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Regarding the 8th Ordinary Shareholders' Meeting of Cosmo Energy Holdings Co., Ltd.

Reference: a Majority of Minority (“MOM”) Vote

It is literally the “majority of the minority”. In this case, the condition for the resolution of the enactment of the Countermeasures at the Shareholders’ Meeting is the majority vote of the general shareholder base that do not share important common interests with the acquiror (in other words, excluding us).

MOM resolutions are limited to extremely rare situations...

- Stipulating a MOM resolution increases the ratio of shareholders that are in approval of the company’s proposals (enactment of countermeasures, etc.), and given that the company creates the agenda of proposals, **there is a risk that the company intentionally sets an agenda that is favorable for themselves.** Therefore, MOM resolutions can only be permissible in な**very limited and extraordinary situations***.

- 1 When the acquiror conducts an expedited market acquisition process, and there are issues regarding information disclosure to market shareholders, time, or the risk of rushed selling
- 2 When the acquiror commits a serious offense of laws or regulations related to acquisitions, such as the Large Shareholding Report system

...but it is clear that we do not apply to any of the points.

- 1
 - We have conducted many explanations to Cosmo ever since we started acquiring Cosmo shares, and have communicated to them that we would undergo the procedures stipulated by the Countermeasures when acquiring additional shares, and also that we would not acquire additional shares until the Ordinary Shareholders’ Meeting.
 - We have also communicated to Cosmo that we have not made any decisions as of yet regarding additional acquisitions after the Ordinary Shareholders’ Meeting.
 - Additionally, we have explained that the effective limit for us in terms of acquiring Cosmo shares is 22.9% as per the Foreign Exchange and Foreign Trade Control Law in a memo dated May 1st.
- 2
 - We are adhering to applicable laws and regulations, such as the Large Shareholding Report system and the Foreign Exchange and Foreign Trade Control Law.

Request to Exercise Shareholder Voting Rights

Cosmo is not only opposing our Shareholder Proposal but also presenting an agenda item regarding the enactment of countermeasures against large-scale purchase actions that were introduced on January 11th (“the Countermeasures”), through a majority of minority (“MOM”) vote*. Given this situation, we are asking the shareholders of Cosmo to execute their voting rights in the following manner:

*a voting process that seeks approval through a majority vote of attending shareholders excluding City Index 11 and related parties. Our voting rights will be excluded in the magnitude of approximately 20% of the total voting rights, while the voting rights of Cosmo’s related parties (board director shareholding partnership and certain family members of board members) will only be excluded in the magnitude of 3,485 shares worth, while the broad-term cross-ownership shares of Cosmo will not be excluded from the resolution.

1. Please vote **against** Proposal No.5

- Proposal No.5 is the “Approval Regarding Enactment of Countermeasures Based on Response Policies to Large-scale Purchase Actions, etc.”

2. Please vote **against** the (re-) election of President, Representative Director and Chief Executive Officer Mr. Shigeru Yamada in Proposal No.2

- Proposal No.2 is the “Election of Six (6) Directors (excluding those who are Members of the Supervisory Committee)”

3. Please vote **for** Proposal No.6

- Proposal No.6 is the “Election of One (1) Director (excluding anyone who is a Member of the Supervisory Committee)”
- This is our shareholder proposal with Ms. Yoko Atsumi as a board member candidate

1. **Against Proposal No.5**

1-(1): Regarding the Countermeasures

Cosmo management is ignoring the fact that share prices remain below 1x PBR after the release of the 7th Management Plan, while disregarding our proposal and attempting to reject it unfairly. This is nothing but self-preservation on the part of the management team.

Is the Cosmo management team trying to protect shareholder rights?

- **Fundamentally, shareholders should decide depending on individual circumstances** whether countermeasures should be enacted.
- The proposal regarding the enactment of the Countermeasures **attempts to put the decision to enact entirely in the hands of the Cosmo Board.**

Does our proposal “damage the Company’s corporate value and its shareholders’ common interests”?

