



**Supplementary information for
"NOTICE OF CONVOCATION OF THE
8th ORDINARY GENERAL MEETING OF SHAREHOLDERS"**

Cosmo Energy Holdings Co., Ltd.

Executive Summary (i)

What is the proposal for enactment of countermeasures (Proposal No. 5) ?

- To obtain the approval of general shareholders for the enactment of countermeasures* in cases where City and Other Parties **do not follow the prescribed procedures** and purchase additional shares.
- **To preserve the Company's corporate value and ultimately the common interests of general shareholders.**

*These are measures to allot the share options without contribution based on different conditions for general shareholders and City and Other Parties. The value of all the shares of the Company held by general shareholders will not be diluted because of these measures. For details, please see p. 8.

How would City and Other Parties damage the corporate value?

- City and Other Parties have proposed to the Company the closure of refineries, a spin-off of the renewable energy business subsidiary, changes to the level of equity capital, and other matters, but **the Company is confident that these proposals will damage earnings and the corporate value of the Company.**
- In addition, the Company considers that the purpose of City and Other Parties is to sell their shares for large-scale returns and to pursue only their interests.

Why has the Company asked only general shareholders to vote for or against Proposal No. 5 (MoM resolution)?

- If City and Other Parties **do not follow the procedures** and conduct rapid purchases of additional shares in the market without indicating its purposes, general shareholders could be pressured into selling their shares without sufficient information or time necessary to make a decision.
- **The Company believes that it should** eliminate the voting rights of City and Other Parties in order to eliminate the coercion and **should better reflect the will of general shareholders.**
- On the assumption that **City and Other Parties will not follow the procedures and conduct purchases of additional shares**, the Company plans to adopt **more precautions** in order to confirm general shareholders' will with respect to the enactment.

Executive Summary (ii)

What is the shareholder proposal for the outside director candidate (Proposal No. 6)?

- This is a proposal for purposes of electing Ms. Yoko Atsumi, who has been nominated by City and Other Parties, as a Director.

Why does the Company oppose Proposal No. 6?

- The Company requested that it have a meeting with Ms. Atsumi, but she refused its request, and the Company was unable to receive adequate answers for purposes of evaluating whether or not she is an appropriate candidate for a Director.
- The skills the Company supposes from Ms. Atsumi's career that she has acquired are already possessed by the director candidates proposed by the Company.
- The Company cannot determine that Ms. Atsumi is independent from City and Other Parties because Ms. Atsumi has a close relationship with City and Other Parties and she is deemed to have special circumstances that may cause a conflict of interest with the Company.
- **The Company was unable to conclude** that the election of Ms. Atsumi as a Director **will contribute to the improvement of the Company's corporate value.**

