

## Corporate Governance

# Corporate Governance Basic Policy

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

## Basic Governance Structure and Business Execution System

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

### Board of Directors

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

### Supervisory Committee

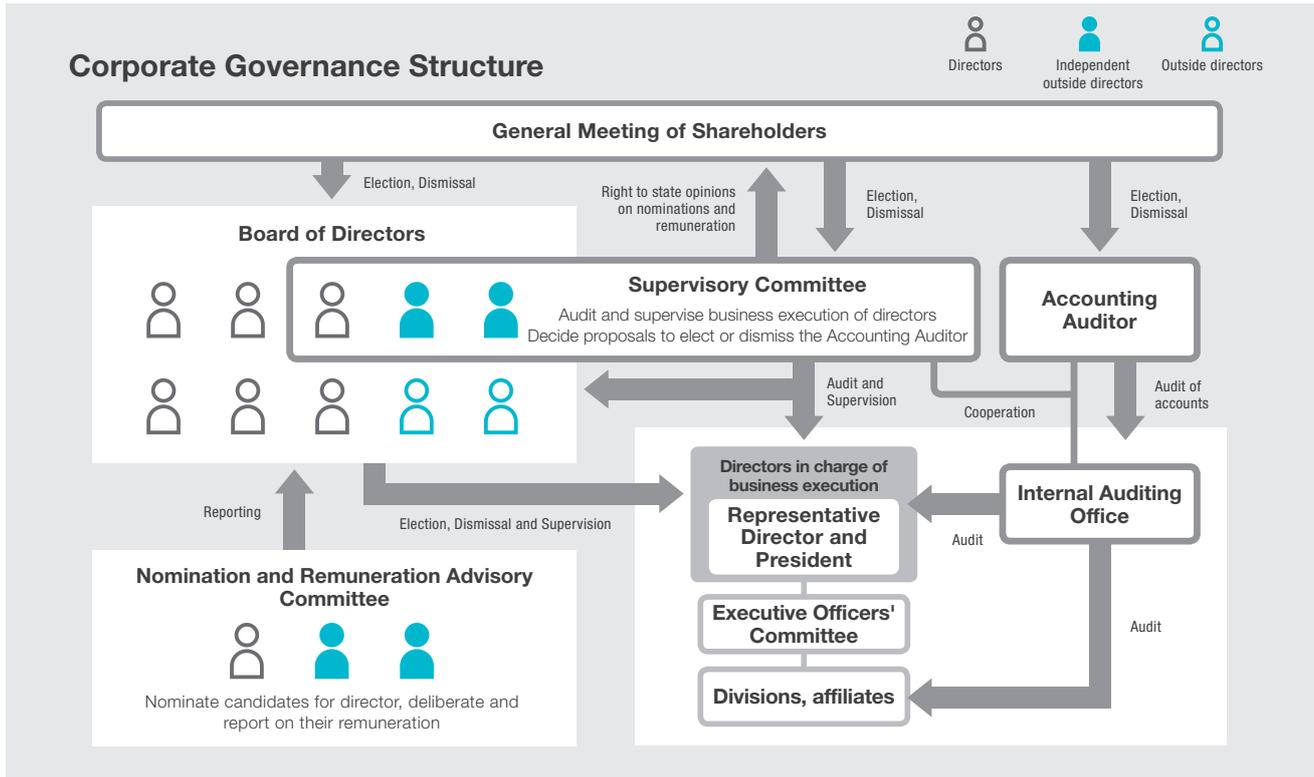
The Supervisory Committee, which is composed of 3 Supervisory Committee members that include 2 independent outside directors, uses the internal control system to audit and supervise the business execution of directors as well as the state of execution of other business duties in general that are related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

