



Holding the Extraordinary General Meeting of Shareholders

- Evaluation Results of the Board of Directors of the Company Concerning the Large-scale Purchase Actions, etc. - Explanation materials

October 24, 2023

Cosmo Energy Holdings Co., Ltd.
(Code: 5021, Prime Market in the Tokyo Stock Exchange)

Executive Summary



General
shareholders

From the perspectives of corporate value and shareholders' common interests, **we would like to let shareholders assess** whether the shareholders should entrust the Company's management policy or accept further purchases by the Large-scale Purchasers and Others



corporate value
and its shareholders'
interests



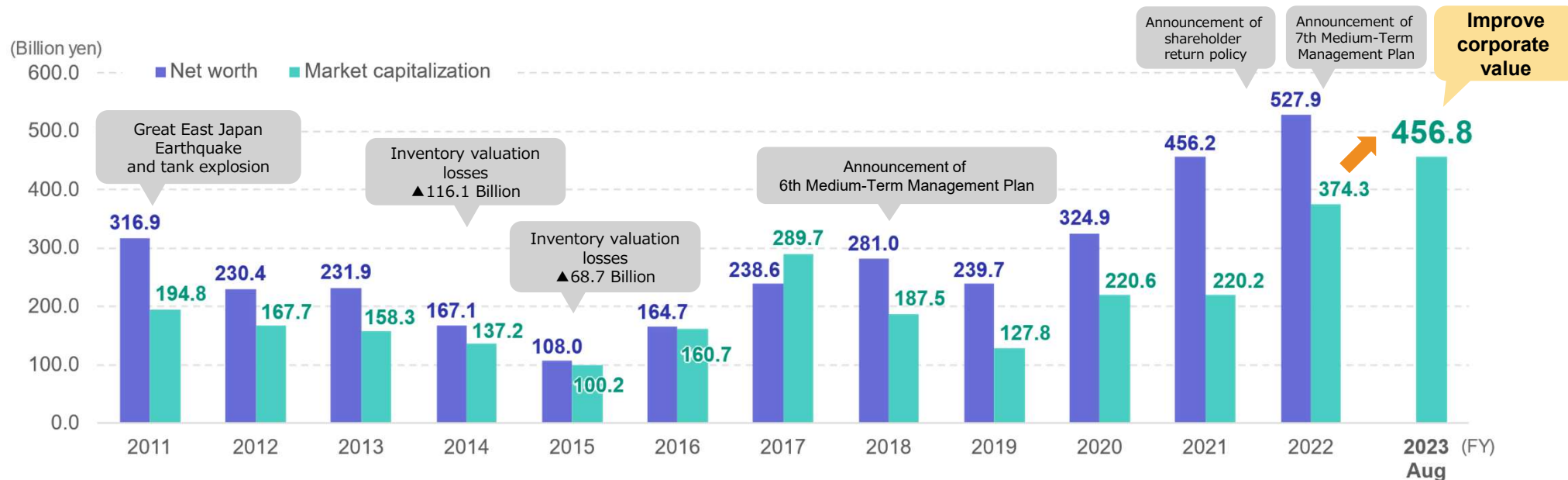
The Large-scale
Purchasers and Others



Executive Summary

COSMO

- ✓ It was extremely important for the Company to ensure financial soundness from the perspective of its corporate value and shareholders' common interests because the Company's financial soundness was severely damaged by an explosion caused by the Great East Japan Earthquake in 2011, as well as by the impact of the large-scale inventory valuation losses in FY2014 and FY2015.
- ✓ The Company Group worked to strengthen the Group's earning power, and because the Company had certain prospects of ensuring its financial soundness in the 6th Medium-Term Management Plan, in 2022, the Company announced an increase in shareholder returns, targeting a total return ratio of 50%, and implemented it.
- ✓ In the 7th Medium-Term Management Plan announced by the Company in March 2023, the Company clearly stated that it will work to increase its corporate value, shareholders' common interests, and PBR by improving profitability, enhancing capital policies, and fostering growth expectations, and announced a shareholder return policy with a total return ratio of at least 60% and a minimum dividend of 200 yen.
- ✓ In August 2023, the Company raised the lower limit on dividends to 250 yen. Thus, the Company is committed to further improving its corporate value and shareholders' common interests.



Executive Summary

The Large-scale Purchasers and Others

- ✓ The Company considers that because of the below 4 factors, the Large-scale Purchasers and Others could **damage the Company's medium- to long-term corporate value and its shareholders' common interests**.
- ✓ In addition, purchases by the Large-scale Purchasers and Others have a **coercive effect on the Company's general shareholders**.





The Large-scale
Purchasers and
Others

(i) No specific measures to improve the Company's corporate value

- ✓ They do not have any specific measures to improve the Company's corporate value or its shareholders' common interests after the Large-scale Purchase Actions, etc.

No specific measures to improve the Company's corporate value.

→ P19 - P20

The Company announced specific measures and realized improvement of its corporate value.

→ P21



The Large-scale
Purchasers and
Others

(ii) Conflicts of interest between general shareholders

- ✓ **Seeking only their interests would lead to conflicts between the Large-scale Purchasers and Others and general shareholders.**

There is a possibility that the Large-scale Purchasers and Others pursuing their interests would lead to conflicts of interest between them and general shareholders.

→ **P22**

Factors suggesting that the Large-scale Purchasers and Others possibly plan to have the Company conduct the TOB by an issuer at a premium.