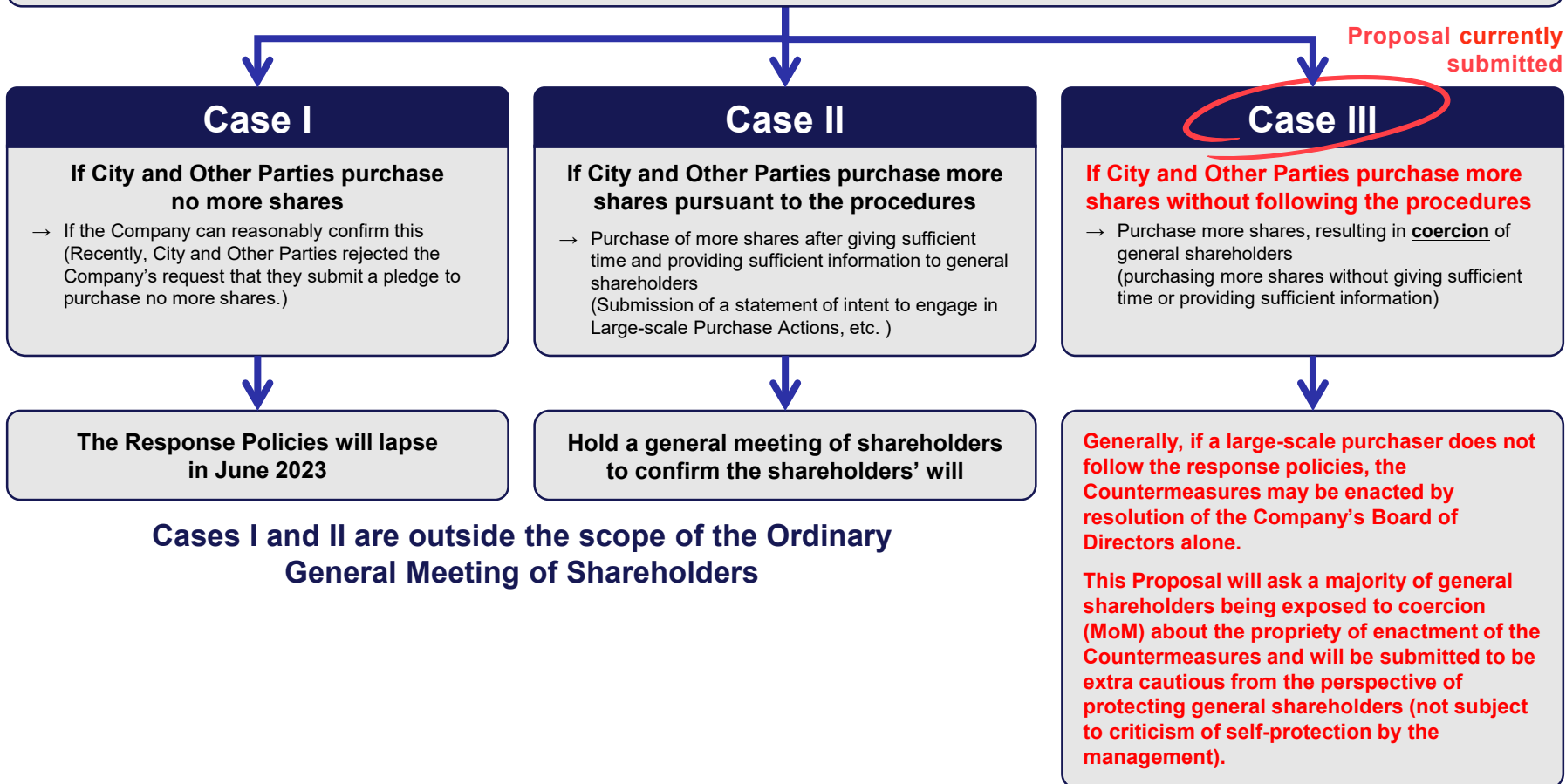
Proposal No.5

Meaning of Proposal 5:

To Be Submitted for Being Extra Cautious from the Perspective of “Protecting General Shareholders Exposed to Coercion”

The Company’s understanding of the current situation: “Emergency”

It is probable that immediately after the Ordinary General Meeting of Shareholders, City and Other Parties will commence buying the Company’s shares up to approximately 40% in the market, and it cannot be denied that there is a risk this move will give rise to coercion of general shareholders and to a consequent large-scale tender offer by an issuer and damage to the Company’s corporate value.



Summary of Proposal No. 5

(Approval of Enactment of Countermeasures Based on the Response Policies Against Large-scale Purchase Actions, etc.)

Reason for and Details of the Proposal

Under the circumstances where:

- while the Company's Board of Directors concludes that it is highly probable that City and Other Parties' proposal would **damage** the Company's corporate value and the Company's **shareholders' common interests**; and
- believes that it is **highly probable** that City and Other Parties will **conduct the Large-scale Purchase Actions, etc.** after the Ordinary General Meeting of Shareholders;
- with full respect to **the inquiries to and the recommendations from the Independent Committee**; and
- on the condition that it is deemed that City and Other Parties **have commenced the Large-scale Purchase Actions, etc. without the submission of a statement of intent for the Large-scale Purchase Actions, etc.**,

the proposal is one in which the Company's Board of Directors consults with the Company's shareholders on the propriety of enactment of the Countermeasures based on the Response Policies.

Effective Period and Discontinuance

- The Response Policies will continue **with its application limited to City and Other Parties' Large-scale Purchase Actions, etc., and with its period restricted to the extent necessary for enactment of the Countermeasures** (however, with a maximum length of until the closing of the first meeting of the Company's Board of Directors that will be held after the Company's ordinary general meeting of shareholders planned to be held in 2024).
- In cases where it is reasonably concluded that the Large-scale Purchase Actions, etc. are not intended, such as a case where City and Other Parties submit a written pledge, pledging that they will not purchase more of the Company's share certificates, etc., the Company will withdraw the proposal, and, pursuant to the initial policies, discontinue the Response Policies upon the closing of the first meeting of the Board of Directors to be held after the Ordinary General Meeting of Shareholders.
- If the proposal is rejected, the Countermeasures will not be enacted, and the Response Policies will be discontinued upon the closing of the first meeting of the Board of Directors to be held after the Ordinary General Meeting of Shareholders.

Proposal No. 5_Summary of the Independent Committee's Recommendations

Independent Committee's Recommendations

- 1. The Large-scale Purchase Actions, etc. of City and Other Parties will damage corporate value for the following reasons:**
 - It will contribute to enhancing the corporate value of the Company and the common interests of its shareholders to have the subsidiary in the renewable energy business grow in the Company group's value chain as a whole, rather than having it split and listed.
 - The demand by City and Other Parties for shareholder returns requires the Company to pay out equity capital at a level that would fall below the Company's necessary equity capital.
 - It can be reasonably presumed that the real aim of City and Other Parties is not to enhance the Company's corporate value and its shareholders' common interests, but rather to secure its own profits by causing the Company to conduct a large-scale tender offer for its own shares at the expense of the Company's medium-to-long-term corporate value.
 - The Company's management may be materially disrupted if the Large-scale Purchase Actions, etc. are conducted.
- 2. Based on 1. above, it is reasonable for the Company's Board of Directors, while fully respecting the recommendations from the Independent Committee, to enact Countermeasures in future cases where it is deemed that City and Other Parties have commenced the Rapid Large-scale Purchase Actions, etc.**
- 3. For the reasons listed below, if the proposal is submitted to the Ordinary General Meeting of Shareholders, it would be reasonable to make a majority of minority resolution (the resolution of a majority of the shareholders present at the meeting excluding City and Other Parties, the Company's directors, and their related parties.)**
 - The shareholders' will regarding the enactment of the Countermeasures should be confirmed by a MoM resolution (If the shareholders' will is confirmed by an ordinary resolution including the voting rights represented by shares held by City and Other Parties, the result of that resolution cannot be said to express the shareholders' will, and there is a risk that the shareholders' will so confirmed might be distorted, considering that (i) City and Other Parties, as purchasers, have different interests from general shareholders and (ii) the Company's shares already held by City and Other Parties were acquired through purchases in the market, which is problematic in terms of coercion and information disclosure.)
 - It is necessary for shareholders who may be affected by the coercion to decide on the proposal under non-coercive circumstances and it is acceptable to exclude the voting rights of City and Other Parties.
 - It is also reasonable to exclude the voting rights of the Company's directors and their related parties (from the perspective of equity).

