capture and Storage

CCUS: Carbon Capture, Utilization, and Storage (utilization of separated and stored carbon)

## Climate Change Countermeasures

### TCFD

Climate change has a significant impact on society, and the Cosmo Energy Group views it as an important societal challenge.

Against this backdrop, in December 2020, the Company declared its support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). To maintain good communications with a wide range of stakeholders, including shareholders and investors, we have organized our approach to climate change based on the framework of the TCFD recommendations.



(Available in Japanese only)

<https://www.cosmo-energy.co.jp/ja/actions/sustainability/environment/gl-warning/tcf.html>

#### Short-, medium-, and long-term climate change-related risks and opportunities and their impact on our businesses

Item	Type	Changes in business environment	Expected impact on Cosmo Energy	Time span	Impact level when risk emerges
Transition risks	Policies/regulations	Introduction of carbon pricing	Manufacturing cost increase	Medium- to long-term	High
		Many countries strengthen carbon regulations	Increased cost of purchasing emission credits, investing in energy-saving equipment	Medium- to long-term	High
	Technology	Development of low-carbon and clean technologies	Decline in petroleum product demand due to spread of EVs and alternative fuels	Short- to medium-term	Medium
	Industry/Market	Change in energy mix, shift to low-carbon electricity sources	Increased costs due to rising renewable energy prices	Short- to medium-term	High
		Change in energy demand due to move away from fossil fuels	Decrease in income due to lower demand for petroleum products	Short- to medium-term	High
	Reputation	Change in customer behavior	Decline in enterprise value due to delayed response to decarbonized society	Medium- to long-term	High
Investor assessment		Accelerated divestment from petroleum business	Medium- to long-term	Medium	
Physical risks	Chronic	Higher ocean level and tsunamis	Increased cost of investment in disaster prevention measures	Long-term	Low
	Acute	Abnormal weather (storm and flood damage)	Increased costs due to typhoon-caused stoppages or breakdowns	Short- to medium-term	Medium
Opportunities	Resource efficiency	Transition to a resource recycling society	Increased demand for environmental impact Expansion of chemical recycling business	Medium- to long-term	-
	Energy sources	Changes in energy demand due to move away from fossil fuels	Increased demand for renewable energy (wind power generation business) Increased demand for low-carbon energy	Short- to medium-term	-
	Products and services	Changes in customer behavior	Expansion of EV-related service business Expansion of car sharing and other new service businesses	Short- to medium-term	-
	Market	Developments in low-carbon and clean technologies	Expansion of CO <sub>2</sub> emission reduction business due to developments in CCUS technologies	Medium- to long-term	-
	Resilience	Investor assessment	Investment in renewable energy and other businesses	Investment in renewable energy and other businesses	Short- to medium-term
Abnormal weather (typhoon and flood damage)		Reputation among business partners for maintaining a stable supply during disasters	Reputation among business partners for maintaining a stable supply during disasters	Short- to medium-term	-

Scope: Oil Exploration and Production, Petroleum Refining and Sales, Electric Power (Renewable Energy, IPP), Petrochemical

Time span: Short-term = within 1 year, medium-term = within 1-5 years, long-term = 5-20 years

Impact level when risk emerges: Low = less than ¥1.0 billion, medium = ¥1.0 billion or more but less than ¥10.0 billion, high = ¥10.0 billion or more

## Strategy

To realize a carbon-neutral society by 2050, the Cosmo Energy Group considers the risks and opportunities presented by climate change and is actively undertaking climate change countermeasures, such as expanding its wind power generation business and reducing GHG emissions. Regarding predictable climate change risks and opportunities in our business activities, we envision changes in the business environment due to external factors and consider their importance based on the climate change risk items in the TCFD recommendations.

Going forward, we will continue to ensure disclosure in accordance with TCFD recommendations and build a system that is integrated with our management strategy.

## Risk management

Please refer to the Risk Management section on page 66 for information on the Group's approach to risk management.

Regarding risks related to climate change, we have established a framework for ongoing discussion by the Sustainability Strategy Committee, as this is an important management agenda for all Group companies. We implement these measures to enhance our comprehension of risks and assess our response.

## Indicators and targets

Regarding climate change-related risks, the Cosmo Energy Group has made "reducing GHG emissions" a priority on its agenda. We set a CO<sub>2</sub> reduction target of 16% (vs. FY2013) for FY2022, the final year of the Sixth Consolidated Medium-Term Management Plan. As a long-term GHG reduction target on the way to achieving net zero carbon emissions by 2050, we aim to reduce emissions from our own operations (Scope 1 and 2) by 30% (vs. FY2013) by 2030. Our policy is to aim for net zero carbon emissions, including Scope 3, in an effort to help achieve carbon neutrality throughout society as a whole by 2050.

## Provision of Clean Energy, Products, and Services

The Cosmo Energy Group is committed to the most important material issue of "provision of clean energy, products, and services," which we aim to do by developing and offering clean fuels that meet customer needs, and by developing and providing technologies and services that support low carbonization and decarbonization.

### Contribution to decarbonization in the aviation sector through next-generation aviation fuel

In the aviation industry, the ICAO<sup>1</sup>, at its general meeting held in 2016, set the target of "keeping total CO<sub>2</sub> emissions from international aviation at or below the 2019 level from 2021 onwards." The use of SAF<sup>2</sup> is seen as the most promising means of reaching this target. In Japan as well, the public and private sectors are working together to promote the uptake of SAF, aiming to achieve the government's target of replacing 10% of all fuel consumed by domestic airlines with SAF by 2030.

In this environment, the Group has set a SAF supply target for 2030 at 300,000 kiloliter-per-year and is working towards achieving that capacity. In November 2022, we established SAFFIARE SKY ENERGY LLC, a joint venture with JGC Holdings Corporation and Revo International Inc., to produce SAF at Cosmo Oil's Sakai Refinery using waste cooking oil as feedstock. Facility construction for this, Japan's first SAF mass production project, began in June 2023, with annual production of about 30,000 kiloliters scheduled to start in FY2024. We will accelerate efforts to build a domestic SAF supply chain while diversifying raw materials and manufacturing processes. One possibility under consideration is the use of Alcohol-to-Jet (ATJ) technology, which uses ethanol as feedstock.

<sup>1</sup> ICAO: International Civil Aviation Organization

<sup>2</sup> SAF: Sustainable Aviation Fuel

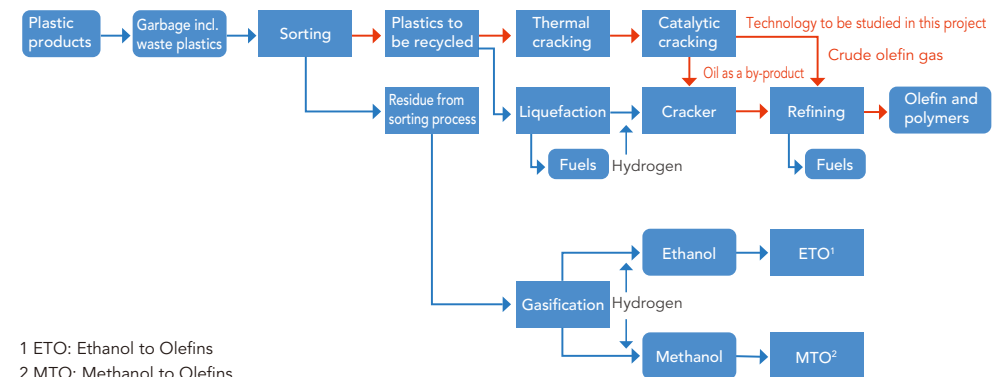
### Development of chemical recycling technology by Maruzen Petrochemical

Maruzen Petrochemical is collaborating with Sumitomo Chemical Co., Ltd. in the development of technology for manufacturing chemicals from waste plastics and waste rubber. In this project, which was selected as the second NEDO Green Innovation Fund project, we are working on the development of chemical recycling technologies that enable the manufacture of olefin through the direct decomposition of waste plastics. This initiative aims to establish technology to efficiently manufacture olefin from waste plastics, and it has the advantage of reducing CO<sub>2</sub> emissions during olefin manufacturing compared to conventional methods. As a result, we can contribute to reducing plastic waste, which is incinerated, reducing the use of fossil resources as raw materials, and even reducing greenhouse gas emissions during the manufacturing process.

In particular, the development of highly efficient chemical recycling technologies for polyolefin plastics, which account for about 60% of domestic waste plastics, is highly anticipated. In response, the two companies are applying the technology and expertise that they have accumulated to establish a chemical recycling technology that will enable highly efficient, direct manufacturing of ethylene, propylene, and other raw materials for basic chemical products from polyolefin plastic. They will then work for the early societal uptake of that technology. The project will run for 10 years from FY2021 to FY2030, with Sumitomo Chemical and Muroran Institute of Technology, a joint project partner, developing a new catalyst that will decompose waste plastic into olefin gas. Maruzen Petrochemical is responsible for considering the eventual use of that gas as a feedstock for basic chemical products such as ethylene and propylene.

By striving to supply CO<sub>2</sub>-free petrochemical products in the future, we seek to support carbon neutrality throughout the entire supply chain, including our business partners.

#### Conceptual diagram of the "Development of Technology for Producing Chemicals from Waste Plastics and Rubber" project





## Provision of Clean Energy, Products, and Services

### Joint development of stable supply technologies for next-generation energy

Cosmo Oil has concluded a comprehensive partnership agreement with Kyoto University to study the joint development of technologies for the stable supply of next-generation energy. One example is carbon capture and utilization (CCU), which converts CO<sub>2</sub> into a valuable resource. Through joint research on carbon fixation technology for CO<sub>2</sub> using molten salt electrolysis, we will work to verify the feasibility of technology that converts CO<sub>2</sub> into a carbon material without using hydrogen. We also plan to verify the applicability of this technology to CO<sub>2</sub> emitted from Cosmo Oil's refineries and other facilities.

In other areas, we will consider the use of various technologies, such as technologies essential for the stable supply of next-generation energy and negative emission technologies, and examine specific ways to create businesses that utilize the technologies and expertise cultivated by both parties to help bring us closer to realizing net zero carbon emissions.

### Cosmo Zero Carbon Solution is released

Cosmo Oil Marketing has rolled out Cosmo Zero Carbon Solution, a product offering a one-stop solution that helps corporations and local governments to introduce renewable energy and electric vehicles (EVs), etc., as a way to help achieve a decarbonized society. The Company offers a package of four services: 1) Cosmo Denki (Electricity) Business Green; 2) the installation of solar panels for in-house power consumption; 3) car leasing; and 4) EV car sharing. Driving a leased EV charged with green electricity easily and reliably reduces CO<sub>2</sub> emissions without incurring initial costs. By expanding EV car sharing to nearby residents and corporations, customers can reduce costs and contribute to the local community. Furthermore, EVs can also serve local communities as mobile storage batteries for use during disasters.

Since launching Cosmo Zero Carbon Solution in September 2021, we have started supplying Cosmo Denki (Electricity) Business Green to numerous ministries and local governments, including facilities under the jurisdiction of the Ministry of the Environment, such as the Kokyo Gaien National Garden. The cities of Yokosuka and Zushi, Kanagawa Prefecture, are not only customers of Cosmo Denki (Electricity) Business Green, but, in February 2023, they also introduced an EV car sharing service.

In addition to the four services now offered, we will consider future offerings that focus on energy conservation, electricity saving, and environmental value.

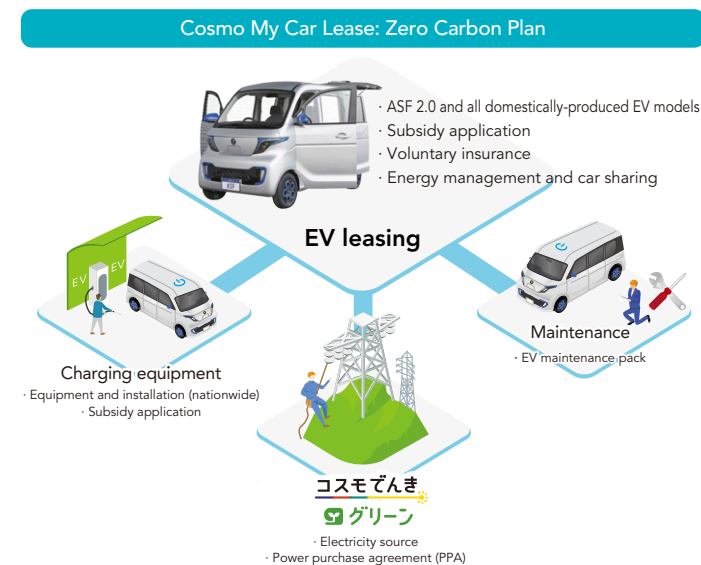
The Cosmo Energy Group will support the efforts of corporations and local governments to solve challenges and create a decarbonized society through Cosmo Zero Carbon Solution, which leverages our unique strength by packaging the Group's business assets to provide a one-stop solution.

### Development of EV car sharing and our mobility business

Cosmo Oil Marketing is working to create new mobility services centered on EVs. In April 2021, the company began providing EV car sharing at Self Pure Shinjuku Chuo. The rapid charging equipment is powered by virtually 100% renewable electricity derived from Cosmo Eco Power's wind power, allowing customers to charge their EVs with virtually CO<sub>2</sub>-free electricity. Furthermore, EVs emit no CO<sub>2</sub> while being driven, which makes this car sharing service environmentally friendly.

In June 2021, we entered into a capital and business alliance agreement with ASF Inc. (hereafter, "ASF"), which plans, develops, manufactures, and sells EVs. Beginning on May 31, 2023, Cosmo My Car Lease started offering the light commercial EV "ASF2.0," manufactured by ASF. Up until now, we have provided maintenance packs for engine powered vehicles as part of Cosmo My Car Lease, but in response to wider electrification and the shift towards EVs, we have started offering maintenance packs for EVs.

As we respond to customer needs by expanding the introduction of EVs, we will develop our existing mobility business with the goal of achieving net zero carbon emissions in the future, aiming to achieve further growth and contribute to the environment.



Provision of Clean Energy, Products, and Services

## Sales of Cosmo Denki (Electricity) Green

Cosmo Denki (Electricity)<sup>1</sup>, which is sold to households by Cosmo Oil Marketing, is available in four plans to meet the diverse needs of customers. In December 2021, we began selling a plan for all-electric homes.