### Executive Officers' Committee

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

### Nomination and Remuneration Advisory Committee

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

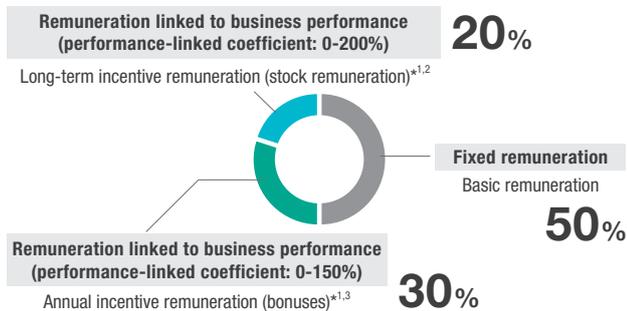


## Executives' Remuneration Plan

The Company has introduced a remuneration plan linked to business performance with the purpose of enhancing medium-term business performance, increasing corporate value, and sharing profits with shareholders. It applies to directors (excluding outside directors and directors who are Supervisory Committee members) and executive officers. This plan consists of annual incentive remuneration (bonuses) linked to consolidated performance indices for each fiscal year and long-term incentive remuneration (stock

remuneration) linked to the level of achievement of targets in the consolidated Medium-Term Management Plan. A ratio of 5:3:2 has been established for basic remuneration, annual incentive remuneration, and long-term incentive remuneration. The stock remuneration plan is an incentive plan that uses a trust system, and is a mechanism that creates management motivation based on awareness of increasing corporate value in the long term, as director and executive officers share changes in shareholder value with shareholders.

### Executives' Remuneration Plan



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

### Details of Executives' Remuneration Plan

Mechanism	Shares, which a trust company acquires using the money contributed by the holding company, are granted in accordance with the degree of achievement of target performance indices for the 5th Consolidated Medium-Term Management Plan (ROE, consolidated ordinary income, and net D/E ratio).
Recipients	Directors (excluding Outside Directors, and Directors who are members of the Supervisory Committee) and Executive Officers
Evaluation period	Fiscal year ending March 31, 2016 through fiscal year ending March 31, 2018
Trust term	November 6, 2015 to August 31, 2018
Timing of share grants	July immediately after the end of the final year of the Consolidated Medium-Term Management Plan (fiscal 2017)

## Upper Limit of Remuneration for Executives

### Cash remuneration (basic remuneration + bonuses)

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

### Stock remuneration

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

## Corporate Governance

## Directors and Executive Officers (As of June 21, 2016)



Chairman, Director  
**Yaichi Kimura**

April 1963 Joined Daiikyo Oil Co., Ltd.  
June 1993 Director of COSMO OIL CO., LTD.  
June 1996 Managing Director  
June 1998 Representative Senior Managing Director  
June 2001 Executive Vice President, Representative Director  
June 2004 President, Representative Director  
June 2010 President, Representative Director, and Chief Executive Officer  
June 2012 Chairman, Representative Director  
October 2015 Chairman, Director of the Company (current position)



President, Representative Director,  
Chief Executive Officer  
**Keizo Morikawa**

April 1971 Joined Daiikyo Oil Co., Ltd.  
June 2000 Director of COSMO OIL CO., LTD.  
June 2002 Managing Director  
June 2004 Senior Managing Director  
June 2006 Representative Senior Managing Director  
June 2008 Executive Vice President, Representative Director  
June 2010 Representative Director, Executive Vice President  
June 2012 President, Representative Director, Chief Executive Officer  
October 2015 President, Representative Director, Chief Executive Officer of the Company (current position)



Representative Director,  
Executive Vice President  
**Hiroshi Kiriyama**

April 1979 Joined Daiikyo Oil Co., Ltd.  
June 2010 Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept. COSMO OIL CO., LTD.  
June 2011 Senior Executive Officer, General Manager, Corporate Planning Dept. and Change Promotion Dept.  
June 2012 Senior Executive Officer  
June 2013 Director, Senior Executive Officer  
October 2015 Director, Senior Managing Executive Officer of the Company  
June 2016 Representative Director, Executive Vice President (current position)



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

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



Director, Senior Executive Officer  
**Kenichi Taki**

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



Outside Director  
**Mohamed Al Hamli**

August 1980 Joined Abu Dhabi Marine Operating Company  
November 2004 Minister of Energy, the United Arab Emirates  
February 2005 Deputy Chairman, International Petroleum Investment Company (current position)  
June 2010 Director, COSMO OIL CO., LTD.  
October 2015 Director of the Company (current position)  
February 2016 Deputy Chairman, Union National Bank PJSC (current position)



Outside Director  
**Khalifa Al Romaithi**

June 2003 Joined International Petroleum Investment Company  
December 2007 Director, COSMO OIL CO., LTD.