- According to Cosmo, we are proposing that they (a) consider the medium- to long-term state of the petroleum industry and engage in fundamental measures including the consolidation of refineries, (b) discuss the separation of the renewable energy business as an independent entity, and (c) revisit the equity capital balance target of 600 billion yen and repurpose the funds to shareholder returns, which they claim will damage enterprise value and the common interests of shareholders.
- That is a decision that should be made reflecting the majority intentions of the shareholders, and not by the sole discretion of the Cosmo management team.

Is the Cosmo management team improving enterprise/shareholder values?

- Until we got engaged, Cosmo’s **total shareholder return ratio was under 10%.**
- **PBR is far under 1x even after the 7th Management Plan was announced.**
 - The management committed to a 60% total return ratio, but required equity capital has been increased to 600 billion yen from the original 400 billion yen, and they will continue to operate the renewable energy subsidiary as a part of the entire Cosmo Group.

Reference: Cosmo's PBR and Share Price Trends

Share prices have been on an up-swing ever since we got engaged with Cosmo in March 2022, but PBR remains sluggish due to the conversion of convertible debt as well as the increase in equity capital without a logical explanation.

Our Major Engagements and Cosmo's Responses/ Historical Cosmo PBR

1

Sale of ownership by IAL (2022/3/9)

We had been unofficially advising Cosmo to take measures out of the concern of the potential impact of the sale on share prices, but Cosmo took no actions and share prices fell significantly as a result.

2

Announcement to set total return ratios at 50% (2022/5/12)

After our submission of a Large Shareholding Report, Cosmo announced that they will raise total return ratios to market competitor standards.

3

Announcement of convertible debt buyback (2022/11/10)

We requested a buyback to avoid dilution through the conversion of convertible debt. Cosmo's measures were inadequate, resulting in 32 billion yen of conversion that led to stagnant share prices and PBR.

4

Announcement of 7th Management Plan (2023/3/23)

We made repeated requests to disclose the ideal equity capital level as well as the consideration of taking the renewable energy subsidiary public, etc. However, no fundamental measures to reach 1x PBR were announced, and share prices remain below 1x PBR.



1. **Against Proposal No.5**

1-(2): Regarding the Employment of the MOM Voting Method

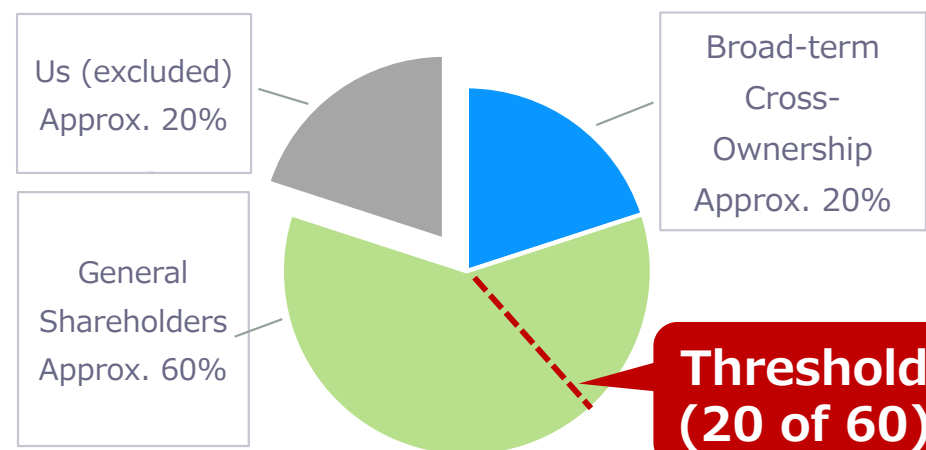
The employment of the MOM voting method is considered appropriate only in extremely limited and extraordinary situations. The application to this situation is absolutely an abuse, and is also a hardline attempt to forcibly push through given the reality of the situation.

Is it appropriate to exclude our voting rights from the resolution?