Due to growing interest in and demand for renewable energy in recent years, Cosmo Denki (Electricity) Green provides virtually CO<sub>2</sub>-free electricity<sup>2</sup> with environmental value derived from renewable energy for customers seeking environmentally friendly electric power. Also, it enables anyone to support the COSMO Eco Fund's eco-friendly projects that focus on themes such as environmental preservation and environmental education.

Furthermore, our lineup for corporate customers includes Cosmo Denki (Electricity) Business Green, a product that will contribute to the realization of a carbon-neutral society. As of October 2022, the number of facilities to which we supply this product exceeded 1,000 locations. Cosmo Denki (Electricity) Business Green plans include a plan that uses Cosmo Eco Power's wind-derived electric power that is compliant with RE100, an international initiative that aims to ensure that 100% of the electric power used by businesses is renewable energy.

<sup>1</sup> Cosmo Denki (Electricity) is offered with Cosmo Energy Group company, Cosmo Energy Solutions, serving as the electricity retailer and Cosmo Oil Marketing as its distributor.

<sup>2</sup> Electricity with environmental value and certified as non-fossil. It is derived from renewable energy such as wind power generated by Cosmo Eco Power.

Examples of local governments to which we have started supplying electric power derived from virtually 100% renewable energy



Chigasaki City Hall



Yokosuka City Museum



Ogino Athletics Park, Atsugi City

## Supply and sale of domestically produced biodiesel "Cosmo CF-5" gets underway

In January 2023, Cosmo Oil Marketing switched to Cosmo CF-5, a domestically produced biodiesel fuel that reduces GHG, as the sole fuel for its exclusive contract tanker trucks and other vehicles that transport petroleum products in the Kinki area.

Cosmo CF-5 is a biodiesel fuel blended with 5% C-FUEL<sup>1</sup>, which is manufactured and processed using domestic waste cooking oil as a raw material before being supplied. It helps to lower CO<sub>2</sub> emissions compared to conventional diesel fuel.

The Group will reduce CO<sub>2</sub> emissions by continuously using Cosmo CF-5 in the approximately 50 tanker trucks that transport petroleum products from the Cosmo Oil Sakai Refinery to the Kinki area, as well as in work vehicles used within the refinery premises. This effort will reduce CO<sub>2</sub> emissions by approximately 159 tons annually. In the future, we will consider selling Cosmo CF-5 to customers in the bus and transport industries, which face management challenges related to decarbonization. Beyond that, we will also explore construction of a fuel sales scheme that offers the added value of CO<sub>2</sub> emissions reduction.

<sup>1</sup> Biodiesel fuel made from 100% recycled used cooking oil. This diesel fuel alternative is refined by adding methanol to vegetable oil and removing glycerin through a chemical reaction (the transesterification reaction).



Exclusively contracted tanker truck that now runs on Cosmo CF-5

# Promoting Human Resources' Success, Health, and Job Satisfaction

**We aim to enhance enterprise value by pursuing a people strategy that motivates employees and harnesses their skills.**

**Junko Takeda**

Director, Senior Executive Officer  
In charge of Business Portfolio Management Dept., Legal and General Affairs Dept., Human Resource Dept.



## Direction of our people strategy

The energy industry is undergoing significant changes, and the Cosmo Energy Group is working to transform and expand our business portfolio.

In New fields, it is essential not to confine ourselves to our existing knowledge and experience. Instead, we must actively acquire new knowledge, address unfamiliar challenges, and make decisions with a sense of urgency. Similarly, in our existing *Oil* businesses, we must be open to bold transformations as we strive to strengthen competitiveness and pursue decarbonization, departing from traditional approaches. To thrive as a Group in such an environment, we must focus on *bolstering the capabilities of individual employees and maximizing performance by increasing employee engagement* through continuous growth. Furthermore, "health" serves as the foundation for everything, and we are actively working to promote employee wellness as a key management agenda.

We have implemented various initiatives such as promoting the active participation of women, significantly increasing compensation, including base salary, revising the senior employee system, and pursuing workstyle reforms. Although these efforts have yielded some notable results, we believe that a more profound transformation is necessary in

order for us to realize Vision 2030.

We are working towards creating a workforce aligned with our commitment under Vision 2030: *To create energy that shapes the future, energy that sustains society, and new forms of value.* As a Group, we are accelerating our efforts to ensure that Group companies are places where employees actively learn, grow, and work energetically under the principles of health and high engagement.

## Strengthening human resource development

Our focus on enhancing the capabilities of individual employees revolves around the habit of continuous learning. We aim to foster a culture where employees proactively and enthusiastically face their personal growth challenges, with the support of their supervisors, as they work towards developing their skill sets.

In our efforts to encourage behavioral changes in each employee and accelerate their growth, we have summarized the requirements of Cosmo's staff into three keywords: "Challenge," "Nurture," and "Excel." Based on these three requirements, employees will experience growth through their own behavioral changes, while supervisors will support and evaluate their subordinates' proactive and enthusiastic actions, thus accelerating the growth cycle.

The Company is also reinforcing its support for learning. This includes creating opportunities for learning through programs such as level-specific training and introducing a new system to visualize the capabilities and skills of individual employees. Moreover, we are committed to enhancing our support for learning by expanding our lineup of educational content related to self-improvement and other areas.

The annual training investment per person was ¥100,000 for FY2022, and we plan to increase it to ¥180,000 by FY2025.

## Increasing engagement

We have introduced an engagement index as a new KPI to

\*Specific measures and targets apply to employees of Cosmo Oil Co., Ltd.

measure pride in the company and the motivation to work and contribute autonomously and voluntarily. Our target for FY2025 is set at 60 points or more.

We will drive the enhancement of our corporate competitiveness and the creation of new value across all business fields by encouraging our employees to take proactive, enthusiastic, and self-driven actions. This, in turn, will lead to increased productivity, the achievement of results, and a tangible sense of growth, ultimately improving enterprise value.

To increase engagement, factors such as "management (penetration of policies and vision)," "work (content and job satisfaction)," "growth (education and development)," "evaluation and compensation," and "environment (workplace atmosphere, culture, and relationships)" should interact positively, creating a virtuous cycle. Embracing diverse values and perspectives, fostering open thinking, and translating innovative ideas into business initiatives are indispensable for increasing engagement. We will continue to implement initiatives that contribute to improving engagement in the Seventh MTMP.

## Promoting Health and Productivity Management

Health is a fundamental prerequisite for both growth and increasing engagement. We are committed to actively working to ensure that employees can work in a healthy physical and mental state.

While we established our Employees' Health and Productivity Management Policy in March 2022, for our Seventh MTMP, we are taking further steps to operationalize this policy. We have newly established the Health and Productivity Management Promotion Committee, focusing on three key pillars: "strong commitment from leadership," "collaborative health initiatives with health insurance associations and Group companies," and "enhancement of health literacy." Through these initiatives, we aim to promote behavioral changes among employees and foster a corporate culture that prioritizes increased health.

Promoting Human Resources' Success, Health, and Job Satisfaction

## Initiatives to Boost Engagement

### Development of human resources in line with our management strategy

We aim to maximize the individual contributions of our employees by nurturing the human resources necessary to realize our management strategy and ensuring that personnel are appointed to positions that match their skills and capabilities.

#### ① Human resource requirements at Cosmo

We will develop people strategies, policies, and related measures rooted in the three requirements – "Challenge," "Nurture," and "Excel" – that we have established for our employees to realize Vision 2030. Furthermore, we will strengthen our evaluation of employees who change their behavior and exhibit these qualities.



#### ② Human Resource Strategy Committee

To further integrate our management strategy with our people strategy, top management convenes the Human Resource Strategy Committee regularly to deliberate on and drive people strategies. The outcomes of these discussions are periodically reported during Executive Officers' Committee meetings and Board of Directors' meetings to enhance monitoring.

#### ③ Cultivating management personnel


We are identifying and nurturing management candidates as successors to our executive leadership team. This involves implementing educational programs, including external assessments and assignments, and fostering skill development through tough assignments within the Group, appointing candidates to key positions.

#### ④ Succession plan

We have developed job descriptions and a successor list for department head positions and regularly assess the progress in terms of successor readiness. We are also actively implementing initiatives such as talent development, internal transfers, and external recruitment to ensure a sufficient talent pool.

#### ⑤ Training programs

We provide various opportunities for off-the-job training, including level-specific training, management training, and department-specific specialized training.

 List of Training Programs (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee2.html>

### Self-directed career development

We aim to foster habitual learning by creating an environment where employees can autonomously chart their careers, develop their capabilities, and enhance their skills to achieve their career visions.

#### ① Raising awareness of career development

We have published a career guidebook titled "Navigating Your Career at Cosmo," which provides comprehensive insights into the roles and necessary skills across various departments. We also conduct annual career design workshops, actively creating opportunities for employees to consider their future career visions while taking into account their own life events.

#### ② Job challenge system

This system enables employees to directly approach the Human Resource Department to express how they would like to contribute within the Cosmo Energy Group and request transfers to their preferred departments. We aim to empower employees to proactively and enthusiastically engage in skill development and hone their specialization to progress along their self-defined career paths.


 Job Challenge System (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee2.html>

#### ③ Commencement of career declaration system

Starting from FY2023, we have revised our self-declaration system, launching a career declaration system as a tool to encourage employees' autonomous career development. Employees can now assess their own capabilities, experiences, skills, and medium- to long-term career aspirations, and have the ability to track their progress over the years using the system. By making the gap between their current capabilities and those required for their desired career path more apparent, we aim to boost employees' motivation for their work and encourage a greater appetite for learning. At the same time, we are working to ensure that supervisors manage subordinates in a way that considers their career aspirations.

#### ④ Provision of self-development training

We offer self-development training courses with the aim of improving the skills required to carry out one's duties and supporting learning toward one's envisioned career. We provide full funding for courses related to job responsibilities, and for courses unrelated to job responsibilities, we offer company subsidies of over 30%. Since these courses are available year-round, employees can begin taking them at a time that suits their needs.

 Self-Development Training (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee2.html>

Promoting Human Resources' Success, Health, and Job Satisfaction

## Initiatives to Boost Engagement

### Promoting diversity and creating an inclusive environment

As part of our commitment to realizing diversity, we have made women's empowerment a top priority. As of April 1, 2023, the percentage of female managers has reached 6.7%, exceeding our target of 6%. Under the Seventh MTMP, we will continue to actively promote the recruitment of female employees and career professionals, embracing and utilizing diverse perspectives and opinions to drive organizational transformation.


At the same time, we are working on building a pipeline to nurture women and promote them to leadership positions, including management and executive roles, with the aim of developing female leaders capable of managing business operations.

#### ① Women's empowerment

We are actively pursuing workstyle reforms, including a flextime system without core hours and telecommuting options. We also provide strong support for balancing childcare and work beyond legal requirements. Furthermore, we are focusing on hiring women, expanding their career opportunities, sending them to external training, and implementing mentorship and other programs to enhance their development. Under the Seventh MTMP, we have set the targets of having 10% of managers and at least 50% of newly hired employees who are women.


##### Percentage of female managers and women among new graduate hires

	April 1, 2020	April 1, 2021	April 1, 2022	April 1, 2023	Target
Percentage of female managers	3.4%	4.9%	5.9%	6.7%	<b>10%</b> (as of April 1, 2026)
Percentage of women among new graduate hires	17.4%	31.3%	50.0%	60.0%	<b>Continued ratio of ≥50%</b> (during the Seventh MTMP period)

 Women's Empowerment (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee3.html>


#### ② Promoting participation and advancement of mid-career hires

The ratio of mid-career hires has increased to 20%, and the percentage of mid-career line managers out of all line managers has reached 11%. As we move forward with our transformation efforts, we continue to promote the hiring of career professionals and their appointments to managerial roles. Simultaneously, we foster an organizational culture that values the insights and opinions of mid-career hires, making it easier for them to tackle new initiatives. We achieve this through ongoing awareness-building, including management training programs.

 Examples of Mid-Career Hires in Action (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee3.html>

#### ③ Mentorship program

We have introduced a mentorship program for female employees and mid-career hires. We select mentors based on the career and needs of participating mentees and provide them with regular training.

 Mentorship Program (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee3.html>

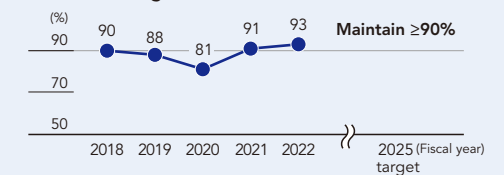
#### ④ Cross-industry networking events and sending women to external training

We regularly provide opportunities for our female employees to exchange ideas with female professionals from different industries with the aim of broadening their perspectives and deepening their thoughts about their own careers through networking events with other companies. We also send our younger employees, primarily, to external training programs for skill-building purposes and to raise awareness towards future promotions to managerial positions.

#### ⑤ Realizing a workstyle that increases productivity

In FY2022, we created a career guidebook titled "Navigating Your Career at Cosmo," to promote work practices that increase productivity. For day-shift employees, in addition to a flextime system without core hours, there is no upper limit on the number of telecommuting days, allowing them to choose a workstyle that maximizes their productivity without being bound by time or location. In addition, with the aim of respecting employee diversity and improving work-life balance, as of FY2023, employees are allowed to choose to work under the limited work location system regardless of their reasons. In our pursuit of productivity improvement through a workstyle that strikes a healthy balance, we are promoting the use of paid time off.


##### Paid leave usage rate



#### ⑥ Support for balancing childcare and work

Recognized for initiatives to encourage employees to balance work and childcare, Cosmo Oil\* became Japan's first oil wholesaler to obtain Platinum Kurumin certification in 2018. The percentage of employees who return to work after childcare leave continues to be 100%. In addition, to increase employee awareness of gender equality, we encourage male employees to participate in childcare. Our efforts include providing a seminar on balancing childcare and work, partially converting childcare leave into paid leave, introducing childbirth leave, and informing individual male employees of our programs. As a result, the rate at which childcare leave is taken by male employees reached 56% in FY2022. Other measures include giving employees on leave the opportunity to take part in e-learning, having employees talk with their supervisors before and after leave, and providing training to supervisors. These initiatives demonstrate our commitment to ensuring that childcare does not put the brakes on employees' career development.

\*The certification was granted to Cosmo Oil because employees of Cosmo Energy Holdings and core operating companies are seconded from Cosmo Oil.