June 2009 Assistant to the Investment Director, Investment Division,  
International Petroleum Investment Company

June 2011 General Manager, Portfolio Management & Investment Division

January 2015 Investment Director, Downstream & Diversified Investment  
Division (current position)

April 2015 Director, Arabtec Holding PJSC (current position)

June 2016 Director of the Company (current position)



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

April 1971 Joined The Kansai Electric Power Co., Inc.

June 2001 Executive Officer, Office of Affiliates Management and Business  
Development, The Kansai Electric Power Co., Inc.

June 2003 Managing Director, The Kansai Electric Power Co., Inc.

June 2007 Executive Vice President and Director, The Kansai Electric Power  
Co., Inc.

June 2011 Audit & Supervisory Board Member, The Kansai Electric Power  
Co., Inc. (current position)

June 2013 Audit & Supervisory Board Member, COSMO OIL CO., LTD.

October 2015 Director of the Company (Supervisory Committee Member)  
(current position)



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

April 1969 Joined Tokyo Electric Co., Ltd. (Currently Toshiba Tec Corporation)

February 1997 Acting General Manager on Corporate Planning of General Affairs  
Group and Acting General Manager on International Affairs of  
General Affairs Group, Toshiba Tec Corporation

June 1999 Deputy General Manager of General Affairs Department and  
Acting General Manager on Legal Affairs of General Affairs  
Group, Toshiba Tec Corporation

June 2002 Full-time Audit & Supervisory Board Member, Toshiba Tec Corporation

October 2009 Managing Director & Assistant Secretary General, Japan Audit &  
Supervisory Board Members Association

October 2010 Executive Managing Director & Secretary General, Japan Audit &  
Supervisory Board Members Association

October 2011 Representative Executive Managing Director & Secretary General,  
Japan Audit & Supervisory Board Members Association

November 2014 Advisor, Japan Audit & Supervisory Board Members Association  
(current position)

October 2015 Director of the Company (Supervisory Committee Member)  
(current position)



Director, Supervisory Committee  
Member  
**Katsuhisa Ohtaki**

April 1978 Joined Daikyo Oil Co., Ltd.

June 2005 General Manager, Sendai Branch Office COSMO OIL CO., LTD.

June 2007 Executive Officer, General Manager, Industrial Fuel Marketing Dept.

June 2009 Executive Officer, General Manager of Yokkaichi Refinery

June 2011 Senior Executive Officer, General Manager, Yokkaichi Refinery

March 2012 Senior Executive Officer, General Manager, Chiba Refinery

June 2014 Director, Senior Executive Officer

October 2015 Director, Supervisory Committee Member of the Company  
(current position)

## Reasons for Selection of Outside Directors

**Mohamed Al Hamli** served as Minister of Energy of the United Arab Emirates and is appropriately supervising management as an Outside Director from an international viewpoint with respect to the petroleum industry. He is also contributing to improving the effectiveness of the Board of Directors by actively communicating in Board of Directors Meetings from his previously mentioned viewpoint. Based on this, the Company proposes Mohamed Al Hamli maintain his position as Outside Director.

**Khalifa Al Romaithi** was a Director of COSMO OIL CO., LTD. from 2007 to 2010 and appropriately supervised the management of COSMO OIL CO., LTD. Furthermore, he has experience serving as an officer at various corporations overseas, primarily in the energy industry. Therefore, the Company judges him capable of properly executing duties as Outside Director and proposes his election.

**Sakae Kanno** has experience as a Director and Audit & Supervisory Board Member of The Kansai Electric Power Co., Inc., Therefore the Company judges him capable of properly executing duties as Outside Director who is a member of the Supervisory Committee from his wide-ranging viewpoint, which extends beyond the industry to which the Cosmo Energy Holdings Company belongs.

**Teruo Miyamoto** has intricate knowledge of corporate accounting and corporate governance as well as abundant knowledge in legal affairs, gained through such experience as serving in important positions in the International Division and Legal Affairs Division of Toshiba Tec Corporation, and later as Executive Managing Director and Head of Secretariat of the Japan Audit & Supervisory Board Members Association. Therefore the Company judges him capable of properly executing duties as Outside Director who is a member of the Supervisory Committee from his wide-ranging viewpoint, which extends beyond the industry to which the Cosmo Energy Holdings belongs.

## Engagement with Shareholders and Investors

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