- Ever since we began acquiring Cosmo shares, we have made multiple explanations to the Company, and have communicated that we will undergo the procedures stipulated by the Countermeasures when acquiring additional shares, and that we would not acquire additional shares until the Ordinary Shareholders' Meeting.
- We have also communicated that we currently have no plans of acquiring additional shares after the Ordinary Shareholders' Meeting.
- Cosmo claims the possibility of us engaging in large-scale acquisitions stating that our limit for acquiring Cosmo stock in the future is 29.97% (or 39.96%) based on the prior notification set forth by the Foreign Exchange and Foreign Trade Control Law, but we have explained in a memo dated May 1st that the effective limit is only 22.9%.
 - **Cosmo is intentionally disregarding this point.**

Does this method "seek the judgement of the general shareholder"?

- In an interview with Reuters, President Yamada responded by saying that he **"wants to seek the judgement of the general shareholder"**.
- **In reality, Cosmo only requires 20 out of 60 for a resolution.**



- If we are to be excluded, it will not be a just resolution unless the broad-term cross-ownership voting rights are also excluded.

2-(1): Accountability for Necessary Equity Capital

Mr. Yamada has given specific/quantitative explanation whatsoever regarding the increase in necessary equity capital from 400 to 600 billion yen.

Why suddenly 600 billion yen, when it was 400 billion yen for the last 13 years?

- The target equity capital was 400 billion yen for the past 13 years, from the fiscal year ending March 2011 to the fiscal year ending March 2023.
- In the 7th Management Plan, **this number was suddenly increased by 1.5x to 600 billion yen.**
- Despite this being a discussion of numbers, there is no specific or quantitative explanation at all.

Is 600 billion yen the result of a completely objective and mathematical calculation with no bias?

- When asked by several analysts at the session to explain the 7th Management Plan, Mr. Yamada gave **a self-contradicting answer**, first saying “Previously, we have focused our attention on inventory valuation risk in petroleum refining, but there are more risks in other segments than we had thought. Although it is difficult to present them quantitatively, we have come to the conclusion that it is necessary to build up corresponding net worth, especially in the Oil E&P and Renewable energy segments,” and then saying “For offshore wind power generation, there is not a huge amount of investment…even equity is not considered to be a major capital risk.”

2. **Against the (re-) election of President Yamada as Board Member in Proposal No.2**

2-(2): Regarding the Structure of the Renewable Energy Business Subsidiary

Mr. Yamada is unreasonably adamant about “growing the renewable energy business as a part of the entire value chain leading to the maximization of Cosmo’s enterprise value”, and is not able to hold sincere discussions with a wider perspective.

How does he view recent cases of acquisitions?

- On May 18th, NTT Anode Energy Corporation and JERA Co., Inc. announced that they will jointly acquire Green Power Investment Corporation.
- According to news reports, the acquisition price is **approximately 300 billion yen.**
- Given that GPI’s most recent revenues and net income are 8.3 billion yen and 1.1 billion yen respectively, whereas the 2022 revenues and net income for Cosmo’s renewable energy subsidiary are 12.2 billion yen and 2.6 billion yen respectively, **there is a possibility that the subsidiary will be valued higher than GPI.**

How and when will this value be reflected in Cosmo shares?

- The renewable energy subsidiary will not receive a fair valuation as long as it remains within the Cosmo Group.
- If a separation and taking public of this business is not an option, Cosmo needs to design specific measures to ensure that the value of the renewable energy subsidiary is fairly reflected on Cosmo’s value and elevate Cosmo share prices to above 1x PBR and explain those measures to shareholders.

2. **Against the (re-) election of President Yamada as Board Member in Proposal No.2**

2-(3): Reorganization of Refineries Over the Mid- to Long-Term

Mr. Yamada is interested only in the current state of matters, and is not confronting the change in the environment that will inevitably fall upon Cosmo in the near future.

Will the consideration of the consolidation of refineries damage enterprise value?