 Initiatives to Support Balancing Childcare and Work (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee4.html>



#### ⑦ Advancement of people with disabilities

On the systemic side, we continue to prohibit discriminatory treatment, reasonably accommodate various needs, enhance our consulting system, and improve the workplace environment for people with disabilities. This is achieved through efforts to foster a "barrier-free mindset" by way of a wider range of awareness-raising activities aimed at promoting understanding of individuals with disabilities. Our approach is guided by the principle of inclusivity, where diverse employees work together in the same workspace and remain committed to respecting the independence and dignity of individuals with disabilities. On an infrastructure front, we are actively working to eliminate obstacles by expanding wheelchair-accessible restrooms and installing automatic doors and ramps. As of June 1, 2023, the percentage of employees with disabilities was 2.31%.

Promoting Human Resources' Success, Health, and Job Satisfaction

## Initiatives to Boost Engagement

### A compensation system that contributes to motivation and job satisfaction


We aim to improve employees' motivation and job satisfaction by promoting employees based on their capabilities and achievements, regardless of age, and rewarding them in the form of compensation.

#### ① Continued application of the role-based grading system

In FY2015, we introduced a role-based grading system for those in managerial positions, which determines their grades based on the weight of their responsibilities and sets compensation accordingly.

#### ② Revisions to the senior employee system

In FY2021, we made fundamental revisions to the senior employee system. To encourage and support continued contributions beyond the standard retirement age, we have extended the same grade, compensation, and evaluation system to senior employees as those up to the age of 60 during their reemployment period.

 Promoting the Participation of Senior Employees (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee2.html>

#### ③ Incorporating individual allowances into the basic salary

Since FY2021, we have gradually phased out individual allowances such as child allowances and housing subsidies that are not directly related to job responsibilities. Instead, we have uniformly incorporated an equivalent amount into employees' basic salary. This change aims to increase the proportion of compensation that is paid based on job responsibilities and performance, ensuring that employees who achieve results are rewarded accordingly.

#### ④ Base salary increase

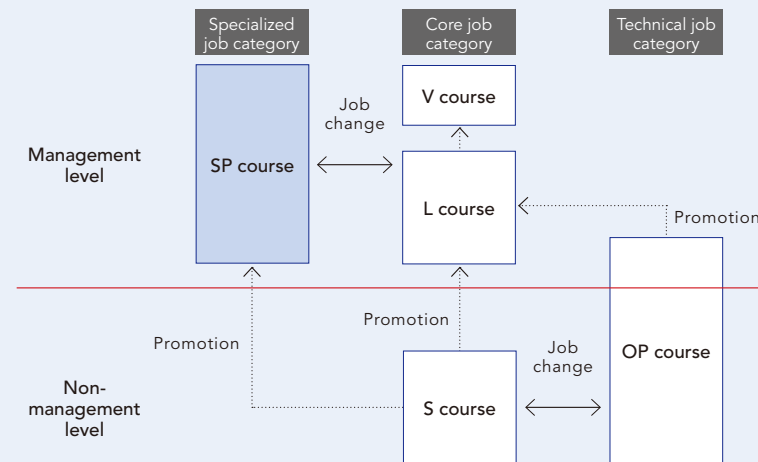
In April 2023, we increased base salaries, with an average increase of approximately 8% for union members and approximately 7% for all employees. In addition to addressing the rising cost of living, this increase aims to boost employees' motivation and vitality in their work, ultimately leading to improved productivity.

#### ⑤ Reform of the promotion system

We have shortened the required tenure for promotion by grade, enabling employees to be promoted to a managerial position in their 20s with a minimum of seven years of service after joining the Company, starting from April 2024. By reducing the emphasis on seniority, we aim to boost motivation and provide younger employees with the opportunity to advance to managerial positions earlier in their careers, provided they demonstrate growth and the required capabilities. This will enable them to take on more challenging responsibilities.

#### ⑥ Review of the compensation system for specialized human resources

Starting in August 2023, we reviewed and launched a new system for our specialized human resource job category, named as the SP course. This system aims to encourage the application of high-level expertise that extends beyond the confines of the Company, fostering the creation of new value. We will also actively recruit highly mobile specialized human resources from outside the company to build the capabilities necessary for advancing our business initiatives.



#### ⑦ Generous employee benefits system

We have introduced various services, including package-based welfare services at special prices, covering travel, health promotion, caregiving, childcare, and self-development, as well as a cafeteria plan where employees receive a fixed subsidy (points) that can be used to choose from a variety of welfare services within the point range. This effort to enhance our range of benefits is part of our commitment to accommodating the diverse lifestyles and values of our employees.

Promoting Human Resources' Success, Health, and Job Satisfaction

# Our Commitment to Health and Productivity Management

## Promoting health and productivity management to enhance enterprise value

We are committed to promoting health and productivity management based on the belief that being healthy, both physically and mentally, is essential for individuals to fully demonstrate their capabilities. We recognize that improved health contributes to high-quality, stable, and safe operations, as well as business outcomes, which form the foundation for enhancing enterprise value. We focused on preventive measures such as prohibiting smoking during working hours and the introduction of special holidays for complete medical checkups and follow-up testing. In recognition of these efforts, we obtained the Development Bank of Japan (DBJ) Health Rating in 2019, and were recognized under the Certified Health and Productivity Management Outstanding Organizations Recognition Program (large enterprise category) for the fifth consecutive year in 2023.

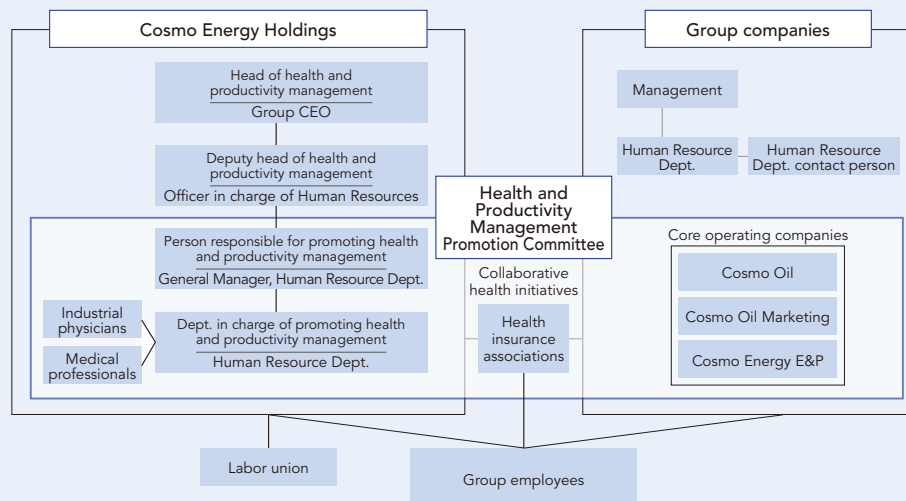


### ① Strong commitment from leadership

We have positioned the Group CEO as the leader, and the General Manager of the Human Resource Department as the person responsible for driving health and productivity management. With the President at the helm, this approach reinforces our commitment to health and productivity management and strengthens our capacity to promote it effectively.

We have also established a new Health and Productivity Management Promotion Committee, led by the Human Resource Department. This committee comprises industrial physicians, medical professionals, and health insurance associations, as well as the human resource divisions of the three core operating companies. Going forward, the Committee will help further promote health and productivity management effectively and cohesively throughout the Group.

Health and Productivity Management Promotion Structure (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee6.html>



### ② Collaborative health initiatives with health insurance associations and Group companies

Group companies proactively collaborate with health insurance associations to plan and implement initiatives and events aimed at promoting employee wellness. In particular, we have long been implementing initiatives related to smoking such as stipulating in our rules of employment the prohibition of smoking during working hours and providing smoking cessation programs. Moving forward, we will continue to maintain our focus on key areas that require improvement, notably smoking, drinking habits, and dietary habits, which present significant health risks, and roll out improvement initiatives across the Group to drive positive change.

### ③ Improving health literacy

To encourage employees to address health-related issues proactively and of their own accord, we actively disseminate information aimed at improving health literacy and empower employees to lead healthier lifestyles. Both physical and mental health are significantly influenced by lifestyles, so it is essential to develop appropriate habits and acquire the skills to access and utilize accurate health-related information effectively. We regularly and continuously provide information through e-learning, events, and other channels to empower employees to actively and voluntarily address health-related issues.

### ④ Participation in the Health & Productivity Management Alliance

We have joined the Health Management Alliance, which was established in FY2023. Through events such as study sessions and seminars with other companies, we aim to acquire knowledge in the field of wellness management and expand our network, enabling us to consider and implement various wellness initiatives more effectively.



Specific Health-related Initiatives (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee6.html>

# Human Rights

If we are to put the Cosmo Energy Group Management Vision into practice, we believe that the human rights of all stakeholders must be fully respected and that all officers and employees of the Group hold themselves to high ethical standards in everything that they do. For this reason, the Cosmo Energy Group Code of Conduct clearly states our respect for human rights, while stressing their importance and our responsibility as a company to respect them.

## Formulating a Human Rights Policy

The Group has formulated a Human Rights Policy that complies with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and a resolution to adopt the policy was passed at a Board of Directors meeting. This policy outlines our basic approach to respecting human rights, based on our Group Management Vision and Corporate Code of Conduct.

 Human Rights Policy  
<https://www.cosmo-energy.co.jp/en/about/company/policy/human-rights.html>

## Relief mechanism

The Group has established the Cosmo Energy Group Corporate Ethics Office as an organization to promote and implement activities related to corporate ethics and human rights measures. In addition, the Cosmo Energy Group Corporate Ethics Consultation Helpline (Corporate Ethics Helpline), which allows employees to anonymously consult on and report misconduct and ethical issues, such as violations of laws and company rules, has been established both within and outside the Company.

## Promotion structure

Under the supervision of the Board of Directors, the Company decides, promotes, implements, and confirms basic policies regarding corporate ethics, and promotes, implements, and confirms efforts to respect human rights and prevent and rectify all manner of human rights violations both in and outside of Japan. We have established a Sustainability Strategy Committee and a Sustainability Committee as meeting bodies for this purpose.

We also look at the entire supply chain, investigating human rights compliance in the supply chain within the framework of sustainable procurement.

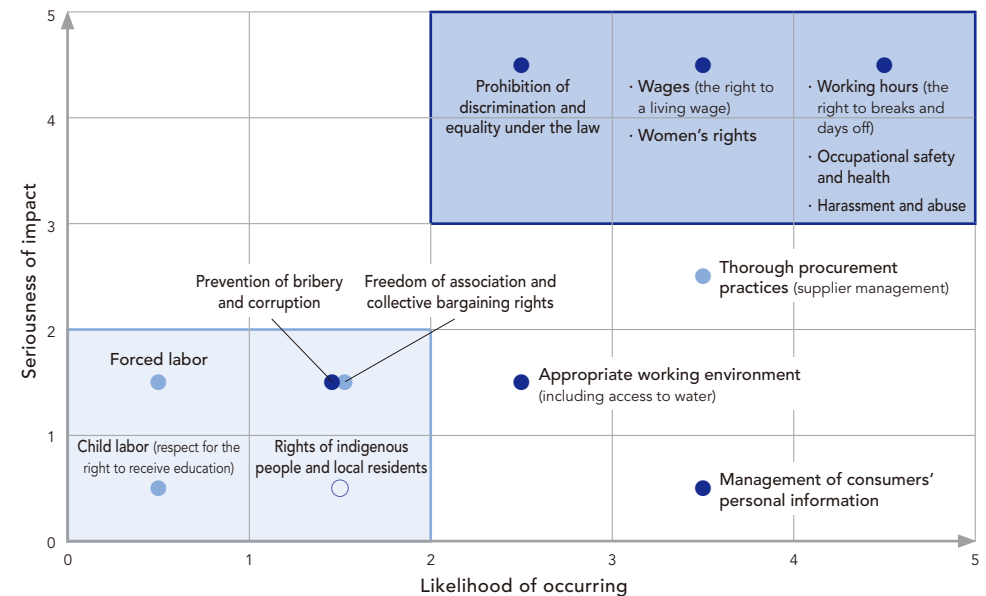
Regarding our human rights initiatives, in May 2023, we invited Mr. Hideki Matsuoka, a specially appointed researcher at the Asia-Pacific Human Rights Information Center (Hurights Osaka), to hold an expert dialogue with the General Manager of the Sustainability Initiative Department. We will use the feedback we received to make improvements.

 Expert Dialogue (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/social/employee.html>

## Implementing human rights due diligence

In FY2022, the Group conducted human rights due diligence in accordance with the UNGP on the value chain of petroleum products, our main business. The goal was to identify and evaluate human rights risks, and to propose improvement measures (such as establishing an educational mechanism). Based on written and interview-based surveys, employee awareness surveys, and external information, we evaluated apparent and latent risks and management structure vulnerabilities. In response, we created a map of human rights issues in our petroleum-related businesses.

**Map of human rights issues** Ratio of vulnerabilities that have been addressed ● 76~100% ● 51~75% ○ 26~50%



- A mechanism has been established to some extent (high ratio of vulnerabilities that have been addressed), but apparent and latent risks are high  
→ A reevaluation is required, including a review of existing mechanisms
- Although likelihood of occurrence and/or seriousness of impact is low, management mechanisms are at least partially lacking; if these risks arise, our risk management efforts might be called into question  
→ Expansion of risk management mechanisms is required

### Reference guidelines

- We first drew up a long list of 24 human rights issues based on international norms and guidelines, industry characteristics, and the human rights risks and issues faced by other companies. We then extracted 14 issues related to our Group from the long list.
- In implementing human rights due diligence based on the Guiding Principles on Business and Human Rights, we conduct risk assessments of human rights issues and vulnerabilities to human rights risks from the perspective of seriousness of impact and likelihood of occurrence.



## Commitment to Compliance and Sharing of Philosophy and Values

The Cosmo Energy Group designates "Commitment to compliance and sharing of philosophy and values" as one of its most important material issues that forms the foundation of business continuity. We have set KPIs in our Seventh Consolidated Medium-Term Management Plan and are cultivating an honest corporate culture, strengthening our internal systems, and reinforcing our compliance structure.