Summary of the Response Policies

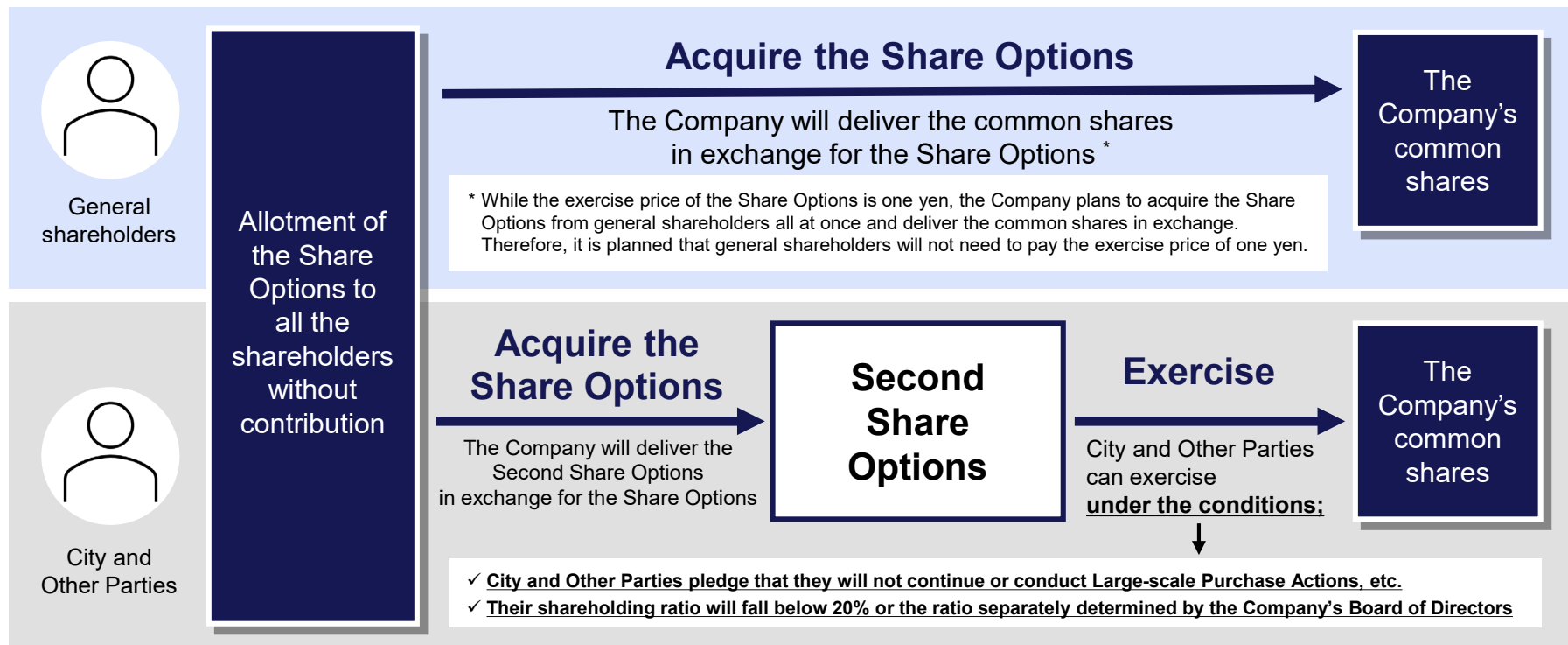
(Introduced on January 11, 2023)

Item		Details
Emergency/Ordinary		Introduced upon emergency (response policies against Large-scale Purchase Actions, etc. that have already occurred)
Trigger		At least 20% shareholding ratio (current shareholding ratio of City and Other Parties: 20.01%)
Composition of the Independent Committee		Composed of four independent outside directors (recommend on the propriety of enactment of countermeasures and any other necessary matters)
Procedures	Submission deadline of statement of intent	60 business days prior (A Large-scale Purchaser will submit a statement to the Company's Board of Directors 60 business days prior to conducting Large-scale Purchase Actions, etc.)
	Information provision (deadline)	Within five business days (The Company will request the Large-scale Purchaser to provide information within five business days from the receipt of the statement of intent.)
	Period for director's evaluation	Within 60 business days (The Company will evaluate and consider the propriety of the Large-scale Purchase Actions, etc. within 60 business days from the receipt of the statement of intent.)
	General meeting to confirm shareholders' will	If the Large-scale purchaser complies with the procedures, a general meeting will be held to confirm the shareholders' will (The Company will decide on holding a general meeting to confirm shareholders' will within 60 business days after receipt of the statement of intent)
Summary of countermeasures		<ul style="list-style-type: none"> - Allotment of Share Options without contribution (No Share Options held by Ineligible Persons may be exercised.) - Ineligible Persons may acquire Second Share Options and exercise them to the extent that their shareholding ratio would fall below 20% or the ratio separately determined by the Company's Board of Directors.
Effective term		Until the closing of the first meeting of the Company's Board of Directors to be held after the Company's Ordinary General Meeting of Shareholders to be held in 2023
High probability of conducting Large-scale Purchase Actions, etc. (imminent threat)		<p>In circumstances where:</p> <ul style="list-style-type: none"> - City and Other Parties have not denied their intent to acquire additional Company share certificates, etc., after the Ordinary General Meeting of Shareholders (they stated that <u>they would acquire 30% of the Company's share certificates, etc., or indicated that they would acquire a majority</u> thereof) ; - The upper limit of the shareholding ratio based on the inward direct investment regulations under the Foreign Exchange and Foreign Trade Act has been raised from 29.97% to 39.96% (a letter dated May 1, 2023); and - City and Other Parties expressly rejected a pledge not to conduct Large-scale Purchase Actions, etc. for a certain period of time (until December 31, 2023) (a letter dated May 1, 2023). <p>It is highly probable that City and Other Parties will commence Large-scale Purchase Actions, etc., after the Ordinary General Meeting of Shareholders.</p>

Outline of the Countermeasures against the Large-scale Purchase Actions, etc.

