

[Translation]

May 23, 2023

To whom it may concern:

Company name	Cosmo Energy Holdings Co., Ltd.
Representative	Shigeru Yamada Representative Director, Group CEO (Code: 5021, Prime Market in the Tokyo Stock Exchange)
Contact person	Eriko Date General Manager of Corporate Communication Dept. (TEL: (03)-3798-3101)

Notice Concerning Opposing Opinion of the Company's Board of Directors to the Shareholder Proposal at the Company's Ordinary General Meeting of Shareholders

As the Company announced in a press release on April 20, 2023 "Notice Concerning Receipt of the Shareholder Proposal," it received a shareholder proposal (the "Shareholder Proposal") for the 8th ordinary general meeting of shareholders of the Company, to be held in late June 2023 (the "Ordinary General Meeting of Shareholders"), from City Index Eleventh, Co., Ltd. ("City Index Eleventh"), a shareholder of the Company, but the Company made a resolution at the Board of Directors meeting held today that it will express an opposing opinion to the Shareholder Proposal. Therefore, the Company hereby announces as follows.

The resolution that the Company will express an opposing opinion has been made with the approval of all directors of the Company (including four Independent Outside Directors, whether or not they are Audit and Supervisory Committee members). In addition, in respect to the director appointment proposal for the Company's proposal submitted by the Company at the Ordinary General Meeting of Shareholders, please see today's press release, "Notice Concerning Appointment of Candidates for Directors".

## **1 Shareholder Proposal**

- (1) Proposal  
Election of one director (excluding a person who is an Audit and Supervisory Committee member)
- (2) Details of the Proposal  
The details of the proposal are as they appear in Exhibit 1 "Details of the Shareholder Proposal." Exhibit 1 "Details of the Shareholder Proposal" are described as they appear in the original letter submitted by the proposing shareholder.

## **2 Opinion of the Company's Board of Directors**

The Company's Board of Directors **opposes the Shareholder Proposal.**

## **3. Reasons for opposing the Shareholder Proposal**

- (1) Introduction

The Company has established the Nomination and Remuneration Committee, a majority of whose members are independent outside directors, as a advisory body of the Board of Directors in order to ensure transparency and objectivity regarding the

process of determining candidates for directors and remuneration. The Company's Board of Directors makes decisions on the election of director candidates based on the advice and recommendations of the Nomination and Remuneration Committee, and the Nomination and Remuneration Committee conducted careful decision-making processes for decisions on director candidates to be submitted to the Ordinary General Meeting of Shareholders by considering the composition of the Company's Board of Directors and necessary human resources repeatedly, approximately 9 months, through May, 2022 to February, 2023. In such fashion, the Nomination and Remuneration Committee spent considerable time on electing internal and outside director candidates, and as stated in (2) below, the Company believes that the Board of Directors proposed by the Company is appropriate from the perspectives of composition and balance, including with respect to board size, skill sets, and diversity. However, since the Shareholder Proposal was made, the Nomination and Remuneration Committee and the Board of Directors has considered whether electing Ms. Atsumi as a director of the Company is appropriate.

- (2) Director candidates proposed by the Company are the appropriate option from the perspective of improving the Company's corporate value

The Company has proposed six candidates for the director positions (excluding directors who are Audit and Supervisory Committee members) in the Ordinary General Meeting of Shareholders. The Company decided on the candidates through the careful and objective processes based on the Company's board succession plan. The Company reviewed whether the candidates satisfied the personnel requirements, set the target, and implemented training for the Directors. The Company also took into consideration the skills, experiences, and evaluation results of the candidates. It goes without saying that all six of these director candidates have high ethical standards, but, additionally, they have the necessary judgement, expertise, and knowledge. In addition, all six of these director candidates, two of which are independent outside directors, are familiar with the Company's business and have skills and expertise in the petroleum business (Oil), business other than oil business (New) (renewable energy business / new business), sustainability (ESG), finance / accounting / tax affairs, legal affairs / compliance / risk management, and other areas, under the skill matrix established by the Company, respectively.