- In an interview with Bloomberg (article dated May 24th), Mr. Yamada stated that “some might think that it’s okay if it’s just a consideration, but the reorganization of refineries is a very delicate topic”, and that he “feels the risk of damaging enterprise value” by considering this idea when there is no current need for it.
- **Industry competitors are looking into the future and are already designing plans quantitatively, under the premise that demand will be falling.**

Will there be enough time, when the premise is maintaining the status quo?

- In reality, consolidating refineries is a **difficult theme that requires a lot of time**, for discussions with major customers in the vicinity as well as competitors, decisions on how to use the sites going forward, gaining the understanding of the local community, etc.
- Mr. Yamada may be thinking that **it is good enough if Cosmo can maintain high utilization rates with the existing equipment until the end of his tenure.**
- Shareholders and stakeholders are concerned that there is no vision presented regarding the future of Cosmo and the petroleum industry.

2-(4): Regarding the Countermeasures and the MOM Voting

Mr. Yamada is trying to force an illegitimate takeover defense mechanism using an inappropriate resolution method.

Who is “pursuing their own short-term interests at the expense of medium- to long-term corporate value”?

- In the notice of convocation for the Ordinary Shareholders’ Meeting, there are multiple statements about us and how we are “pursuing our own short-term interests at the expense of the Company’s medium- to long-term corporate value”.
- We repeat ourselves, but according to Cosmo, we are proposing that they (a) consider the medium- to long-term state of the petroleum industry and engage in fundamental measures including the consolidation of refineries, (b) discuss the separation of the renewable energy business as an independent entity, and (c) revisit the equity capital balance target of 600 billion yen and repurpose the funds to shareholder returns, which they claim will damage enterprise value and the common interests of shareholders.
- The attempt to obtain a resolution for this Countermeasure through a MOM voting is nothing else but the act of ignoring the true reason behind why the management team is receiving shareholder proposals, **placing the highest priority on self-preservation and maintaining the status quo of Cosmo and themselves.**

3: Regarding Cosmo's Opposing Opinion

Cosmo's opposing opinion lacks a valid reason.

The reasons stated for their opposing opinion are:

- 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
- 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.

...none of which are valid reasons.

These are not valid reasons, and given that the Board of Cosmo decided unanimously to propose an inappropriate MOM voting for an illegitimate Countermeasure, **it is hard to say that the "system is appropriate from the perspective of corporate governance"**.

The following **facts are intentionally ignored/skewed**.

- ① The side that "refused the meeting" was Cosmo, who was adamant about meeting behind closed doors
- ② The questions submitted in writing were inexcusable
- ③ Ms. Atsumi responded nonetheless, in which she stated that she is "currently neutral" on whether the renewable energy subsidiary should be taken public
- ④ Ms. Atsumi was nominated in a company proposal and re-elected as a board member of Daiho Corporation after the completion of their tender offer share buyback, showing that she gained the trust of both the Company and its shareholders

For these reasons, the reasons for their opposing opinion is invalid.

3: Regarding the Election of Ms. Atsumi

We believe that Ms. Atsumi's election is necessary, precisely because of the current closed nature of the Cosmo Board.

The Cosmo Board has a closed nature

Just by observing the set of decisions regarding this Ordinary Shareholders' Meeting, **it is clear that the Cosmo board has an instilled closed nature** such as the following:

- The avoidance of zero-based, open discussions
- The nature to filter particular details only through their biased mindsets and link them to predetermined conclusions
- Ruthless and forceful removal of anything that gets in their way

Ms. Atsumi is necessary for this nature to change

Ms. Atsumi's experience, ability to think, personality and integrity give her the **rare ability to state fair and just opinions even if everybody else is opposed, and can convince others to revisit and rethink the matter at hand.**

The most important thing for Cosmo and its shareholders right now is not short-term wins or losses, but to **have the Board of Directors gain the ability to engage in normal discussions, have it transform itself so that there is adequate governance, and that the right decisions can be made at the right timing, even though the change may take time.**

We do not intend to conduct proxy solicitations for this Ordinary Shareholders' Meeting, and this document is not intended for the purpose of soliciting proxy votes.