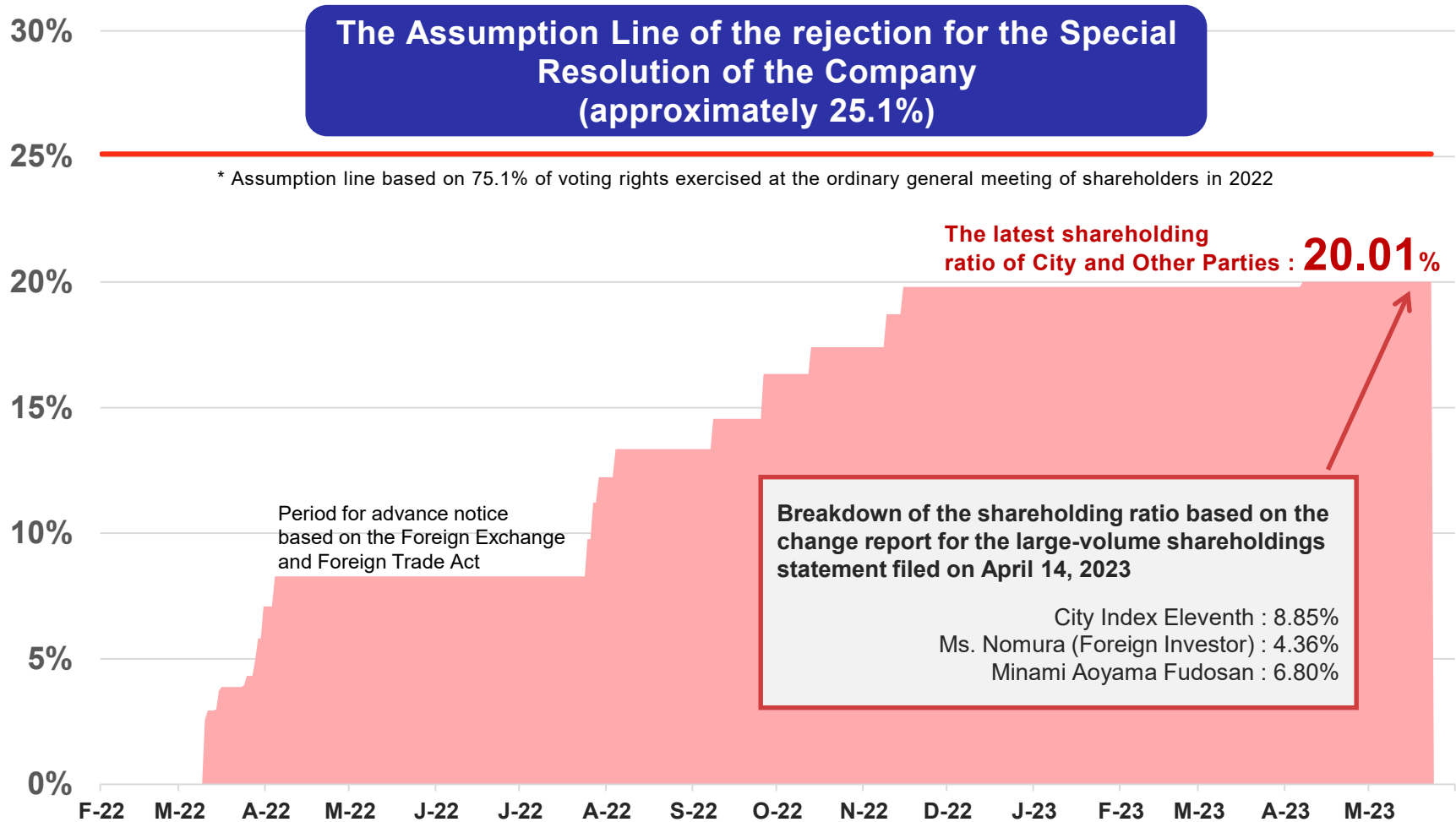
The Countermeasures against the Large-scale Purchase Actions, etc.

- The Company will allot the Share Options to all the shareholders without contribution, whose exercise conditions and acquisition clauses are different between general shareholders and City and Other Parties.
- If City and Other Parties purchase more of the Company's shares without following the procedures, the Countermeasures will be enacted.
- Even if the Countermeasures are enacted, the value of all the shares of the Company held by general shareholders will not be diluted against their will.



Reference Information: Additional acquisition and increase of the shareholding ratio of City and Other Parties

(based on a Large-Volume Holdings Statement and the Change Report for the Large-Volume Holdings Statements)



Reference: Previous investment activities by Mr. Murakami and Relevant Parties

▶ Investment in Excel (2019~)

After Mr. Murakami and Relevant Parties acquired 38.07% of Excel's shares, they appointed an outside director to Excel. Then, Excel's business was dissolved and divided into two, and the **partial assets were distributed in kind** to Mr. Murakami and Relevant Parties. Consequently, Mr. Murakami and Relevant Parties enjoyed interests thereof. Moreover, Mr. Murakami and Relevant Parties **transferred all shares of Excel**, which had lost its assets, **to Kaga Electronics for 100 million yen**.