Furthermore, if the Company decides on a new candidate for the position of Outside Director, the Nomination and Remuneration Committee will meet with the candidate multiple times in order to evaluate the candidate objectively by considering the skills that the Company requires to the Outside Director and the skill the candidate possess, as well as judging the requirement of varying or unvarying and independence.

In the letter on April 24, 2023, the Company requested to meet with Ms. Atsumi in order to confirm Ms. Atsumi's skills and evaluate her objectively, but on April 25, she refused the meeting, stating she would not accept it unless "she can exchange opinions in a way that shareholders can attend the meeting, if they wish." After that, in the letter on April 26, the Company explained that the meeting is not a place for an exchange of opinions, but a place where the Nomination and Remuneration Committee would decide whether Ms. Atsumi is eligible as an Outside Director candidate and that attendance of unspecified number of shareholders would not be appropriate. Although the Company again requested a meeting, she again refused in the letter on April 27, so the Company had to conduct written question and answer sessions.

In the written question and answer sessions, the Company requested that Ms. Atsumi explain her skills in detail, but she only responded, "I was involved in structured

finance business related to renewable energy when I worked in a law firm, so I have expertise in renewable energy to some extent” and the Company did not receive sufficient responses. Therefore, the Company was unable to confirm Ms. Atsumi’s skills in detail and it was difficult to decide whether she was an appropriate director candidate of the Company. The Company supposes that Ms. Atsumi’s skills are “legal affairs / compliance” from her career described in the Shareholder Proposal and her career announced by Atsumi Law Office, to which she currently belongs,<sup>1</sup> and the Company considers that it can be expected that she would play the skills in the Company’s Board of Directors but among the director candidates proposed by the Company, there are already several candidates who have knowledge and experience in “legal affairs / compliance,” and one of them is a lawyer, like Ms. Atsumi.

Further, if Ms. Atsumi is elected as a Director, the female ratio is improved further. In addition, Ms. Atsumi can bring the aging diversity because the Company’s Board of Directors doesn’t have the Directors whose age are close to Ms. Atsumi. However, the director candidates proposed by the Company (excluding directors who are Audit and Supervisory Board members) and directors who are Audit and Supervisory Board members are elected, same as before the Company’s Ordinary General Meeting of Shareholders, three out of the nine directors of the Company will be women and whether or not Ms. Atsumi is elected as the Director, the female ratio will be 33.3%, and this composition is already gender-balanced to the some extent.

Furthermore, three directors shall be Audit and Supervisory Board members (i.e., in the case that the two members proposed by the Company are appointed, and including the one member who continues to have a term of office after the Ordinary General Meeting of Shareholders), and two of them are Independent Outside Directors. The Company believes that this system is sufficient to supervise the execution of the Company’s business. In addition, like now, the number of independent outside directors out of all of the directors (nine members) will be four members, and the rate of independent outside directors will account for one-third or more (approximately 44%) of the total number of directors, which means that the Company will have a governance system in accordance with Japan’s Corporate Governance Code. The one Director who will continue to hold office after the Ordinary General Meeting of Shareholders has served as the President and Representative Director of a renewable energy company in the Company’s group and has significantly contributed his expertise and knowledge to the Company’s Board of Directors.

On the other hand, under the “Guidelines concerning Listed Company Compliance, etc.”, established by Tokyo Stock Exchange, the person who has risk that he/she would have conflict to the ordinary shareholders is ineligible to be elected as the independent director. In light of the point of the guideline, the Company does not consider “a person who is deemed to have special reasons that may cause a conflict of interest with the Company” to be independent as an outside director (paragraph (10) of the independence standards of the Company). However, as stated in (4) below, considering that Ms. Atsumi has a close relationship with Mr. Murakami and Relevant Parties, Ms. Atsumi is considered to have special reasons that may cause a conflict of interest with the Company and is not considered to be independent. If Ms. Atsumi becomes a director, the percentage of Outside Directors including a directors who is not independent will 50 % (five out of ten members), on the other hand, the percentage of Outside Directors who are independent will decrease in relation to the total number of directors (four out of ten members). Further, since the Company understands that it is quite possible that the percentage of Independent Outside

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<sup>1</sup> <https://atsumi-law.com/profile/> (in Japanese)

Directors that are required for Prime listed companies will be increased further in the future, it is not desirable for the percentage of Independent Outside Directors out of the total number of directors of the Company to decrease.