### Compliance

#### Corporate ethics promotion structure

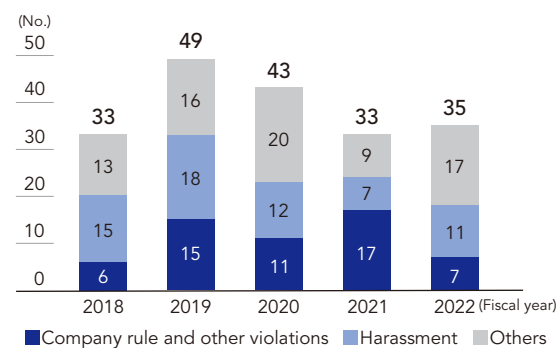
The Sustainability Strategy Committee and Sustainability Committee were established under the supervision of the Board of Directors to determine, promote, implement, and confirm basic policies regarding corporate ethics. These two bodies also promote, implement, and confirm efforts to respect human rights and prevent and eliminate all human rights violations both in Japan and overseas.

In FY2022, the Group recorded one serious compliance violation, and we have taken thorough measures to prevent a recurrence.

#### Corporate Ethics Consultation Helpline

We have established the Cosmo Energy Group Corporate Ethics Consultation Helpline (Corporate Ethics Helpline) both internally and externally, allowing employees to anonymously discuss and report misconduct by their colleagues such as violations of laws and company rules (including harassment), as well as ethical issues. In FY2022, the number of consultations totaled 18 (seven violations of company rules, 11 cases of harassment). Reports and consultations are regularly reported to directors who are members of the Audit and Supervisory Committee, leading to continuous improvement of the workplace environment and cross-organizational deployment of preventive measures. In response to the revision of the Whistleblower Protection Act in June 2022, we regularly train helpline personnel on the outline of the whistleblower system and how to respond to whistleblowing cases, which improves the skills of those personnel.

**Number of reports to Corporate Ethics Office (past five years)**



### Sharing of philosophy and values

To instill the Group's management vision and values in employees, we conduct employee awareness surveys and various types of training and other education, and we monitor progress. The Cosmo Energy Group Code of Conduct defines the actions that all officers and employees should take and the rules they must observe in their everyday work.

### Sustainable procurement

We believe that our Group Management Vision makes it essential to fulfill our social responsibilities throughout the supply chain such as legal compliance, fair trade, respect for human rights, and environmental consideration. Our Sustainable Procurement Policy was formulated in 2019 and revised in February 2022. This policy, based on our Group Management Vision and Code of Conduct, sets forth basic policies regarding the social responsibilities that the Group should fulfill throughout the supply chain to help realize a sustainable society.

Guided by the CSR-based Purchasing Guidelines formulated by Cosmo Oil in 2019, we drafted the Cosmo Energy Group Sustainable Procurement Guidelines in January 2023. The guidelines summarize in nine categories the specific things that we should request from our suppliers. We aim to pursue sustainable development by collaborating with amenable suppliers (business partners).

In FY2022, we expanded initiatives in our Group's Sustainable Procurement Policy and Sustainable Procurement Guidelines to Group companies and conducted evaluations of our suppliers. We had all 11 Group companies, led by Cosmo Oil, request the cooperation of approximately 900 suppliers with a survey to investigate their compliance with the Sustainable Procurement Guidelines, and the response rate was nearly 90%. We will continue to expand our efforts in accordance with these guidelines, gain the understanding and support of our suppliers, and aim for sustainable mutual development.

# Strengthening Group Risk Management


The Cosmo Energy Group has designated "the strengthening of Group risk management" as one of the most important material issues that form the foundation of business continuity. We strive to improve enterprise value by establishing a vision and KPIs for Group risk management, sincerely addressing material issues, and strengthening our governance structure.

## Risk management

At the Cosmo Energy Group, we aim to achieve sustainable development by continually offering a stable supply of products and services. To enable us to realize this goal, the Sustainability Strategy Committee not only deliberates on how to respond to groupwide risks, it also summarizes measures to address risks at each company and discusses the progress of countermeasures (twice a year). The results are reported to the Board of Directors and, through the Sustainability Liaison Committee, are shared with each Group company.

Core operating companies and semi-core operating companies have established specialized bodies, such as the Sustainability Promotion Committee, which promote measures to address risks faced by Group companies and their subsidiaries, as well as propose safety measures and monitor the progress of safety activities. Similar risk management is also promoted at the subsidiaries of each Group company, and these initiatives are reported to the Sustainability Strategy Committee through the core or semi-core operating companies in charge of them.

In this way, we work to enhance risk management for the entire Group through strong groupwide governance and independent efforts by each company.

 Risk Management System (available in Japanese only)  
<https://www.cosmo-energy.co.jp/ja/actions/sustainability/governance/risk.html>

## Groupwide risks

We recognize the following risks as being common to all Group companies, and we are working on measures to address them.

- Risk related to forex rates
- Risk related to interest rates
- Risk related to value of assets
- Risk related to reversal of deferred tax assets
- Risk related to infectious diseases, etc.
- Risk related to climate change
- Risk related to disasters and accidents
- Risk related to laws and regulations
- Risk related to competition
- Risk related to credit
- Risk related to quality
- Risk related to customer satisfaction
- Risk related to violations of laws and ordinances
- Risk related to information management
- Risk related to internal control systems
- Geopolitical risk

## Cosmo Energy Group priority risks (CEG priority risks) and our steady responses

The Cosmo Energy Group has defined the priority risks that the entire Group should address in FY2022 as "CEG priority risks," and has selected the following six, which are steadily being dealt with.

### FY2022 priority risks and details of initiatives to address them

	Risk item	Initiative details
1	Resolving medium- to long-term personnel shortages	<ul style="list-style-type: none"> <li>• Undertook efforts to ensure personnel are in the right roles and train successors</li> </ul>
2	Strengthening systematic preparations and countermeasures against infectious diseases	<ul style="list-style-type: none"> <li>• Ensured a flexible response to infectious diseases in accordance with the spread of COVID-19 and government orders, etc.</li> </ul>
3	Resilience against natural disasters	<ul style="list-style-type: none"> <li>• Conducted training to improve proficiency in the use of online tools (Teams)</li> <li>• Undertook efforts to improve awareness of storm and flood damage</li> </ul>
4	Reduction of harassment	<ul style="list-style-type: none"> <li>• Further enhanced our training program</li> </ul>
5	Reduction of work-related accidents	<ul style="list-style-type: none"> <li>• Strengthened efforts to reduce work-related accidents</li> <li>• Reinforced how work-related accidents are managed</li> </ul>
6	Cyberattack countermeasures	<ul style="list-style-type: none"> <li>• Held training to raise cyber-literacy levels</li> <li>• Implemented measures to strengthen security</li> </ul>

## Integrated risk management

As an important management agenda that extends to all Group companies, we have established a system for continual discussion in the Sustainability Strategy Committee, and we have implemented measures aimed at understanding risks and evaluating our responses. To further strengthen our response to changes in the Group's business environment and various risks, we are working to build a groupwide Enterprise Risk Management (ERM) system. Under this system, we seek to maximize the Group's enterprise value by viewing risks as opportunities that lead to profits over the medium to long term.

# Digital Transformation (DX)

Transforming our business model through digital capabilities and change management

Noriko Rzonca

CDO, Senior Executive Officer  
In charge of Corporate DX Strategy Dept., Corporate Communication Dept., and IT Initiative Dept.



To effectively respond to the ever-changing business landscape surrounding the Cosmo Energy Group, a fundamental transformation of our business model is imperative. Therefore, we believe that it is crucial for each employee to take ownership in solving business challenges and actively engage in collective DX initiatives while making use of digital technology. To realize this, we have been actively working on bolstering our overall "digital capabilities," which encompasses the necessary organizations, infrastructure, and partnerships with external stakeholders to promote data utilization. Additionally, we are committed to driving "change management" initiatives, including human resource development and fostering diversity within our organizations, to overcome the challenges of transformation.

To be more specific, we are actively developing data utilization infrastructure, introducing various analytical tools, and cultivating human resources with expertise in data utilization. At the same time, we are running programs designed to enhance digital literacy and support DX initiatives. These efforts are aimed at fostering a corporate culture where every employee within the Group can actively engage in and contribute to DX activities using digital tools. In our Seventh Consolidated Medium-Term Management Plan, we are committed to boosting efficiency and productivity within our existing business operations while simultaneously striving to realize new value as a community enabler.

## FY2022 activities

Our business strategy and organizational efforts to drive DX have been recognized by the Ministry of Economy, Trade and Industry with certification as a "DX Certified Operator." In addition to establishing data analytics infrastructure and uncovering business challenges through DX surveys conducted among all employees, we are implementing the following initiatives to support DX activities.



### 1 DX Forum

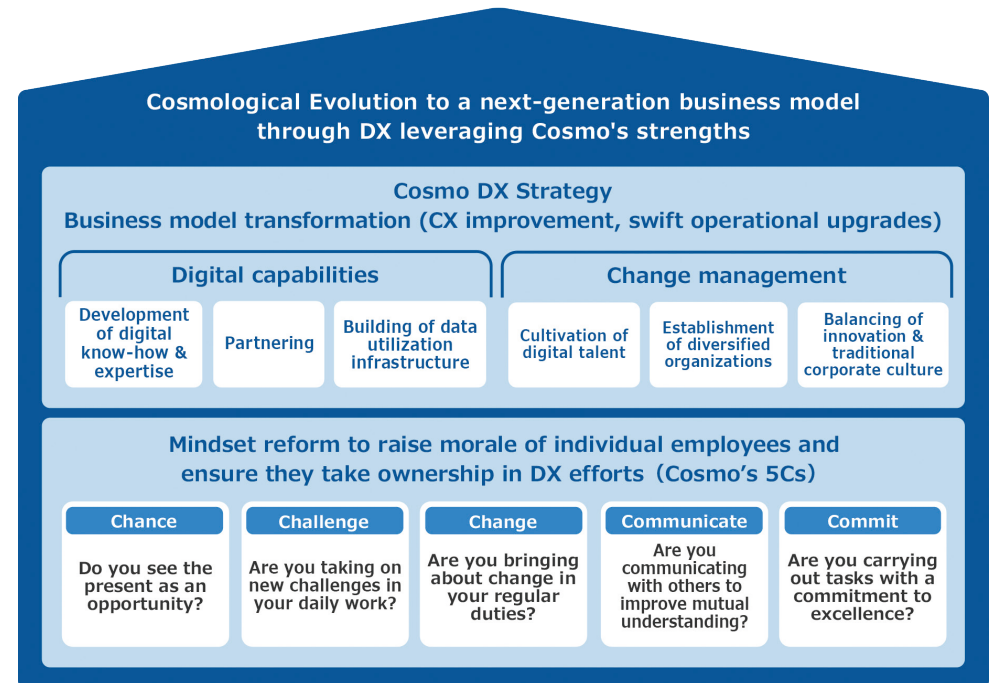
To enhance employees' DX literacy, we provide information on the utilization of BI tools and DX best practices through the DX Forum.

### 2 CDO CUP

To elevate the execution level of DX projects, we run an in-house program called "CDO CUP," where a specialized DX Taskforce provides support.



## DX at Cosmo (Cosmo's Vision House)



Cosmo's commitment to DX is represented in our "Vision House" shown above. Our primary objective is to realize "Cosmological Evolution." To achieve this, we have established six initiative pillars, categorized into two primary strategies, each consisting of three sub-initiatives. Our efforts extend beyond enhancing our organizational structure and data utilization infrastructure; we are dedicated to cultivating a culture that blends innovation and tradition. This entails collaborating with external partners, ensuring employee professionalism, and championing diversity and inclusion. Additionally, we have introduced the "5C" principles, known as "Cosmo's 5Cs," as a pivotal element for transforming employee mindsets, driving meaningful behavioral change.

## Digital Transformation (DX)

### Our DX vision



In our role as an energy supplier, we are fully committed to strengthening the competitiveness of our existing business operations by leveraging digital technologies, including digitalizing our plants and optimizing the petroleum supply chain. Additionally, we are focused on harnessing both existing and new data to generate fresh business value, thereby serving as a community enabler.

### Key performance indicators for establishing DX promotion infrastructure and developing digital personnel

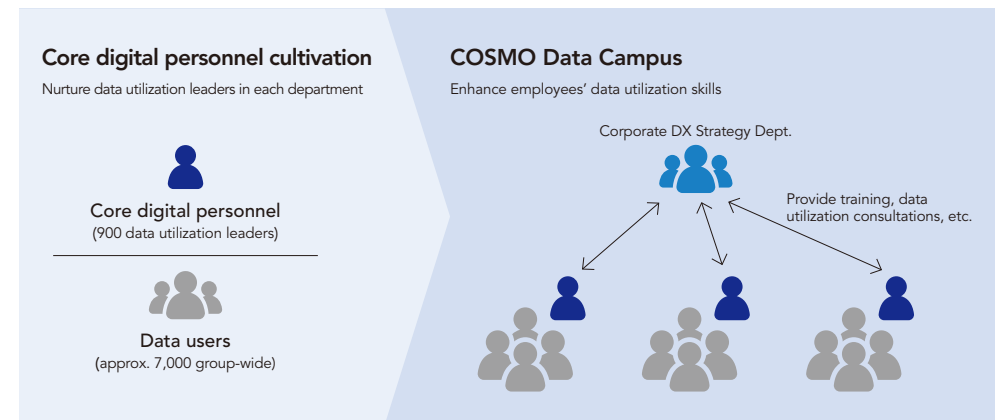
Core digital personnel	Develop <b>900</b> core digital personnel by the end of FY2025	Number of projects conducted with CDO CUP Support	Total of <b>60</b> over three years
DX event participation	Total <b>20,000</b> people per year	IT/DX-driven operational efficiency improvement	Up <b>10%</b> (vs. FY2022)
Number of DX Forum events	<b>24</b> per year		

### Core digital personnel

In the realm of business, formulating strategies and business plans demands the analysis and effective utilization of gathered and stored data. We are dedicated to nurturing all Cosmo Energy Group employees into proficient data users who leverage data in their everyday work processes.

Furthermore, we will develop core digital personnel who will lead data utilization efforts among data users in each department. These key individuals will spearhead data collection, visualization, and analysis, ultimately bolstering the overall digital capabilities of the entire Group.

To achieve this, we are rolling out the in-house training program "COSMO Data Campus," where employees acquire the skills necessary for data utilization.



Core digital personnel encompass not only data scientists who perform data analysis but also data engineers responsible for designing and building data utilization infrastructure, as well as data strategists who formulate data utilization strategies within organizations. Data strategists with a strong understanding of business define data utilization themes, and within projects, data scientists and data engineers coordinate their roles to advance these initiatives. This approach helps us disseminate a culture of data utilization throughout the Group.