▶ Investment in Toshiba Machine (Currently Shibaura Machine) (2019~)

Due to Mr. Murakami and Relevant Parties commencing a TOB without obtaining approval from Toshiba Machine, its board of directors resolved to introduce and enact countermeasures. Mr. Murakami and Relevant Parties informed Toshiba Machine that if it conducted **a share-buyback of approximately 12 billion yen**, they would withdraw the TOB. However, Toshiba Machine held an extraordinary shareholders meeting, and the introduction and enactment of countermeasures was approved. As a result, Mr. Murakami and Relevant Parties withdrew the TOB.

▶ Investment in Daiho Corporation (2020~)

While Mr. Murakami and Relevant Parties increased their shareholding ratio, they requested that Daiho Corporation delist itself or reduce its net assets. Daiho Corporation conducted a capital increase by a third-party allotment to Aso in order to make it a major shareholder in place of Mr. Murakami. At the same time, **even with reducing its capital reserve for creation of a distributable amount**, Daiho Corporation conducted **a large-scale TOB by an issuer at a premium price** in order to purchase shares which were held by Mr. Murakami and Relevant Parties.

▶ Investment in Nishimatsu Construction (2021~)

While Mr. Murakami and Relevant Parties increased their shareholding ratio to 22.84%, they requested that Nishimatsu Construction conduct management integration with Daiho Corporation, of which they were major shareholders, and **a share-buy back of up to 200 billion yen**. In addition, in order to maximize their tax benefits, Mr. Murakami and Relevant Parties stated that they wanted to increase their shareholding ratio in Nishimatsu Construction to more than one-third, consistent with their short-term interests. Nishimatsu Construction resolved to submit a proposal for confirmation of shareholders' will regarding the request for Mr. Murakami and Relevant Parties to cease purchasing additional shares of Nishimatsu Construction and notified Murakami and Relevant Parties thereof. As a result, Mr. Murakami and Relevant Parties **submitted a pledge** not to purchase 25% or more of the shares of Nishimatsu Construction during a given period (therefore, Nishimatsu Construction withdrew the proposal). Thereafter, Nishimatsu Construction conducted **a TOB by an issuer at a premium price**.

*) According to the announcement of the financial results of City Index Eleventh, their "Corporate tax, Resident tax, and Business tax" in the most recent five FYs consistently have been **0 yen**, and City Index Eleventh is considered to have enjoyed the tax benefit of TOBs by an issuer, etc. to the limit.

Proposal No.6

Reasons for opposing Proposal No. 6

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

The Company's Board of Directors **opposes** Proposal No. 6 of the Shareholder Proposal

Reasons for opposing Proposal No. 6

This shareholder proposal is to elect Ms. Yoko Atsumi ("Ms. Atsumi"), an attorney-at-law, as a candidate for Director, and the Company **opposes** such proposal for the following reasons:

- When the Company elects a candidate for Director, the Nomination and Remuneration Committee, a majority of whose members are Independent Outside Directors, evaluates a candidate objectively. However, the Nomination and Remuneration Committee was unable to obtain sufficient information on Ms. Atsumi to evaluate her, since **Ms. Atsumi not only refused to have a meeting, but also did not provide sufficient answers in written question and answer sessions from the Company.**
- The skills the Company supposes from Ms. Atsumi's career that she has acquired **are already possessed by the director candidates proposed by the Company.**
- While the Company judges that City and Other Parties' proposal would damage the Company's corporate value, it can be reasonably assumed that Ms. Atsumi has a close relationship with City and Other Parties, the proposers of the Shareholder Proposal. 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. **If Ms. Atsumi becomes a Director, the percentage of the Company's Independent Outside Directors will decrease.**
- The Company is unable to determine whether Ms. Atsumi has any ideas in relation to the "listing of the Company's renewable energy business subsidiary," to which she has stated that she is committed, or whether she understands the details of the 7th Consolidated Medium-Term Management Plan of the Company.
- While it can be reasonably assumed that Ms. Atsumi has a close relationship with City and Other Parties, after Ms. Atsumi was elected as a director of other companies in which City and Other Parties were major shareholders, a resolution was passed in such companies to conduct a large-scale tender offer by an issuer and a capital increase through a third-party allotment, which resulted in City and Other Parties enjoying benefits.

(Reference)

Supplementary information on City and Other Parties' claims and improving the Company's corporate value

Background of Proposal No. 5

(Developments of Dialogue with City and Other Parties)

Topic	Claims of City and Other Parties	Opinions of the Company
<p>Refinery restructuring</p>	<p>The Company is supposed to consolidate refineries and consider industry restructuring.</p>	<p>Refineries are the source of the Company's profitability and capable of operating at high levels in the medium term, even amid a future decline in demand. Closing refineries, etc. will directly damage the Company's corporate value. (P15 ~ P17)</p>
<p>The Company's renewable energy business subsidiary</p>	<p>The Company's corporate value may improve via a spin-off of the renewable energy business subsidiary.</p>	<p>The company aims to maximize earnings and corporate value by growing the entire supply chain, including power generation business undertaken by the renewable energy business subsidiary. The renewable energy business subsidiary is currently taking steps to grow by utilizing the Company's internal resources, and the splitting of it at this stage would impose a significant disadvantage on its expansion of the business scale and establishment of a revenue base. (P18 ~ P20)</p>
<p>Necessary net worth</p>	<p>The Company's appropriate net worth is 500 billion yen. The Company should allocate the entire portion of its net worth in excess of 500 billion yen to shareholders return, not accumulating excess capital.</p>	<p>As 600 billion yen has been set as the Company's necessary equity capital from a composite and objective perspective, the Company's business continuity could be affected if the net worth falls below that amount. On the other hand, the Company does not intend to unnecessarily hoard capital, as additional returns will be conducted when the Company achieves its financial health targets. (P21 ~ P22)</p>