As stated above, since the Board of Directors proposed by the Company is appropriate from the perspectives of composition and balance, including with respect to board size, skill sets, and diversity, and it has a governance system that is in accordance with Japan's Corporate Governance Code, the Company believes that it is appropriate from the perspective of the sustainable improvement of the Company's corporate value, i.e., the benefit of shareholders. However, the skills that the Company presumes Ms. Atsumi possesses and diversity the Company presumes she would bring are not necessary for the current Board of Directors of the Company. If Ms. Atsumi becomes a director of the Company, the number of Outside Directors who are not considered to be independent will increase; therefore, the Company does not consider it to be desirable.

- (3) The Shareholder Proposal does not contribute to the improvement of the Company's corporate value

On the other hand, in the written question and answer sessions, Ms. Atsumi, who is an Outside Director candidate in the Shareholder Proposal, did not indicate the current situation and issues of both the Company's group and the industry to which the Company's group belongs, or provided concrete responses to the policy to be taken by the Company based on the current situation and issues.

In addition, since Ms. Atsumi expressed that she is "seriously discussing the listing of the renewable energy business subsidiary at the Company's Board of Directors meeting and disclosing the results thereof," the Company asked her the following questions in writing in order to have a constructive dialogue with Ms. Atsumi on this point: the background and reasons that she believes that the Company should discuss the listing of the renewable energy business subsidiary of the Company; how she thinks the listing of the renewable energy business subsidiary will lead to improving the corporate value of the Company at present; and if the renewable energy business is spun off, how she thinks the entirety of the Company's group will achieve carbon net zero, which is raised in the 7th Consolidated Medium-Term Management Plan. However, Ms. Atsumi did not provide concrete responses to these questions and only provided responses to the effect that the spin-off of the renewable energy business should be fully discussed at the Board of Directors meeting. Considering the details of these written responses, the Company is unable to determine whether or not Ms. Atsumi proposes concrete measures for the listing of the renewable energy business subsidiary, and the Company is unable to determine whether she understood the details of the 7th Consolidated Medium-Term Management Plan of the Company, which was resolved and announced after sufficient deliberations, including on how renewable energy should be.

As stated above, Ms. Atsumi does not have sufficient knowledge of the current situation of the industry to which the Company's group belongs or the Company's group itself; she has only provided statements to the effect that the spin-off of the renewable energy business should be fully discussed at the Board of Directors meeting and does not seem to have any suggestions for concrete measures, and her attitude refusing a meeting with the Nomination and Remuneration Committee of the Company. Taking those into consideration, the Company cannot expect that the directors of the Company and Ms. Atsumi will engage in concrete and constructive discussions.

- (4) Ms. Atsumi has a close relationship with Mr. Yoshiaki Murakami and City Index Eleventh, and there is a risk of conflict of interest

In addition, the relationship between Ms. Atsumi and Mr. Yoshiaki Murakami (“Mr. Murakami”) and other corporations and groups directly or indirectly related to Mr. Murakami (Mr. Murakami, and the other corporations and groups directly or indirectly related to Mr. Murakami hereinafter referred to collectively as, “Mr. Murakami and Relevant Parties”) is as shown in Exhibit 2. Since Ms. Atsumi did not provide serious responses in the written question and answer sessions with the Nomination and Remuneration Committee, the Company was unable to confirm that Ms. Atsumi and Mr. Murakami are independent. However, to the extent publicly announced, there have been multiple transactions between Ms. Atsumi and Mr. Murakami in which Ms. Atsumi has acted as a representative of Mr. Murakami and Relevant Parties, and Ms. Atsumi has assumed the position of outside director in multiple companies in which Mr. Murakami and Relevant Parties are major shareholders and it can be reasonable to consider that Mr. Murakami is involved. Therefore, it is undeniable that Ms. Atsumi has a close relationship with Mr. Murakami and Relevant Parties.