When setting the KPI of 900 individuals, we have taken into account our organizational structure, and we have calculated the required personnel and headcount for each department accordingly. In driving data utilization, we will progressively foster skills through human resource development programs to enable individuals to acquire advanced capabilities for the future.

## Safe Operations and Stable Supply

The Cosmo Energy Group has designated "safe operations and stable supply" as one of our most important material issues. We consider "thorough safety measures" to be one of the foundations of business continuity to improve enterprise value, and we have set KPIs to strengthen our safety management structure.

### Ensuring safe operations and stable supply

The Cosmo Energy Group states in Chapter 1 of its Code of Conduct, "We are determined to be a safe, accident-free corporate group." We are implementing safety measures with the goal of achieving "safe operations and stable supply," one of the most important material issues listed in the Seventh Consolidated Medium-Term Management Plan.

In FY2022, one serious work-related accident occurred at Cosmo Oil. Out of sincere concern, we returned to the basics of safety and implemented educational and other initiatives that prioritize safety, such as thorough compliance with regulations and standards; thorough reporting, consultation, and communication; and strict use of appropriate protective equipment. Meanwhile, at Cosmo Oil Marketing, which recorded an increase in work-related accidents, we are taking measures such as sharing case studies across all divisions and issuing warnings.

In the Seventh Consolidated Medium-Term Management Plan, we established management indicators and will implement safety management with the goal of identifying and taking countermeasures against failures that do not lead to serious accidents or major work-related injuries. At the same time, we are working to ensure safe operations and stable supply by upgrading workplaces and the working environment and applying our Operational Management System (OMS).

#### Number of work-related accidents at the Cosmo Energy Group

	FY2020		FY2021		FY2022	
	Accidents requiring time off from work	Accidents not requiring time off from work	Accidents requiring time off from work	Accidents not requiring time off from work	Accidents requiring time off from work	Accidents not requiring time off from work
Accidents during work	33	95	20	60	42	74
Accidents while commuting	12	19	12	21	12	18
Total	159		113		146	

\*Accidents during work include ones that occurred at subcontracting companies.

### Quality assurance: enhancing our quality assurance structure

Based on its quality policy, the Cosmo Energy Group's Sustainability Strategy Committee sets quality targets for the entire Group. Cosmo Oil also has a Sustainability Promotion Committee to determine quality assurance policies and promote activities in line with Group quality targets.

In FY2022, we designated the prevention of serious product (quality) accidents as a KPI and engaged in quality control activities. Our refineries and plants continued to achieve zero serious quality-related issues and shipments of non-conforming products.

### Certification as Super Nintei Jigyosha

In our Group, the Chiba Refinery and Yokkaichi Refinery obtained Super Nintei Jigyosha (Tokutei Nintei Jigyosha) certification in April 2021 and August 2022 respectively. Under this program, the Ministry of Economy, Trade and Industry certifies business establishments that have achieved a high level of voluntary safety activities through the use of IoT and big data, advanced risk assessments, and third-party evaluations of safety capabilities.

#### Benefits of being certified

Category	Conventional certification program	Super Accredited Operator certification program
Period of continuous operation	Fixed (two years/four years)	Arbitrary with an upper limit of eight years (the business operator is allowed to set the period on their own in accordance with risks)
Completion inspection/safety inspection methods	Methods specified by the Minister of Economy, Trade and Industry	Wider inspection method options (to be determined by the business operator)
Equipment renewal (same specifications)	Prior permission required	Prior permission not needed for a wider range

As a result of these efforts, we are able to ensure more flexible and efficient business operation than before. These will also lead to greater international competitiveness. We believe that it is very meaningful that we obtained this certification at the Chiba Refinery, which has the highest crude oil throughput in the Group and is close to the center of demand in the Greater Tokyo Area, and the Yokkaichi Refinery, which has been in operation for approximately 80 years. This is a huge milestone in terms of refinery operations.

Furthermore, at the Sakai Refinery, we are also working to achieve a high level of voluntary safety. At Group's refineries, the OMS, which is the pillar of our operations, encourages individuals to act on their initiative based on their commitment to requirements that define ideal refinery operations, as well as their knowledge and experience. We strive to improve our safety capabilities by implementing and continually improving safety management activities and by growing into an autonomous organization that runs on the knowledge and skills of individuals.

The Group will continue to take actions to "remain a safe, accident-free corporate group" as set forth in the Cosmo Energy Group Code of Conduct, as we work to reduce failures. At the same time, we will contribute to the enrichment of customers' lives through safe operations and a stable energy supply.



## Corporate Governance

## Overview of Corporate Governance

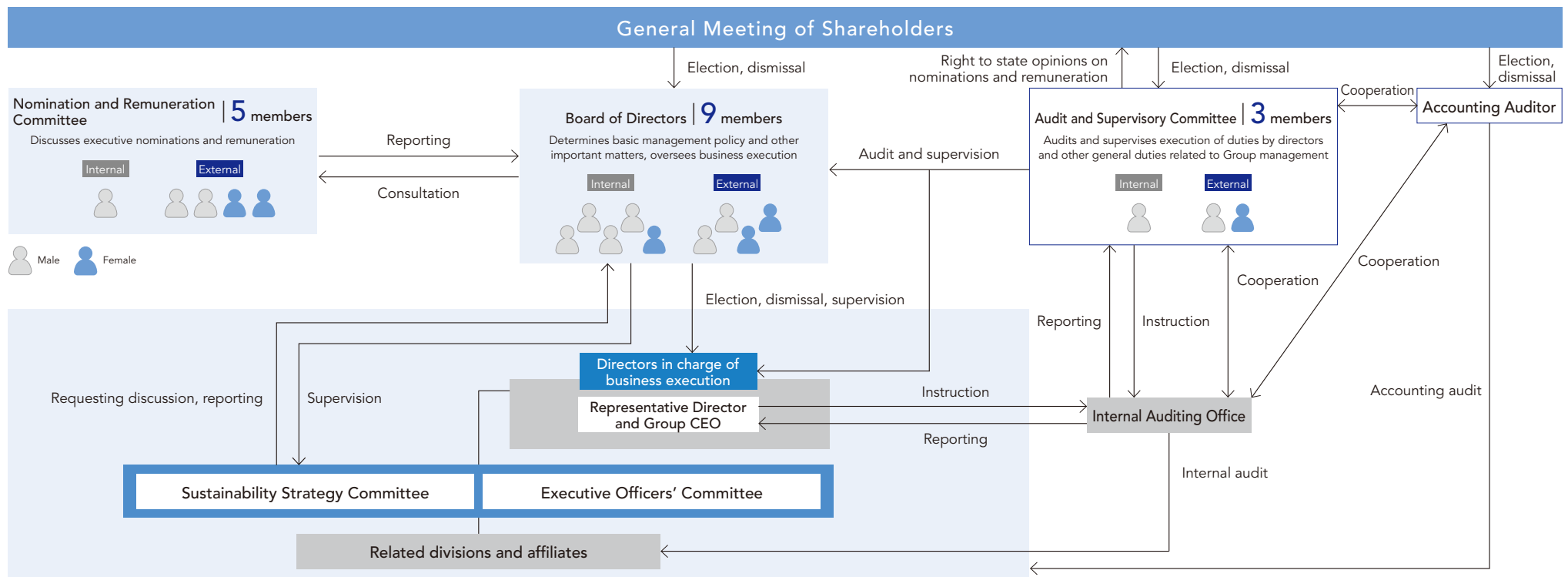
## Basic approach to corporate governance

Based on the "Cosmo Energy Group Management Vision" and the "Cosmo Energy Group Code of Conduct," which outlines the specific guiding principles to achieve the Group Management Vision, we are working to promote improvements in "management transparency and efficiency," "prompt execution of business," and "thorough risk management and compliance."

 Corporate Governance Basic Policy  
<https://www.cosmo-energy.co.jp/en/about/ir/management/governance.html>

## Corporate governance structure

To promote the above, Cosmo Energy Holdings is structured as a company with an audit and supervisory committee, and has established a Board of Directors, an Audit and Supervisory Committee, a Nomination and Remuneration Committee, an Executive Officers' Committee, and a Sustainability Strategy Committee. Additionally, we have introduced an executive officer system to further clarify the separation between management oversight and business execution and to respond quickly to changes in the business environment.



**Executive Officers' Committee:** Consists of the Group CEO, key executive officers, full-time Audit and Supervisory Committee members, and the presidents of core operating companies. It is a decision-making body for the Group CEO that deliberates on basic policies and important matters related to business execution.

**Sustainability Strategy Committee:** See page 50 for details.

Corporate Governance

### Transition of corporate governance enhancement

	Changes made	Director mix (people)	Female director composition (people)
October 2015	<ul style="list-style-type: none"> <li>Formed a holding company structure</li> <li>Shifted to company with an audit and supervisory committee structure</li> <li>Introduced a share-based compensation plan</li> </ul>	<p>2 8</p>	<p>10</p>
2019	<ul style="list-style-type: none"> <li>TSR standard introduced for medium- to long-term incentive remuneration (2018)</li> <li>Appointed a female director (Audit and Supervisory Committee Member)</li> </ul>	<p>2 8</p>	<p>1 9</p>
2021	<ul style="list-style-type: none"> <li>Number of independent outside directors increased</li> <li>Number of female directors increased</li> </ul>	<p>3 7</p>	<p>2 8</p>
2022	<ul style="list-style-type: none"> <li>Appointed a female executive officer as a director</li> <li>Number of independent outside directors increased</li> <li>Evaluation of ESG efforts introduced in annual incentive remuneration</li> </ul>	<p>4 5</p>	<p>3 6</p>

\*Audit and Supervisory Committee members are included in "Directors" ■ Independent outside directors ■ Female ■ Male

### Bolstering diversity

To enable the Board of Directors to function effectively and efficiently, we have increased diversity in terms of skills, gender, and the balance between internal and external directors, among other factors. As of July 2023, three out of nine directors were female and four were independent outside directors.

### Strengthening the executives' remuneration plan

Remuneration consists of three components: basic remuneration, annual incentive remuneration, and medium- to long-term incentive remuneration. In addition, beginning in FY2022, evaluation of efforts towards ESG targets have been taken into account in annual incentives. (See page 75 for details.)

### Review of Board of Directors' purpose and authority

In FY2021, the Board of Directors reviewed its purpose with the goal of deepening medium- to long-term discussions and strengthening engagement with stakeholders. At the same time, it expanded discussions on sustainability and the Company's medium- to long-term direction in line with this purpose.

#### Purpose of the Board of Directors

- The Board of Directors aims to achieve sustainable growth of the Group and enhance enterprise value over the medium to long term.
- The Board of Directors strives to instill compliance with laws and regulations and corporate ethics, and with this in mind, focuses on "determining the Company's overall direction", "engaging with stakeholders (information disclosure, etc.)", and "overseeing business execution" as it streamlines management.

Furthermore, in July 2022, the Board of Directors delegated a significant share of business execution decisions to the Executive Officers' Committee, with the aim of strengthening the Board of Directors' supervisory function and streamlining management.

## Corporate Governance

## Board of Directors

## Overview

The Board of Directors is composed of directors (excluding directors who are members of the Audit and Supervisory Committee) and Audit and Supervisory Committee members. The Board makes decisions on important matters such as basic management policies and oversees business execution.

To strengthen the Board of Directors' supervisory function and ensure that management is fair and transparent, we have appointed independent outside directors. We have also established system whereby information required by those directors is immediately reported.

## FY2022 Board of Directors' meeting attendance record

The Board of Directors met 11 times. The attendance of each member is shown below.

Title	Name	Attendance record
Representative Director, Group CEO	<b>Hiroshi Kiriya</b>	100% (11/11)
Representative Director, Senior Managing Executive Officer	<b>Takayuki Uematsu</b>	100% (11/11)
Director, Senior Executive Officer	<b>Shigeru Yamada</b>	100% (11/11)
Director, Senior Executive Officer	<b>Yoshimitsu Sunano</b>	100% (1/1)
Director, Senior Executive Officer	<b>Junko Takeda</b>	100% (10/10)
Independent Outside Director	<b>Ryuko Inoue</b>	100% (11/11)
Independent Outside Director	<b>Takuya Kurita</b>	100% (10/10)
Director, Full-time Member of the Audit and Supervisory Committee	<b>Toshiyuki Mizui</b>	100% (11/11)
Independent Outside Director, Member of the Audit and Supervisory Committee	<b>Yasuko Takayama</b>	100% (11/11)
Independent Outside Director, Member of the Audit and Supervisory Committee	<b>Keiichi Asai</b>	100% (11/11)

\*The above information applies to the period from April 1, 2022 to March 31, 2023, and titles are as of March 31, 2023 or the date of retirement.

\*In addition to the number of Board of Directors' meetings noted above, one written resolution was deemed to have been passed by the Board of Directors pursuant to Article 370 of Japan's Companies Act and the Company's Articles of Incorporation.

\*Director and Senior Executive Officer, Junko Takeda, and Independent Outside Director, Takuya Kurita, attended Board of Directors' meetings held after their appointment as directors, and Director and Senior Executive Officer, Yoshimitsu Sunano, attended Board of Directors' meetings held before his retirement as director.

## FY2022 Board of Directors' activities

In FY2022, Board discussions focused on the following points.

## Authority of the Board of Directors

In accordance with the Board of Directors' purpose, which was reviewed in FY2021, the Board discussed its authority and reviewed the regulations governing it. More specifically, the Board reviewed the standards for deciding which matters should be submitted for discussion, delegated a large share of decisions regarding business execution to executive officers, and enhanced the range of reporting items to strengthen its supervisory function.

## Vision 2030 and the Seventh Consolidated Medium-Term Management Plan

The Board of Directors held a total of nine discussions during the course of formulating Vision 2030 and the Seventh Consolidated Medium-Term Management Plan, which were announced in March 2023. With the business environment entering a period of major transformation as we seek to realize a decarbonized society, the Board has also held discussions on various topics relating to how it can sustainably enhance the enterprise value of the Cosmo Energy Group.

## Sustainability

The Group is working to promote sustainability, and the Board of Directors has also addressed a variety of sustainability-related topics such as climate change (including our Roadmap to Achieve Net Zero Carbon Emissions), safety, risk management, and human rights.