Profitability of the Petroleum Business

Short position strategy *

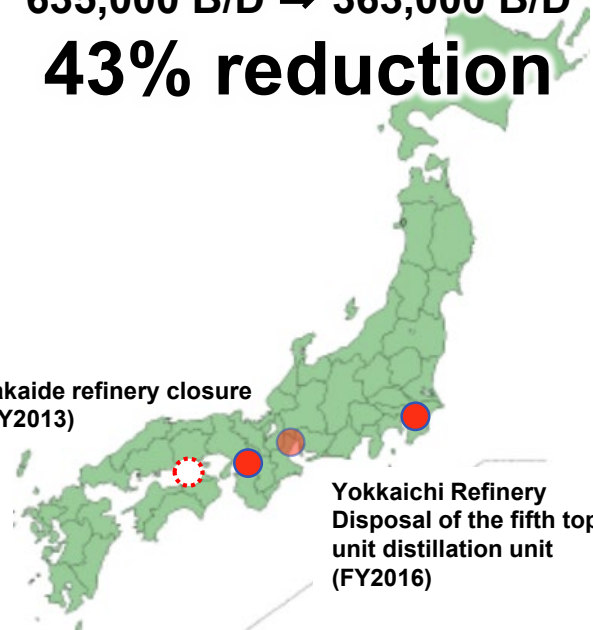
* Insufficient crude oil processing capacity to produce relative to sales volume

- ▶ In addition to a significant strategic reduction in refining capacity, sales volume is expanding.
- ▶ Even considering the future decline in domestic demand, high operating rate is expected to continue for the time being.

Crude oil processing capacity*1

635,000 B/D \Rightarrow 363,000 B/D
43% reduction

Sakaide refinery closure
(FY2013)



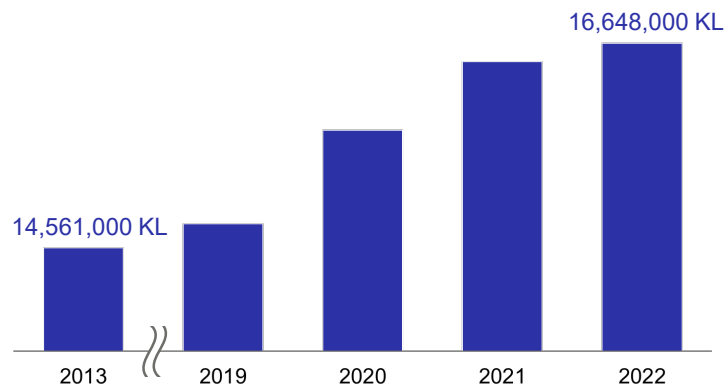
Yokkaichi Refinery
Disposal of the fifth topper
unit distillation unit
(FY2016)

*1 Comparison of topper unit capacity in April 2013 and April 2023, which excludes consignment of crude oil refining to Showa Yokkaichi Sekiyu.