Considering the inconsistency of City Index Eleventh’s behavior so far, their obsession with share buybacks, City Index Eleventh and other parties having earned profits by enjoying considerable tax benefits by accepting the large-scale share buybacks by corporations in which they invested in the past, and the series of information disclosed by City Index Eleventh leading to the Shareholder Proposal, it is considered that City Index Eleventh may intend to pursue its own short-term profits and sell the Company’s shares at high prices. In addition, in her responses in the written question and answer sessions, Ms. Atsumi stated that “it would be better to disclose the amount of remuneration which your company paid to an outside advisor law firm and PR company”. As this is the same as requests by City Index Eleventh and other parties and Mr. Murakami in the letter on January 23, 2023 from City Index Eleventh to the Company and other documents, she requested matters usually required by them. In this way, Ms. Atsumi acted as if she was a spokesperson of City Index Eleventh and other parties and Mr. Murakami. Under these circumstances, considering that the behavior of Ms. Atsumi, who is the outside director candidate in the Shareholder Proposal, was not accompanied by concrete methodology or measures as stated above, the fact that Ms. Atsumi has a close relationship with Mr. Murakami and Relevant Parties, and the fact that in another company’s case a resolution was passed to conduct a large-scale share buyback with a premium and a third-party allotment of shares, which resulted in City Index Eleventh having withdrawn from such other company in the form of enjoying tax benefits, about nine months after Ms. Atsumi was elected as an outside director of such other company, the Company cannot determine that there is no doubt of her eligibility as a Director from the perspectives of the ordinary shareholders’ interests.

- (5) Conclusion

Considering the circumstances above, the Company considers electing Ms. Atsumi as a director of the Company to be inappropriate because (i) the Company believes that the Board of Directors system proposed by the Company is appropriate from the perspectives of improvement of the Company’s corporate value and shareholder value and corporate governance; (ii) Ms. Atsumi does not seem to understand the Company group’s business and only insists that “the listing of the renewable energy business subsidiary should be discussed at the Board of Directors meeting”, and in light of her attitude of refusing a meeting with the Nomination and Remuneration Committee, the Company does not expect that she will engage in concrete and constructive

discussions on the Company group's business with directors of the Company and believes she is unlikely to contribute to the improvement of the Company's corporate value, and (iii) the possibility that Ms. Atsumi is working in favor of the personal interests of Mr. Murakami and Relevant Parties by sacrificing the Company's medium- to long-term corporate value and the interests of general shareholders cannot be ruled out.

Therefore, the Company's Board of Directors "opposes" the Shareholder Proposal.

End

**(Exhibit 1) Details of the Shareholder Proposal**

\*The details submitted by the Proposing Shareholder are described below as they appear in the original letter.

I. Proposed Agenda

Election of one Director (excluding a person who is an Audit and Supervisory Committee member)

II. Details of the Proposal (Summary of the Proposal)

The Proposing Shareholder proposes the election of one Director (excluding a person who is an Audit and Supervisory Committee member). The candidate for Director is as follows:

[Name]

Yoko Atsumi

[Date of birth]

March 12, 1984

[Past experience and status of representation in other companies]

December 2009

Registered as an attorney-at-law

January 2010

Joined Nishimura & Asahi

December 2011

Seconded to Legal Department, JP Morgan Securities Japan Co., Ltd.

June 2014

Joined Law Office Hironaka

October 2017

Established Atsumi Law Office; Representative Attorney

June 2019

Outside Director, KOSAIDO Co., Ltd.

September 2019

Outside Audit & Supervisory Board Member, KIDSLINE Inc. (current position)

December 2020

Senior Partner, Head of Kojimachi Office, Atsumi & Sakai

June 2021

External Director, Daiho Corporation (current position)

January 2023

Atsumi Law Office; Representative Attorney (current position)

[Significant concurrent positions]

Atsumi Law Office; Representative Attorney

Outside Audit & Supervisory Board Member, KIDSLINE Inc.

External Director, Daiho Corporation

[Number of shares of the Company held]

0 shares

(Notes)

1. There are no special interests between the candidate and the Company.
2. Ms. Atsumi is a candidate for Outside Director.