## Evaluation of Board of Directors' effectiveness

The Company evaluates the effectiveness of the Board of Directors every year. In FY2022, we conducted an anonymous survey regarding Board of Directors' composition, role, operations, and this fiscal year's new initiatives, and based on the responses, the Board evaluated and discussed plans for future initiatives.

## Overview of evaluation results

- The structure of the Board of Directors is appropriate the number of directors, its composition is diverse, and it serves as a venue for the constructive exchange of opinions.
- The Board of Directors serves as a venue to discuss business strategy from medium- and long-term viewpoints capturing changes in the external environment such as decarbonization and to discuss and make decisions on the major direction and so on for the Group including Vision 2030 and the Seventh Consolidated Medium-Term Management Plan.
- In addition to the above, the Board took the following actions and made improvements concerning its policies on pursuing initiatives stated in FY2021:
  - 1 Continuously reviewed the Board of Directors' authority in line with its purpose
  - 2 Established meetings (Executive Session) consisting of independent outside directors only

## Future issues and our policy on pursuing initiatives

To further enhance effectiveness, the Board of Directors will work to regularly oversee the status of business execution toward achievement of the Seventh Consolidated Medium-Term Management Plan.

The full results of the evaluation of Board of Directors' effectiveness are posted on our corporate website.

 <https://www.cosmo-energy.co.jp/en/about/ir/management/governance.html>



## Corporate Governance

## Nomination and Remuneration Committee

## Overview

The Company has established a Nomination and Remuneration Committee as an advisory body to the Board of Directors to ensure transparency and objectivity in the process of determining director candidates and remuneration. The Committee is composed of internal and independent outside directors, and it deliberates on the nomination and remuneration of executive officers. The Committee is chaired by an independent outside director.

## FY2022 Nomination and Remuneration Committee meeting attendance record

The Nomination and Remuneration Committee met 10 times in FY2022. The attendance of each member is shown below.

Title	Name	Attendance record
Representative Director, Group CEO	<b>Hiroshi Kiriya</b>	100% (10/10)
Independent Outside Director	<b>Ryuko Inoue</b>	100% (10/10)
Independent Outside Director	<b>Takuya Kurita</b>	100% (8/8)
Independent Outside Director, Member of the Audit and Supervisory Committee	<b>Yasuko Takayama</b>	100% (10/10)
Independent Outside Director, Member of the Audit and Supervisory Committee	<b>Keiichi Asai</b>	100% (10/10)

\*The above information applies to the period from April 1, 2022 to March 31, 2023, and titles are as of March 31, 2023 or the date of retirement.

\*Independent Outside Director, Takuya Kurita, attended Committee meetings held after his appointment to the Committee on June 23, 2022.

## FY2022 Nomination and Remuneration Committee's activities

In FY2022, the Nomination and Remuneration Committee met 10 times and primarily discussed the following agenda items.

Meeting date	Matters deliberated/reviewed (regarding nominations)	Matters deliberated/reviewed (regarding remuneration)
May 16, 2022	<ul style="list-style-type: none"> <li>Role of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Performance evaluation for annual incentive</li> </ul>
June 13, 2022	<ul style="list-style-type: none"> <li>Review of details of executive officers' goals and human resource requirements for executive officers</li> </ul>	<ul style="list-style-type: none"> <li>Review of the progress of ESG targets and reporting on their consideration status</li> <li>Determination of stock remuneration amount</li> </ul>
June 23, 2022	<ul style="list-style-type: none"> <li>Election of Nomination and Remuneration Advisory Committee members and chairperson</li> </ul>	
July 27, 2022	<ul style="list-style-type: none"> <li>Structure of the Board of Directors</li> <li>Training for executive officers</li> </ul>	
October 17, 2022	<ul style="list-style-type: none"> <li>Retirement age of internal officers</li> <li>Nomination and Remuneration Advisory Committee name change</li> </ul>	<ul style="list-style-type: none"> <li>Annual incentive (performance evaluation) indices</li> <li>Unification of stock remuneration calculation periods</li> </ul>
November 10, 2022	<ul style="list-style-type: none"> <li>Consideration of outside director' term of office</li> <li>Review of the skills matrix</li> </ul>	
December 23, 2022	<ul style="list-style-type: none"> <li>Appointment of Group Chairman and Group CEO</li> <li>Review of the results of executive officer' performance evaluations and multilateral evaluations</li> </ul>	<ul style="list-style-type: none"> <li>Report on the environment surrounding management remuneration</li> <li>Examination of appropriateness of the current remuneration level</li> </ul>
January 16, 2023	<ul style="list-style-type: none"> <li>Appointment of executive officers</li> <li>Regulations on executive officers' term of office</li> </ul>	<ul style="list-style-type: none"> <li>Considerations concerning the review of compensation levels and mix</li> </ul>
February 16, 2023	<ul style="list-style-type: none"> <li>Skills matrix of FY2023</li> </ul>	<ul style="list-style-type: none"> <li>Final draft of FY2023 remuneration level and mix</li> <li>Annual incentive framework</li> </ul>
March 20, 2023	<ul style="list-style-type: none"> <li>Skills matrix of FY2023</li> <li>FY2023 officer training implementation plan</li> </ul>	<ul style="list-style-type: none"> <li>Setting of annual incentive performance base amount</li> <li>Stock ownership guidelines</li> </ul>

## Corporate Governance

### Evaluation of Nomination and Remuneration Committee's effectiveness

We have evaluated that our Nomination and Remuneration Committee is effective and that the Committee is continuously striving to improve its effectiveness as in FY2021 as demonstrated below.

- The structure of the Committee is appropriate in terms of the number of members, proportion of outside members, and diversity, and free and open exchange of opinions.
- The Committee takes into account information provided by consultants and recent trends both inside and outside the company when holding discussions.
- Nominations and remuneration are both determined through appropriate processes.

Furthermore, the key achievements by the Committee for FY2022 are below.

- Appointment of the Representative Director, Group CEO based on its succession plan
- Reviewed the composition and the level of remuneration for directors and executive officers
- Optimized the director/executive officer structure through review of their tenure and skill matrix
- Provided training programs necessary for performing the roles and responsibilities of directors and executive officers

The Committee is committed to further raise its effectiveness and the Company's governance in the areas of director nomination and remuneration.

The results of the evaluation of Nomination and Remuneration Committee's effectiveness are posted on our corporate website.

 <https://www.cosmo-energy.co.jp/en/about/ir/management/governance.html>

### Succession planning and CEO appointment and dismissal

The Cosmo Energy Group considers the development of successors to the president as one of the most important strategies to support its sustainable growth. Our fundamental policy is to ensure transparency and objectivity in the selection of successor candidates and to develop individuals as successors who possess the capabilities and qualities befitting the Group CEO.

During the successor development period, successor candidates are subject to multilateral human resource evaluations, including an evaluation of whether they meet the Group's human resource requirements, as well as annual performance evaluations. At the same time, support for their future development is provided in a well-planned manner by considering and making job assignments based on the development status of each candidate, providing them with external training opportunities, and other initiatives. The Nomination and Remuneration Committee is provided with information about multilateral human resource evaluations and the results of annual performance evaluations and continues to evaluate the appropriateness of successor candidates and the succession plan.

Regarding final candidate selection, the president selects the final candidate who possesses the capabilities and qualities necessary to lead the Group as CEO from a pool of candidates based on multilateral human resources evaluation information, including whether they meet the human resources requirements of the Group and the results of performance evaluations conducted every fiscal year. The president then submits a proposal to the Nomination and Remuneration Committee, which deliberates the appropriateness of the president's proposal and submits their recommendation to the Board of Directors.

In addition, the Nomination and Remuneration Committee deliberates every fiscal year on whether or not it is necessary to submit a proposal regarding the dismissal of the president to the Board of Directors in light of human resource requirements, performance standards, or other factors. If the Committee concludes that the matter needs to be referred to the Board of Directors, the Board of Directors decides whether to dismiss the president based on the Committee's recommendation. Regarding the appointment of a new Group CEO in March 2023, please also see the Outside Director Dialogue section on pages 76-80.

## Corporate Governance

## Executive Remuneration Plan

## Overview

The Company has adopted a performance-linked remuneration plan for directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) and executive officers. This plan is designed to improve medium- to long-term business performance, provide incentives for increasing enterprise value and shareholder value, sustainably share economic interests with shareholders, encourage a willingness among directors and executive officers to take on challenges, and ensure transparency and objectivity in the remuneration determination and performance evaluation processes.

Under this plan, remuneration is composed of three parts: basic remuneration, which is monetary remuneration; annual incentive remuneration; and non-monetary medium- to long-term incentive remuneration. Levels are competitive compared to leading domestic companies, and the weight of management responsibility is reflected in the higher percentage of incentive remuneration in the remuneration of higher-ranked executives.

## Incentive plans

## Annual incentive remuneration

Annual incentive remuneration is based on the evaluation of Group business performance, evaluation of the efforts of ESG targets, and individual evaluations determined each year by the Nomination and Remuneration Committee.

Until FY2022, performance evaluations were based on consolidated ordinary profit (excluding the impact of inventory valuation), but to ensure consistency with the shareholder return policy announced in the Seventh Consolidated Medium-Term Management Plan, consolidated net profit (excluding the impact of inventory valuation) is now the standard for performance evaluation.

Beginning in FY2022, efforts towards ESG targets have been factored into remuneration, fostering an environment that motivates directors and executive officers to address material issues promptly and earnestly, thereby promoting sustainable management. For ESG targets that serve as indicators, please refer to the material issue KPIs in the Seventh Consolidated Medium-Term Management Plan shown on page 52 of this report.

## Medium- to long-term incentive remuneration

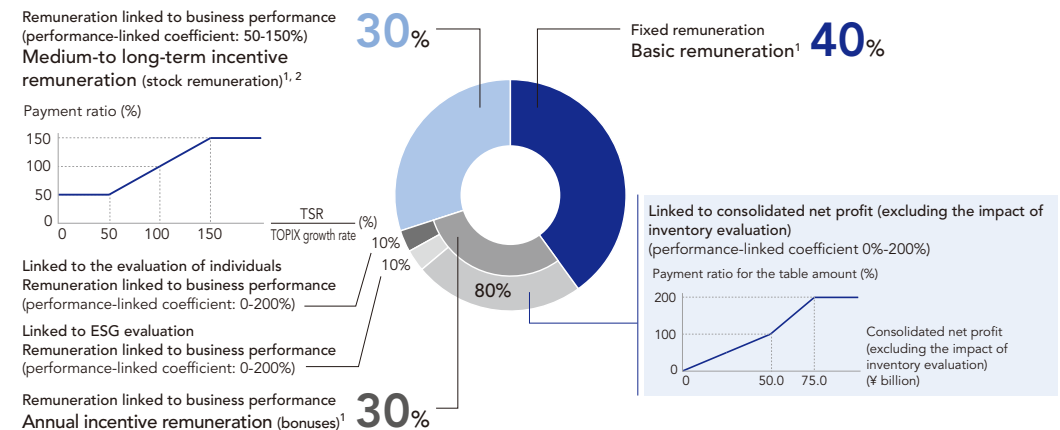
Medium- to long-term incentive remuneration is provided in the form of a performance-linked stock remuneration plan and non-monetary in nature. An incentive plan is established every year and is evaluated over three consecutive business years in consideration of the execution of

duties during the applicable period. For the incentive plan established in FY2023, the evaluation period will be three consecutive business years from FY2023 to FY2025. For each executive officer eligible under this system, 50% of the basic points determined for each position will be awarded based on performance and the remaining 50% based on other factors. The performance-linked coefficient is determined based on the Company's total shareholder return (TSR) relative to the TOPIX growth rate and the consolidated net debt-to-equity ratio.

## Stock ownership guidelines

To ensure that value is shared sustainably with all stakeholders, we established stock ownership guidelines for the Group's executive officers, which took effect in FY2023. Including potential stock holdings (the non-performance-linked portion of basic points granted through medium- to long-term incentive remuneration), the chairman and the Group CEO of the Company will receive 1.5 times their annual basic remuneration within five years of assuming their respective positions. For other executive officers of the Group, the goal is a standard holding value equivalent to annual basic remuneration within five years of assuming their respective positions.

## Executive officer remuneration plan (example)



1 The basic remuneration, annual incentive remuneration, and medium- to long-term incentive remuneration distribution ratio varies depending on the executive position.

2 Linked to FY2023-2025 total shareholder return (TSR) relative to the TOPIX growth rate and the consolidated net debt-to-equity ratio

## Outside Director Dialogue

# Enhancing enterprise value by executing the Seventh MTMP based on productive discussions by the Board of Directors under the leadership of the new CEO

## Keiichi Asai

Independent Outside Director

Keiichi Asai spent most of his career working in the energy sector, including petroleum business departments, such as oil sales, supply and demand, and refining, at Mitsubishi Corporation. After being named Executive Officer of the same company, he went on to become Executive Vice President of Lithium Energy Japan and served as Representative Director, President and CEO of KH Neochem Co., Ltd. He was appointed as Outside Director and Audit and Supervisory Committee Member of Cosmo Energy Holdings in June 2021.



## Yasuko Takayama

Independent Outside Director

Yasuko Takayama worked as General Manager of the Consumer Relations and Corporate Social Responsibility departments, and served as a Full-time Audit and Supervisory Board Member at Shiseido Co., Ltd. She has also held other positions, such as Outside Director of The Chiba Bank, Ltd. and Outside Audit and Supervisory Board Member of Yokogawa Electric Corporation. She has served as Outside Director and Audit and Supervisory Committee Member of Cosmo Energy Holdings since June 2019.

## Outside Director Dialogue

## Productive discussions during formulation of Vision 2030 and the Seventh Consolidated Medium-Term Management Plan

**Takayama** I was appointed as Outside Director and Audit and Supervisory Committee Member of the Company in June 2019, and feel strongly that Board of Directors meetings have evolved over the years into a forum for candid discussion. While I believe this is largely due to improvement efforts following the Board of Director meeting effectiveness evaluation, as well as the method and ingenuity of the Chair in facilitating meetings, discussions on proposals and overall content have become more productive. This enables discussion on the direction of our management strategy from a broad perspective.



In formulating the Seventh Consolidated Medium-Term Management Plan (hereafter, "the Seventh MTMP"), I was involved in thorough discussions as an outside director over the course of about two years. Specifically, from FY2021, we began fleshing out our long-term vision and explored the direction we should take as we look ahead to 2030 and 2050.