Sales volume*2

14,561,000 KL \Rightarrow 16,648,000 KL
14% increase

Sales Volume of four main products

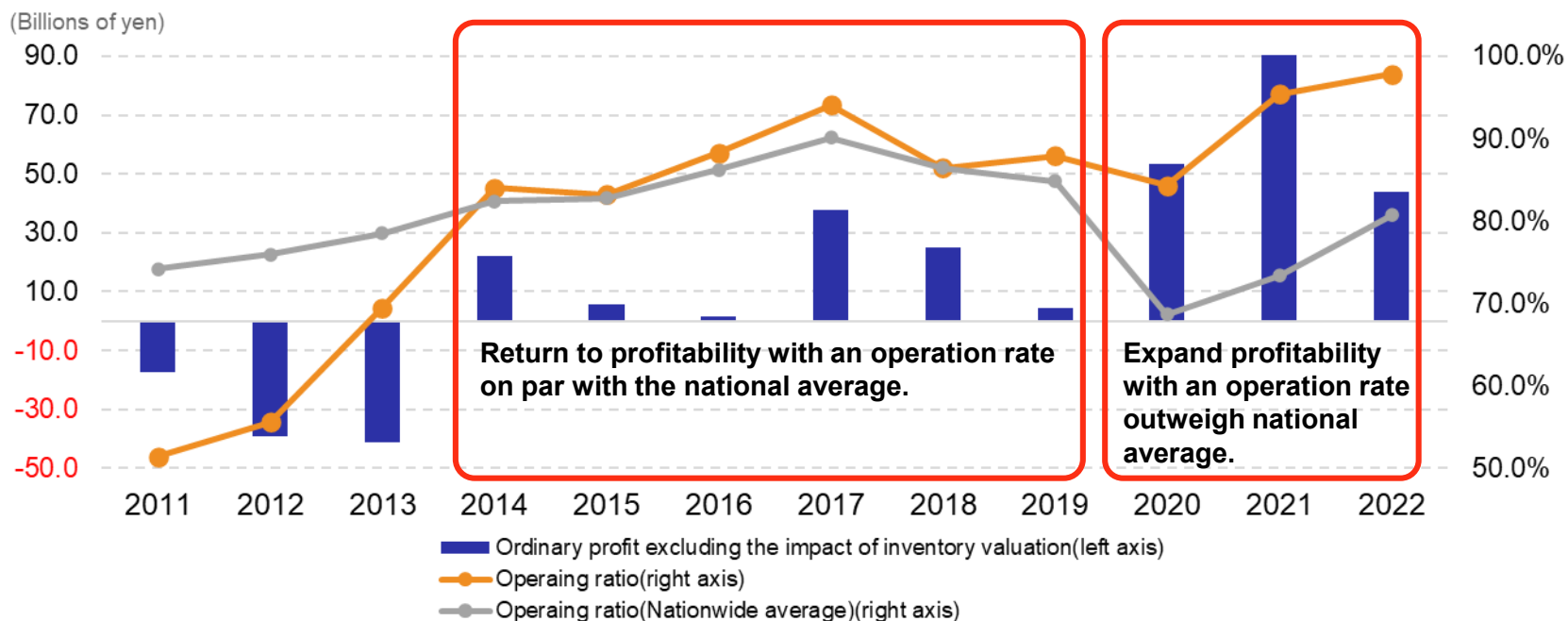


*2 Comparison of domestic sales volume of four products (Gasoline, Kerosene, Diesel fuel and Heavy Oil A) in FY2013 and FY2022.

Achieving high operating rates and high profitability

- ▶ Due to introduction of “Operating Management System” and other measures **improved the level of safe operations, our refinery has been continuing to operate at a high level**, significantly exceeding the national average.
- ▶ By integrated operation at the three refineries, **we have reduced production of high-sulfur heavy oil to zero** and increased production of high-value-added gasoline. That leads **high competitiveness**.

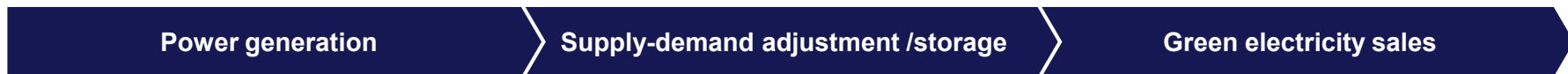
Profit of Petroleum business and operating ratio at refinery



Growth in the Renewable Energy Business

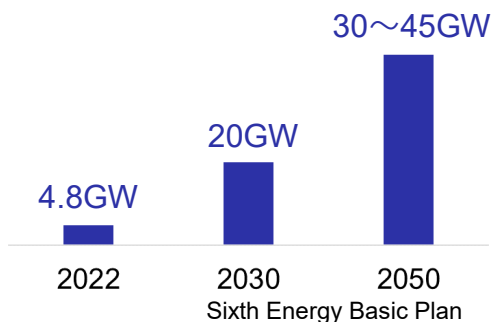
Revenue Opportunities in the Renewable Energy Business

- ▶ Earnings opportunities exist not only for power generation, but **also for supply-demand adjustment/storage, and green electricity sales.**
- ▶ We already **have multiple businesses and customer bases within the Group**, aiming to create synergies throughout the supply chain.



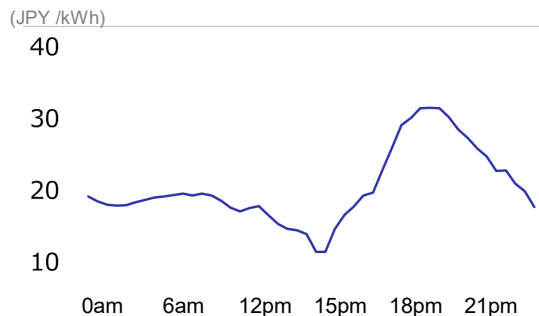
Great expansion of offshore wind power in the 6th basic energy plan.

Wind Power Capacity



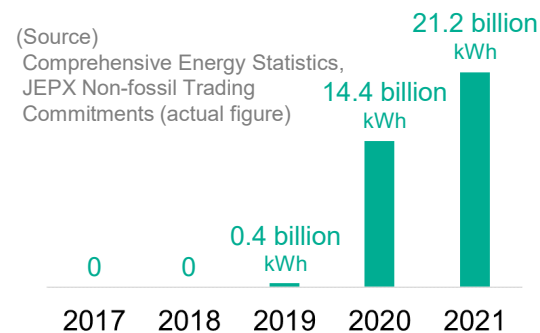
The electricity market is volatile. Revenue opportunities exist utilizing the volatility.

Image of transaction price electricity market by time zone



Due to increased number of RE100 companies, etc., trading of non-fossil certificates has been expanding.

Number of Non-fossil certificates



Major Group Companies with Business and Customer Bases


Cosmo Eco Power Co., Ltd.


Cosmo Energy Solutions Co., Ltd.


Cosmo Oil Marketing Co., Ltd.

Disadvantages of spin-off/independence of renewable energy business subsidiary

- ▶ The spin-off/independence of a renewable energy business subsidiary (Cosmo Eco Power Co., Ltd.) would cause **various disadvantages**.

Major disadvantages of spin-off/independence

- i) **Lack of knowledge and delays in project execution due to return of HR**

Number of Directors and Employees

	Director	Employee
Number of employee of Cosmo Eco Power Co., Ltd.	8	287
Number of employee assigned from Cosmo Energy Group	5 *	43

* Including company transfers

- ii) **Incapable of using Cosmo's credit rating and financing power**

Rating information of Cosmo Energy Holdings Co., Ltd.