### III. Reasons for Proposals

1. The shareholder (the “Proposing Shareholder”) who proposed the agenda stated in I. and II. above (the “Agenda”) has insisted that, as a result of comparing the Company’s corporate size and current valuation (PER of approximately from 3 times to 6 times) with the industry valuation of the renewable energy business (PER of approximately 25 times), it is necessary to list the Company’s renewable energy business subsidiary and expand the business by procuring and utilizing third-party capital. The Proposing Shareholder believes that if the Company’s renewable energy business subsidiary, which is not valued as it should be, seeks to maximize shareholder value as a listed company, it will cause the Company’s share price to exceed PBR on an ongoing basis and lead to higher shareholder value for the Company. The Proposing Shareholder has suggested to the Company’s Board of Directors that they should seriously discuss this matter.

With respect to the listing of our renewable energy business subsidiary, the Proposing Shareholder thinks that there are various issues which should be considered, including whether a certain level of capital relationship with the Company should be retained (and if so, how much should be retained), as well as capital relationship issues (including whether to use a spin-off tax system for the change in capital relationship), business issues (including whether to retain business relationships related to management resources, human resources, and know-how, and if so, which should be retained), and the timing of when to list the subsidiary, and the Proposing Shareholder is not committed to utilizing any specific method. The Proposing Shareholder thinks that the Company’s Board of Directors should seriously discuss the listing of our renewable energy business subsidiary from the perspective of which options would contribute most substantially to improving the Company’s corporate value and shareholder value and will disclose the results thereof.

However, the Company adheres to the idea that “growing our renewable energy business throughout the entire value chain will lead to maximizing the Company’s corporate value”, as was indicated in the 7th Consolidated Medium-Term Management Plan announced on March 23, 2023, and appears unwilling to seriously discuss the listing of our renewable energy business subsidiary at the Board of Directors meeting.

Therefore, the Proposing Shareholder proposes the Agenda in order to nominate Ms. Yoko Atsumi, an attorney-at-law, as a candidate for Director, who stated that she is committed to “seriously discussing the listing of the renewable energy business subsidiary at the Company’s Board of Directors meeting and disclosing the results thereof.” By electing Ms. Yoko Atsumi as the Company’s Outside Director, the Proposing Shareholder expects that serious discussions will be held at the Company’s Board of Directors in order to realize improvement of the Company’s corporate value and shareholder value, including discussion on the listing of our renewable energy business subsidiary.



In addition, Ms. Yoko Atsumi has expertise and experience in the field of corporate governance, and through utilizing her professional perspective as an attorney-at-law, she is capable of providing advice to ensure the adequacy and appropriateness of the decision making of the Board of Directors. As such, the Proposing Shareholder believes that she will contribute to improving the Company's corporate value and shareholder value, as well as to eventually enhancing all of the stakeholders' relevant interests.

End

**(Exhibit 2) Relationship between Ms. Atsumi and Mr. Murakami****1 Transactions with Mr. Murakami and Relevant Parties**

As shown in sections 2 and 5 below, as far as multiple transactions between Ms. Atsumi and Mr. Murakami and Relevant Parties were disclosed, so we asked through the written Q&A whether the amount of annual transaction amounts Ms. Atsumi and Mr. Murakami and Relevant Parties exceeded 10 million yen per year during the past 5 years, in order to confirm whether Ms. Atsumi is independent from Mr. Murakami and Relevant Parties. However, Ms. Atsumi gave no clear answer, due to her confidentiality obligations. For this reason, we were unable to confirm that Ms. Atsumi does not fall within the Company's established criteria for the independence of Independent Outside Directors, which means that she did not qualify as an attorney who earned more than 10 million yen per year during the past 5 years (see Items (5) and (9) of our Independence Criteria for Independent Outside Directors). In other words, we were unable to confirm whether Ms. Atsumi is independent from Mr. Murakami and Relevant Parties.