Based on the long-term vision discussed, we held nine separate discussions during Board of Directors and other meetings from FY2022 to formulate the Seventh MTMP. I feel that the degree of outside director involvement in this process was extremely high.

**Asai** Looking back at the Sixth MTMP, our priority as a company was to improve our financial health. I believe the fact that we were able to achieve this most important goal one year ahead of schedule is due to the ability of our then CEO, Mr. Kiriya (current Chairman), to fully utilize his skills as a leader.

When formulating the Seventh MTMP, we engaged in discussions by backcasting from our vision of how the Company will be in the future. Capital policy and our approach to investment were key as we considered how to grow our existence value as a company during the period until FY2030. Furthermore, recognizing that oil will still be a necessary energy source as of 2030, we reached the conclusion that it would be important to ensure profitability and to strengthen and improve our business foundation during the three-year period of the Seventh MTMP (FY2023-2025).

**Takayama** In terms of the external environment, there is clearly a call for companies to rapidly decarbonize. I recognize that companies like

those in our Group make the transition is a critical management agenda and a societal demand at large.

The Company has accelerated its efforts over the past few years, starting with our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) in 2020. This was followed by the announcement of our Carbon Net Zero Declaration in 2021 and our roadmap to achieve Carbon Net Zero in FY2022, as well as a review of material issues. I believe the process flowed extremely well in that we were able to bring all these initiatives together in the Seventh MTMP, including our sustainability strategy. Moreover, as the Sixth MTMP was viewed by the capital market as a bit cautious in terms of shareholder returns, we deepened our discussions on capital policy as part of the Seventh MTMP.

**Asai** While our investment plan calls for ¥400.0 billion to be invested in New fields by 2030, the most memorable part of the planning process was the discussions we had on what to invest in, how much to invest, and how to manage these investments to ensure growth.

Regarding capital policy, I was also impressed that after heated debate on whether to prioritize shareholder returns, financial health, or capital efficiency to enhance enterprise value, all directors eventually agreed on the expression "three-pronged capital policy." The level of outside director contribution was significant in the sense that discussions proceeded in the direction outside directors envisioned and the results of our discussions were expressed well.

## Outside Director Dialogue

## Proactive setting and disclosure of KPIs and laying out a growth roadmap in the Seventh MTMP

**Asai** I highly commend the incorporation of return on invested capital (ROIC) into our management goals from the perspective of investment management. ROIC is an indicator that allows us to make investments with an awareness of the cost of capital, which must always exceed the weighted average cost of capital (WACC). It is also suitable for making investment decisions over a three- to five-year span and is beneficial in that it makes segment management easier. I feel that the Company's decision to go into this level of detail when it comes to capital efficiency, including the disclosure of ROIC targets in numerical terms, is a sign that we are becoming more confident as a company in our performance.

**Takayama** While it is of course important to commit to and achieve numerical targets, I believe that it is also imperative that we carefully manage the process by which we achieve these targets each year and disclose evidence of our efforts for better understanding among our stakeholders.

In terms of the direction of the Seventh MTMP, we defined the "establish green electricity supply chain profit foundation" as a way to expand *New fields* to drive growth. As the strength of the Group lies in the fact that we have a presence in both the renewable energy generation and retail sales sectors, bolstering the supply chain by building supply-demand adjustment and energy storage businesses to connect the two is precisely the right course of action, and I very much applaud this plan.

At the same time, I recognize that one

issue is that we have not yet been able to fully provide clarity on the specific timing and size of the returns on these investments. I hope that we will be able to explain these points during the period of the Seventh MTMP.

**Asai** The Group's green electricity supply chain constitutes a business model that starts with wind power generation and storage will be an extremely vital area to minimize generation losses. Furthermore, making use of the Group's existing customer network data will serve as a source for generating revenue throughout the entire process from electric power supply to sales.

Although some would suggest spinning off our Renewable Energy Business, the Group has a social responsibility to provide a safe and stable energy supply, even in the event of disasters or other emergencies, and we must fulfill this responsibility across the entire supply chain.

In terms of the expansion of next-generation energy, we aim to begin mass production of Japan's first locally-made SAF<sup>1</sup> in 2025 and to produce 300,000 kiloliters by 2030. While the competitiveness of airlines is tied to how much they can reduce fuel costs, the supply side needs to ensure profitability.

**Takayama** I believe that domestically-produced SAF has great symbolic value in that we will be the first company in Japan to achieve mass production. However, in terms of volume, I recognize that expanding the scale of production is a key challenge we must tackle, as there is still a shortage relative to aviation fuel demand.

Another pillar of the Seventh MTMP is the transformation of our management foundation. Areas such as compliance, risk management, safe operations, and stable supply are also important



elements of our management foundation from the standpoint of protecting enterprise value. That being said, we pursued in-depth analysis on the contemporary themes of HRX, DX, and GX<sup>2</sup> during the process of formulating the medium-term management plan and set appropriate KPIs which we announced publicly.

Regarding GX, the Renewable Energy Business is one of the Group's strengths, and I believe that focusing of this business will enable us to further contribute to reducing GHG emissions. At the same time, while we have made progress in terms of disclosing our efforts to achieve carbon neutrality, I recognize that there

<sup>1</sup> SAF (Sustainable Aviation Fuel): fuel produced mainly from biomass-derived raw materials, including plants, as well as waste and waste cooking oil from restaurants and households. It enables the reduction of carbon dioxide emissions compared to fossil fuels.

<sup>2</sup> HRX (Human Resources Transformation), DX (Digital Transformation), GX (Green Transformation)

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are still issues to be addressed when it comes to the accuracy of disclosures around Net Zero emissions, including Scope 3.

In terms of diversity and inclusion (D&I), in the HRX initiative, I believe that we are becoming more diverse in terms of the gender mix in our management team, with women accounting for one third of our nine directors. If we include executive officers, there are now four women at the director or executive level. However, due to the low proportion of female employees in the energy industry as a whole, there is no denying that, numerically, the ratio of female managers across the Group is still low. Since we have developed a vast pool of exceptional talent, I expect that the number of female executives will continue to rise in the future.

**Asai** To facilitate the promotion of DX, we appointed a female Chief Digital Officer (CDO)<sup>3</sup> from outside the Group in November 2021. She seems like the

type of leader we have never had in our group before. She is very precise and has a strong ability to connect with others. If we were able to encourage outside talent like her to play an active role, I believe the atmosphere in the workplace would change dramatically.

**Takayama** Since her assumption of the CDO role, the mood of the entire organization has improved, and the awareness of individual employees has also changed. I also have high expectations for the success of the CDO and for the aggressive promotion of DX.

<sup>3</sup> CDO (Chief Digital Officer)

## Succession planning to support sustainable growth and efforts toward a more comprehensive skills matrix

**Asai** At the Company, succession planning is one of the most important strategies for ensuring sustainable growth. Through job assignments and external training, we assess the pool of leadership candidates to determine whether they possess the capabilities and qualities befitting a CEO.

The Nomination and Remuneration Committee is provided with information on performance evaluations and multilateral human resource evaluations for each fiscal period. The CEO ultimately selects the final candidate and drafts a proposal to put to the Nomination and Remuneration Committee, which in turn examines the suitability of the nominee and reports back to the Board of Directors.

When considering the suitability of a

candidate, in addition to human resource evaluation information, the committee also takes advantage of regular meetings, job briefings, interviews, and other opportunities to continuously observe the candidate over an extended period.

Everyone agrees that the reason Mr. Yamada was chosen as Group CEO is that he has a broad understanding of our business operations, as evidenced by his professional background. He is also highly personable and has the strong leadership skills and charisma to unify those around him. After his appointment, I was reminded that he has the courage to remain steadfast even in times of crisis.

**Takayama** I completely agree with you and think that courage is the perfect word to describe Mr. Yamada. He is also adept at appropriately discerning what information is necessary and what to disregard from the overwhelming amount of information coming in from all directions amid these times of sudden change in our external environment. He is also able to grasp the essence of a situation by objectively looking at the whole picture.

I believe that he is steering the Group in a very balanced manner, being neither too optimistic nor too pessimistic.

Several months have passed since he assumed the role of Group CEO, and I am now even more convinced than I was at the time of Mr. Yamada being the right choice for this role.

**Asai** I recognize that the current Board of Directors makeup is extremely balanced in terms of both the skills matrix and gender. The skills we are looking for in next-generation director candidates are experience in each of the business fields

## Outside Director Dialogue

defined under *Oil & New*, the ability to drive transformation in terms of DX and GX (which form our management foundation), and the financial and accounting skills required during a period of industry transformation.

**Takayama** Regarding Board of Directors composition, I also appreciate the fact that each individual's skill set complements that of others. The Board is very well balanced in that outside directors possess the skills that internal directors are lacking.

As for the future, although I share some of your views, I would like to add those who can draft, execute, and monitor financial strategies and capital policies to ensure that we enhance enterprise value which is the theme of the Seventh MTMP. Of course, they should also possess knowledge and experience in our businesses, as well as fundamental risk management, compliance, and governance skills. I have high hopes for such talent as well as those who can help propel transformation of our management foundation, such as in the areas of DX and GX. If we successfully reinforce these areas, I believe that discussions at Board of Directors meetings will be even more fruitful.

## Enhancing enterprise value by bolstering profitability and increasing expectations for the future

**Takayama** During Board meetings, in addition to discussing capital policy, we also engaged in spirited debate from the perspective of how to ensure that this leads to enhanced enterprise value. While we set a target return on equity (ROE) of 10% or more under the Seventh MTMP, how to raise

expectations for the future was also a topic of discussion. However, I believe that disclosure methods and other outstanding issues need to be discussed in greater depth.

With respect to price book-value ratio (PBR), I recognize that despite us having a slight advantage over other oil wholesalers, PBR remains low across the industry as a whole, with the Petroleum Business being undervalued given the current trend toward decarbonization.

**Asai**

I completely agree. Heavy and large-scale industries that are under pressure to decarbonize, including oil wholesalers, tend to have a low PBR. On the other hand, I understand that the intention behind Tokyo Stock Exchange's call for companies to address cost of capital and stock price in their management plans, was not for them to take temporary measures that rely on share buybacks and dividend increases, but rather out of a desire to see companies fundamentally bolster their profitability.

Therefore, it is important to pursue cost of capital-conscious corporate management by aiming to improve not only our PBR, but also various other management indicators, and to create an environment that will enable the Group to enhance our enterprise value. Since profitability will not increase unless we first strengthen our core businesses, I believe that the best course of action is to seek to enhance enterprise value while taking an integrated approach to implementing our business strategies and transforming management foundation.

**Takayama** In addition to bolstering profitability, as you mentioned, I also think that it is important to raise future expectations in the capital market and,

in turn, to be able to explain ourselves properly to this market. Specifically, as the Petroleum Business has a social responsibility to provide a stable supply of oil, as a Group, we must explain that our mission is to fulfill this responsibility as long as it is required. Meanwhile, in the Renewable Energy Business, I believe there is a need for us to provide a more detailed cost-benefit analysis on our investments.

In terms of the narrative for raising growth expectations, it is necessary for us to show how we will translate the Group's human resources, technology, expertise, and brand into economic value, as well as to share KPIs to demonstrate progress being made in our initiatives.

Considering all these factors, I hope that we can engage in more effective external communication and collectively enhance enterprise value through dialogue with the capital market. Realistically, I understand that this is not easy, but this is the envisioned goal.





# Directors and Executive Officers (as of July 1, 2023)

## Directors



**Hiroshi Kiriyaama**

Representative Director,  
Group Chairman

Apr. 1979 Joined Dai-ichi Kangyo Bank, Ltd.  
Jun. 2013 Director, Senior Executive Officer,  
Cosmo Oil Co., Ltd.  
Oct. 2015 Director, Senior Managing Executive Officer of  
the Company  
Jun. 2016 Representative Director, Executive Vice President  
Jun. 2017 Representative Director, Group CEO  
Apr. 2023 Representative Director, Group Chairman  
(current position)

Hiroshi Kiriyaama has worked for many years in the supply and demand and corporate planning divisions, including participating in decision-making on various alliances in Japan and overseas, and possesses extensive expertise and experience in all areas of corporate management. In addition, he managed the Group as Representative Director and CEO from June 2017, and notably, in recent years he achieved results despite an environment of fluctuating crude oil prices, declining oil demand, and other adverse conditions.



**Shigeru Yamada**

Representative Director,  
Group CEO

Apr. 1988 Joined Cosmo Oil Co., Ltd.  
Jun. 2015 General Manager, Supply Dept.  
Apr. 2018 Executive Officer, General Manager, Corporate  
Planning Dept. of the Company  
Apr. 2020 Senior Executive Officer  
Jun. 2020 Director, Senior Executive Officer  
Apr. 2023 Representative Director, Group CEO  
(current position)

Shigeru Yamada has worked mainly in the sales, supply and demand, and corporate planning divisions, and has extensive knowledge and experience across the Group's business domains. Having been appointed Executive Officer and General Manager of the Corporate Planning Dept. in 2018 and as Director and Senior Executive Officer in 2020, he has steadily produced results across various areas, including formulation of the Seventh Consolidated Medium-Term Management Plan, promotion of Group management, overall control related to capital and business alliances, and development of new business projects.



**Takayuki Uematsu**

Representative Director, Senior  
Managing Executive Officer

Nov. 1992 Joined Cosmo Oil Co., Ltd.  
Jun. 2015 General Manager, Finance Dept.  
Oct. 2015 General Manager, Finance Dept.  
of the Company  
Jun. 2016 Executive Officer, General Manager,  
Finance Dept.  
Apr. 2018 Senior Executive Officer  
Jun. 2018 Director, Senior Executive Officer  
Jun. 2020 Representative Director,  
Senior Executive Officer  
Apr. 2021 Representative Director, Senior Managing  
Executive Officer (current position)

Takayuki Uematsu joined Cosmo Oil Co., Ltd. after working for a foreign financial institution. He has since demonstrated his expertise having almost exclusively worked in the finance division. He was appointed Director and Senior Executive Officer in 2018 and Representative Director and Senior Managing Executive Officer in 2021. Since 2022, he has supervised the Sustainability Initiative Dept., Finance Dept., and Accounting Dept., steadily implementing sustainable management and demonstrating leadership toward the achievement of net zero carbon emissions.