Credit Rating Company	Long-term Issuer rating	Short-term Issuer rating
R&I	A- (Outlook: Stable)	a-1
JCR	A- (Outlook: Stable)	J-1

- iii) **Declines in creditworthiness of various business situation**

(Project consortium, administrative, fisheries cooperatives, local residents)

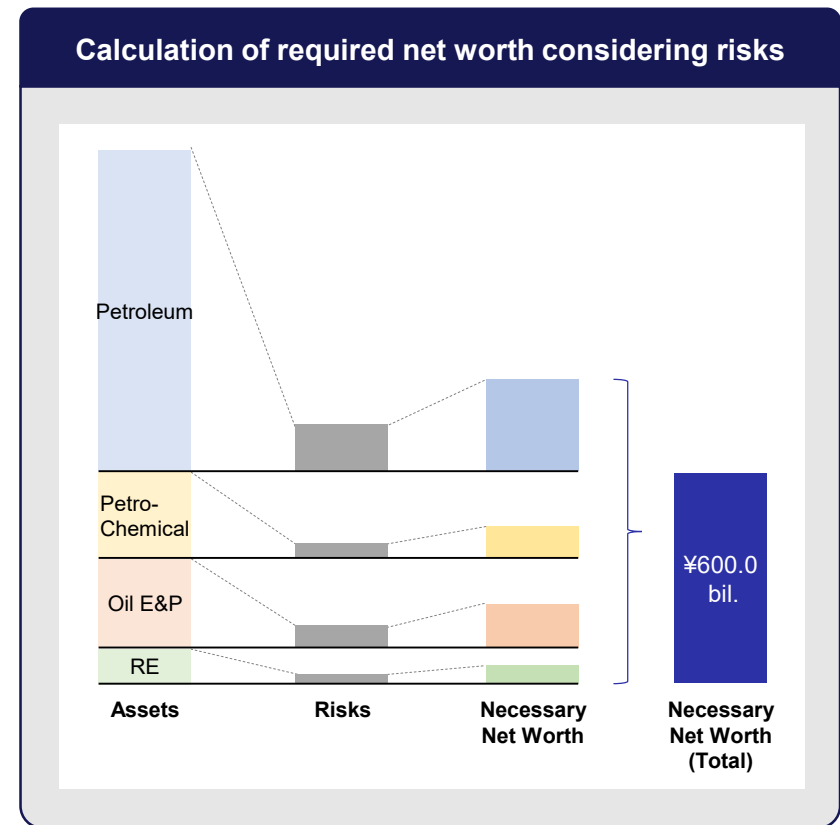
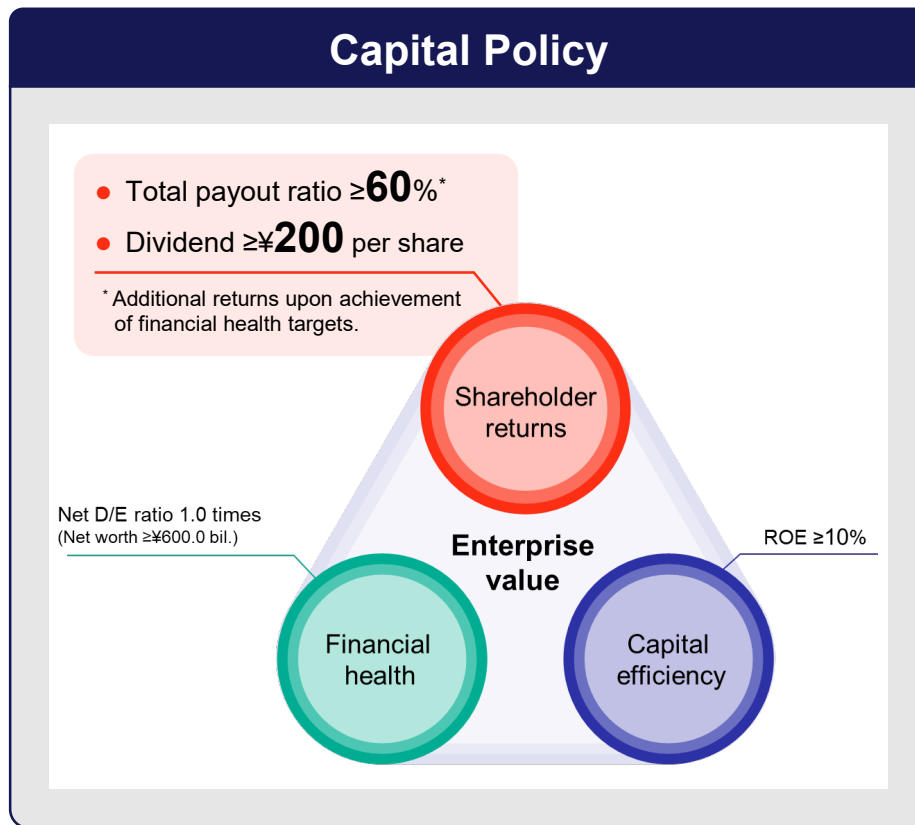
- iv) **Increased labor loads per person associated with the spin-off/independence**

Possible risk of **New projects Lost note, Development delay, and Profitability decline**

Realization of capital policy

Realization of capital policy

- ▶ Announced **a capital policy** to expand shareholder returns, financial health, and capital efficiency in **a three-pronged approach**.
- ▶ Present **a clear level of Net worth** required.
- ▶ If the Net worth and Net D/E ratio meet the target, **additional returns to shareholders** to be conducted.





This document does not constitute an offer to solicit the exercise of voting rights by proxy of the Company or any third party with respect to the proposals to be voted on at the Company's eighth ordinary general meeting of shareholders.