In addition, through the written Q&A, we asked about the percentage of the total sales of Atsumi Law Office, for which Ms. Atsumi currently works, accounted for by transactions with Mr. Murakami and Relevant Parties. However, Ms. Atsumi did not give a clear answer due to her confidentiality obligations. For this reason, we were unable to confirm that Ms. Atsumi does not fall within the Company's established criteria for determining the independence of Independent Outside Directors, as defined in Item (3)A of our Independence Criteria for Independent Outside Directors; in other words, we were unable to confirm whether Ms. Atsumi is independent from Mr. Murakami and Relevant Parties.

Furthermore, we asked through the written Q&A whether an advisory agreement was executed by and between Ms. Atsumi and City Index Eleventh. However, Ms. Atsumi gave no clear answer, due to her confidentiality obligations.

As mentioned above, there are multiple transactions between Ms. Atsumi and Mr. Murakami and Relevant Parties in the range disclosed, so we asked Ms. Atsumi through the written Q&A to confirm whether she has independence from Mr. Murakami and Relevant Parties, but we were unable to obtain a response. As a result, we have not confirmed the independence of Ms. Atsumi from Mr. Murakami and Relevant Parties, which are major shareholders of the Company.

**2 Activities as an agent for Mr. Murakami and Related Parties**

According to reports, Ms. Atsumi served as Mr. Murakami's agent when Mr. Murakami was suspected of Market Manipulation in 2015.

In addition, in April 2021, Ms. Atsumi served as an agent on behalf City Index Eleventh in

connection with City Index Eleventh's petition for a provisional injunction concerning the allotment of share options without contribution by Japan Asia Group Co., Ltd.

### **3 Relationship with the Murakami Family Foundation**

Ms. Atsumi served as a director of the Murakami Family Foundation ("Murakami Family Foundation"). Through the written Q&A, she answered that she receives no remuneration or other financial benefits from the Murakami Family Foundation in return for her services as a director. Although we asked her through the written Q&A about the reason she serves as a director, Ms. Atsumi did not give a clear answer. In addition, through the written Q&A, she disclosed that she has contributed 100,000 yen to the Murakami Family Foundation so far. We asked her through the written Q&A about the percentage of the total income of the Foundation attributable to her contributions, but Ms. Atsumi did not give a clear answer.

### **4 Appointment as an outside director of Daiho Corporation**

Ms. Atsumi was appointed as an outside director of Daiho Corporation ("Daiho") when City Index Eleventh and Related Parties were major shareholders of Daiho. We asked her about the reason she was appointed as an outside director of Daiho; however, Ms. Atsumi did not give a clear answer due to her confidentiality obligations. Provided that the time at which she was appointed as an outside director of Daiho was when City Index Eleventh was a major shareholder of Daiho, and given the relationship between Ms. Atsumi and Mr. Murakami, it is very difficult to assume that Mr. Murakami had no involvement in the background of the appointment of Ms. Atsumi as an outside director of Daiho. In other words, we could suppose that Ms. Atsumi was appointed with the involvement of Mr. Murakami. In addition, approximately 9 months after Ms. Atsumi was appointed as an outside director of Daiho, it passed a resolution to perform a large-scale tender offer and third-party allocation of shares, with premiums, and as a result of these transactions, Daiho enabled City Index Eleventh to enjoy tax benefits.

### **5 Appointed as an outside director of Kosaido Co., Ltd.**

Ms. Atsumi was appointed as an outside director of Kosaido Co., Ltd. ("Kosaido") when Reno and Minami-Aoyama Fudosan, which are under the influence of Mr. Murakami, were major shareholders of Kosaido. We asked her about the reason she was appointed as an outside director of Kosaido; however, Ms. Atsumi did not give a clear answer. Provided that the time at which she was appointed as an outside director of Kosaido was when Reno and Minami-Aoyama Fudosan, which are under the influence of Mr. Murakami, were major shareholders of Kosaido, and given the relationship between Ms. Atsumi and Mr. Murakami, it is very difficult to assume that

Mr. Murakami had no involvement in the background of the appointment of Ms. Atsumi as an outside director of Daiho. In other words, we could suppose that Ms. Atsumi was appointed with the involvement of Mr. Murakami.

End