**Junko Takeda**

Director, Senior Executive Officer

Apr. 1990 Joined Cosmo Oil Co., Ltd.  
Oct. 2015 General Manager, Human Resource and  
General Affairs Dept.  
Apr. 2017 General Manager, Planning and Management  
Dept.  
Apr. 2019 Director, Executive Officer  
Apr. 2020 Executive Officer, General Manager, Human  
Resource Dept. of the Company  
Apr. 2022 Senior Executive Officer  
Jun. 2022 Director, Senior Executive Officer  
(current position)

Junko Takeda worked in sales, planning, human resources, and other divisions. In 2019, she went on to supervise the Refining Business as Director and Executive Officer in charge of corporate planning and human resources at Cosmo Oil Co., Ltd., contributing to an increase in operational efficiency and improved productivity of the business. Since being appointed Executive Officer and General Manager of the Company's Human Resource Dept. in 2020, she has produced steady results by promoting workstyle reform, encouraging diversity, and driving personnel affairs across the Group. From 2022, as Director and Senior Executive Officer, she has supervised the Business Portfolio Management Dept., Legal and General Affairs Dept., and Human Resource Dept., achieving solid results such as formulation of the Seventh Consolidated Medium-Term Management Plan, Human Rights Policy, and Human Resources Policy.



**Ryuko Inoue**

Independent Outside Director

Apr. 1981 Joined Ministry of Agriculture, Forestry and  
Fisheries (MAFF)  
Jan. 2003 Minister, Embassy of Japan in Italy  
Apr. 2016 Deputy Director-General, Agriculture, Forestry  
and Fisheries Research Council, MAFF  
Jul. 2017 Retired from MAFF  
Nov. 2017 Registered as attorney-at-law, Of Counsel,  
Atsumi & Sakai (current position)  
Jun. 2019 Outside Director, Nippon Steel Trading Corporation  
Jun. 2021 Independent Outside Director of the  
Company (current position)  
Jun. 2023 Outside Director, NS United Kaiun Kaisha, Ltd.  
(current position)

After joining the Ministry of Agriculture, Forestry and Fisheries in 1981, Ryuko Inoue took up the position of Permanent Representative of Japan to the Food and Agriculture Organization of the United Nations (FAO) and the United Nations World Food Program (WFP) in 2003, contributing to the growth of the global economy. She registered as an attorney-at-law in 2017 and is currently a member of Atsumi & Sakai. She possesses a wide range of experience and advanced international expertise, cultivated as a representative of Japan in international organizations, with compliance, internal control, and corporate governance being one of her main areas of practice as an attorney-at-law. She has contributed to the enhancement of the Group's enterprise value, particularly in the areas of governance and risk management.



**Takuya Kurita**

Independent Outside Director

Apr. 1984 Joined Ministry of Construction (currently Ministry of  
Land, Infrastructure, Transport and Tourism (MLIT))  
Sep. 2007 Counselor, Cabinet Secretariat  
Jul. 2009 Director, Urban Renewal Promotion Division,  
City and Regional Development Bureau, MLIT  
Jul. 2011 Counselor, the Headquarters for the Reconstruction  
from the Great East Japan Earthquake  
Feb. 2012 Counselor, Reconstruction Agency  
Aug. 2013 Director, Personnel Division, MLIT  
Jul. 2015 Director-General, City Bureau, MLIT  
Jul. 2018 Director-General, Policy Bureau, MLIT  
Jul. 2020 Vice-Minister, Land, Infrastructure, Transport  
and Tourism, MLIT  
Jul. 2021 Resigned from the above position  
Oct. 2021 Corporate Advisor, Sumitomo Mitsui Trust  
Bank, Limited (current position)  
Jun. 2022 Independent Outside Director of the  
Company (current position)

Takuya Kurita joined the Ministry of Construction (currently the Ministry of Land, Infrastructure, Transport and Tourism) in 1984, and was appointed Director of the Urban Renewal Promotion Division, City and Regional Development Bureau of the Ministry in 2009, where he contributed to the development of the Japanese economy through urban development. He was appointed as Counselor of the Reconstruction Headquarters in response to the Great East Japan Earthquake in 2011, where he directed reconstruction policy, and was appointed as Vice-Minister of Land, Infrastructure, Transport and Tourism in 2020. With a wide range of experience and social knowledge cultivated through his many years of experience, he was instrumental in the development of the Company's Seventh Consolidated Medium-Term Management Plan, particularly in making recommendations related to new businesses.

## Directors and Executive Officers (as of July 1, 2023)

## Directors



Aug. 1993 Joined Cosmo Oil Co., Ltd.  
 Jun. 2012 General Manager, Internal Auditing Office  
 Oct. 2015 General Manager, Internal Auditing Office of the Company  
 Apr. 2016 General Manager, Accounting Dept.  
 Jun. 2016 Executive Officer, General Manager, Accounting Dept.  
 Apr. 2018 Representative Director and CEO, Eco Power Co., Ltd. (currently Cosmo Eco Power Co., Ltd.)  
 Jun. 2020 Director of the Company (Full-time Audit and Supervisory Committee Member) (current position)  
 Outside Director (Audit and Supervisory Committee Member), Kyoei Tanker Co., Ltd. (current position)

Toshiyuki Mizui joined Cosmo Oil Co., Ltd. after working for a general electronic component manufacturer and has spent most of his career working in the accounting division. After his appointment as Executive Officer of the Company, he continued to oversee the accounting division, and since 2018, he has been leading the wind power generation business at the current Cosmo Eco Power Co., Ltd. and has contributed to the Group's operations. Since 2020, he has ensured proper audits and oversight of business execution as a Director who is also an Audit and Supervisory Committee Member.

**Toshiyuki Mizui**

Director, Full-time Audit and Supervisory Committee Member



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

After serving as General Manager of the Consumer Relations and Corporate Social Responsibility departments and a Full-time Audit and Supervisory Board Member at Shiseido Co., Ltd., Yasuko Takayama went on to serve as an Outside Director and Outside Audit and Supervisory Board Member for several listed companies. Her accomplishments include her efforts to fulfill the Sixth Consolidated Medium-Term Management Plan (especially in the areas of ESG and brand communication strategy) and in the formulation of the Seventh Consolidated Medium-Term Management Plan (notably in terms of management foundation transformation (HRX/DX/GX) and non-financial initiatives). Furthermore, as Chairperson of the Audit and Supervisory Committee, she has made suggestions and proposals aimed at structural strengthening, particularly in the areas of compliance, risk management, and Group governance, based on her previous experience and extensive expertise in corporate governance.

**Yasuko Takayama**

Independent Outside Director, Audit and Supervisory Committee Member



Apr. 1978 Joined Mitsubishi Corporation  
 Apr. 2009 Executive Officer, Head of CEO Office, Energy Group  
 Apr. 2013 Executive Vice President, Lithium Energy Japan  
 Sep. 2014 Representative Director, President, and CEO, KH Neochem Co., Ltd.  
 Jun. 2021 Independent Outside Director of the Company (Audit and Supervisory Committee Member) (current position)  
 Jun. 2022 Outside Director, Sun Frontier Fudousan Co., Ltd. (current position)

Keiichi Asai spent most of his career working in the energy sector, including petroleum business departments, such as oil sales, supply and demand, and refining, at Mitsubishi Corporation. After being named Executive Officer of the same company, he went on to become Executive Vice President of Lithium Energy Japan in 2013 and was appointed Representative Director, President, and CEO of KH Neochem Co., Ltd. in 2014. He has international knowledge that includes postings in the US and India, as well as extensive expertise and experience related to corporate management in general. He has achieved success in areas such as the formulation of the Company's Seventh Consolidated Medium-Term Management Plan (particularly in terms of strengthening investment and capital management) and efforts to reinforce the Group's governance structure. As Chairperson of the Nomination and Remuneration Committee, his achievements include the establishment and promotion of the Board of Directors' structure, including succession planning, and a performance-linked executive remuneration plan.

**Keiichi Asai**

Independent Outside Director, Audit and Supervisory Committee Member

## Executive Officers

**Noriko Rzonca**

Senior Executive Officer, CDO  
 In charge of Corporate DX Strategy Dept., Corporate Communication Dept., IT Initiative Dept.

**Taisuke Matsuoka**

Senior Executive Officer  
 In charge of Corporate Planning Dept., Power and New Energy Dept.

**Yoshihiko Sato**

Executive Officer  
 General Manager, Secretariat Office

**Tomoki Iwai**

Executive Officer  
 General Manager, Accounting Dept.

**Hideyuki Wakao**

Executive Officer  
 General Manager, Internal Auditing Office  
 Substitute Director, Audit and Supervisory Committee Member

# Skills Matrix

Based on the Seventh Consolidated Medium-Term Management Plan, the Company has defined the skills required of Directors and Executive Officers as follows.

From FY2023, we have disclosed the definition of each skill area, as well as the areas in which each individual officer has a higher level of expertise.

By defining a skills matrix not only for Directors but also for Executive Officers, we have created a structure to encourage officers, including Executive Officers, to work together to promote the Seventh Consolidated Medium-Term Management Plan.

Skill area	Definition
Corporate management	Has experience in business execution as CEO or in another role at an operating company, and possesses the ability to lead an organization in accordance with management strategy
Petroleum Business (Oil)	Has specialist knowledge of the petroleum business, and possesses the ability to enhance enterprise value
Other businesses (New) (Renewable Energy Business/new businesses)	Has been involved in the Renewable Energy Business and new business projects, and possesses the ability to make comprehensive judgments about new business models and profitability
Sustainability (ESG)/risk management	Possesses the ability to pursue sustainable management from the perspective of sustainability and ESG, in order to achieve sustainable growth
Personnel affairs/human resource development/diversity	Has knowledge and experience in implementing human resource strategies, and possesses the ability to draft management strategies from the perspective of personnel affairs, labor management, and diversity

Skill area	Definition
DX/IT	Has knowledge and experience in digital technology and IT, and possesses the ability to enhance the efficiency and productivity of business operations, sales, and other functions
PR/IR/brand marketing	Is capable of strategically deploying PR activities and making related comprehensive judgments and decisions, and possesses the ability to take the lead in enhancing and creating enterprise value
Finance/accounting/taxation	Has the finance, accounting, and taxation expertise required to develop financial and accounting strategies, and possesses the ability to properly carry out the Group's financing and financial statement closing tasks
Legal affairs/compliance	Has expertise in corporate legal affairs and compliance, and possesses the ability to provide supervision to ensure sound corporate management
Global-mindedness	Has overseas business experience, understands different cultural perspectives and practices among other things, and possesses the ability to make management decisions from a global perspective

	Name	Gender	Title	Committee membership, responsibilities, etc.	Number of years as director <sup>1</sup>	Experience, knowledge, and expertise etc. <sup>2,3</sup>									
						Corporate management	Petroleum Business (Oil)	Other businesses (New) (Renewable Energy Business/new businesses)	Sustainability (ESG)/risk management	Personnel affairs/human resource development/diversity	DX/IT	PR/IR/brand marketing	Finance/accounting/taxation	Legal affairs/compliance	Global-mindedness
Directors	Hiroshi Kiriya	Male	Representative Director, Group Chairman	Chair, Board of Directors Nomination and Remuneration Committee Member	8	◎	◎	○	○	—	—	○	—	—	—
	Shigeru Yamada	Male	Representative Director, Group CEO	—	3	◎	◎	○	—	—	—	○	—	—	—
	Takayuki Uematsu	Male	Representative Director, Senior Managing Executive Officer	Sustainability Initiative Dept., Accounting Dept., Finance Dept.	5	◎	—	—	○	—	—	○	◎	—	—
	Junko Takeda	Female	Director, Senior Executive Officer	Business Portfolio Management Dept., Legal and General Affairs Dept., Human Resource Dept.	1	—	◎	—	—	◎	—	—	—	○	—
	Ryuko Inoue	Female	Independent Outside Director <sup>4</sup>	Nomination and Remuneration Committee Member	2	—	—	—	○	○	—	—	—	◎	○
	Takuya Kurita	Male	Independent Outside Director <sup>4</sup>	Nomination and Remuneration Committee Member	1	—	—	◎	—	○	○	—	—	—	—
	Toshiyuki Mizui	Male	Director, Full-time Audit and Supervisory Committee Member	Audit and Supervisory Committee Member	3	○	—	○	—	—	—	—	◎	○	—
	Yasuko Takayama	Female	Independent Outside Director, Audit and Supervisory Committee Member <sup>4</sup>	Nomination and Remuneration Committee Member Chairperson, Audit and Supervisory Committee	4	—	—	—	◎	○	—	○	—	○	—
	Keiichi Asai	Male	Independent Outside Director, Audit and Supervisory Committee Member <sup>4</sup>	Chairperson, Nomination and Remuneration Committee Audit and Supervisory Committee Member	2	◎	○	○	—	—	—	—	—	—	○
Executive Officers	Noriko Rzonca	Female	Senior Executive Officer, CDO	Corporate DX Strategy Dept., Corporate Communication Dept., IT Initiative Dept.	—	—	—	—	—	—	◎	○	—	—	○
	Taisuke Matsuoka	Male	Senior Executive Officer	Corporate Planning Dept., Power and New Energy Dept.	—	—	◎	○	—	—	—	—	—	—	—
	Yoshihiko Sato	Male	Executive Officer	General Manager, Secretariat Office	—	—	◎	—	—	—	—	—	—	—	○
	Tomoki Iwai	Male	Executive Officer	General Manager, Accounting Dept.	—	—	○	—	—	—	—	—	◎	—	—
	Hideyuki Wakao	Male	Executive Officer (newly appointed)	General Manager, Internal Auditing Office Substitute Director, Audit and Supervisory Committee Member	—	—	○	—	—	—	—	—	◎	○	—
						5	8	6	4	4	2	5	4	5	4

Male Female

Notes: 1 The number of years as director only takes into account the period following the establishment of Cosmo Energy Holdings in October 2015. Figures were calculated by counting the period from October 2015 to the date of the General Meeting of Shareholders in June 2016 as one year. If the calculation was to include the years served at Cosmo Oil Co., Ltd., former CEO, Mr. Hiroshi Kiriya, would have served nine years because he was appointed as a director in June 2013.

2 The expertise and attributes of each director disclosed here includes the areas in which they have outstanding knowledge and experience. It is not an exhaustive list of the capabilities of each director.

3 ◎ indicates the areas in which the individual has a higher level of expertise.

4 The requirements for independent officers/auditors based on the regulations of the Tokyo Stock Exchange have been fulfilled.