→ **P23 - P24**

Conducting a TOB by an issuer at a premium does not lead to improvement of corporate value.

→ **P25**

A TOB by an issuer at a premium would significantly damage the common interests of shareholders who remain after the TOB.

→ **P26 - P27**



The Large-scale
Purchasers and
Others

(iii) Inappropriate as entities to implement

- ✓ **The Large-scale Purchasers and Others are inappropriate as entities to implement the Large-scale Purchase Actions, etc.**

Their capital relationship is unclear, and the entity responsible for making and explaining decisions cannot be determined. → **P28**

There are suspicion that the Large-scale Purchases and Others breached the Foreign Exchange and Foreign Trade Act. → **P29**



The Large-scale
Purchasers and
Others

(iv) The possibility of further purchasing shares and threat to damage of the company's corporate value

- ✓ **The Large-scale Purchase Actions, etc. are a real threat to the Company's medium- to long-term corporate value and its shareholders' common interests.**

After implementing the Large-scale Purchase Actions, etc., it is highly possible to further purchase shares exceeding 24.56%.

→ **P30**

Holding 24.56% of the shares in terms of the voting rights ratio is comparable to a veto on matters requiring a special resolution.

→ **P31**



The Large-scale
Purchasers and
Others

(v) Coercion

- ✓ **The method regarding the Large-scale Purchase Actions, etc. has a coercive effect on the Company's general shareholders.**

In-market purchase

Partial purchases

→ **P32 - P33**

Insufficient provision of information

The agenda for enactment of the Countermeasures

The agenda for enactment of the Countermeasures (i)

Summary

Matters to be resolved

The Company would like to ask for its shareholders' approval of the Agenda to enact the Countermeasures based on the Response Policies* against the Large-scale Purchase Actions, etc. of the Company's Share Certificates, etc. prescribed in the Response Policies.

Where the Agenda is passed, if **it is deemed that the Large-scale Purchasers and Others have commenced Large-scale Purchase Actions, etc. (i.e., a situation where the Large-scale Purchasers and Others purchase more shares of the Company so that the number of shares of the Company held by the Large-scale Purchasers and Others will exceed 17,680,525 shares currently held by them)**, the Company's Board of Directors will make a resolution to allot share options without contribution as an enactment of the Countermeasures based on the Response Policies (after fully respecting the Independent Committee's advice at that time).

If the Agenda is rejected, the Countermeasures will not be enacted. Further, in light of the purpose of proposal No. 5 passed in the 2023 Ordinary General Meeting of Shareholders, the Response Policies will be abolished upon the closing of the first meeting of the Board of Directors held after the Company's Ordinary General Meeting of Shareholders planned to be held in 2024.

Target and scope of application

Continuance of the Response Policies with their application target limited to the Large-scale Purchasers and Others' Large-Scale Purchase Actions, etc. (meaning that the Response Policies will not apply to Large-scale Purchase Actions, etc. conducted by persons other than the Large-scale Purchasers and Others) and within the extent necessary for enactment, etc. of the Countermeasures approved by shareholders (however, up to the closing of the first meeting of the Company's Board of Directors held after the Company's Ordinary General Meeting of Shareholders planned to be held in 2024, at the maximum) **was approved by shareholders in the 2023 Ordinary General Meeting of Shareholders.**

In case of withdrawal

In cases, among others, where it is reasonably concluded that Large-scale Purchase Actions, etc. are no longer intended, such as cases where the Large-scale Purchasers and Others and Mr. Yoshiaki Murakami submit by the day immediately preceding the Extraordinary General Meeting of Shareholders a written pledge pledging that they will not purchase more of the Company's share certificates, etc. or conduct any other actions equivalent to the Large-scale Purchase Actions, etc. until May 31, 2024, **the Company will withdraw the Agenda.**

* The Response Policies refers to the "Response Policies to Large-scale Purchase Actions, etc." that were introduced as of January 11, 2023 and approved by the Company's shareholders in the Company's Ordinary General Meeting of Shareholders held on June 22 of the same year.

The agenda for enactment of the Countermeasures (ii)

The resolution requirement for the agenda

Resolution requirement

Considering that the Large-scale Purchasers and Others submitted the Statement of Intent for the Large-scale Purchase Actions, etc. in line with the procedures prescribed in the Response Policies despite insufficient information disclosure and other general circumstances, the Company decided to set an ordinary resolution (the agreement of a majority of the voting rights of the attending shareholders, including those who exercise their voting rights by written or electronic means) as the resolution requirement for the Agenda.

Reference

Positioning of Proposal No. 5 at the 2023 Ordinary General Meeting of Shareholders (Previous Meeting of Shareholders)

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 start buying up to approximately 40% of the Company's shares in the market, and it cannot be denied that there is a risk this move will cause general shareholders to be coerced, lead to a consequent large-scale tender offer by an issuer, and damage the Company's corporate value.

Case I

If City and Other Parties purchase no more shares

→ If the Company can reasonably confirm this (Recently, City and Other Parties rejected the Company's request that they submit a pledge to purchase no more shares.)

Case II

If City and Other Parties purchase more shares pursuant to the procedures

→ Purchase of more shares after giving sufficient time and providing sufficient information to general shareholders (Submission of a statement of intent to engage in Large-scale Purchase Actions, etc.)

Case III

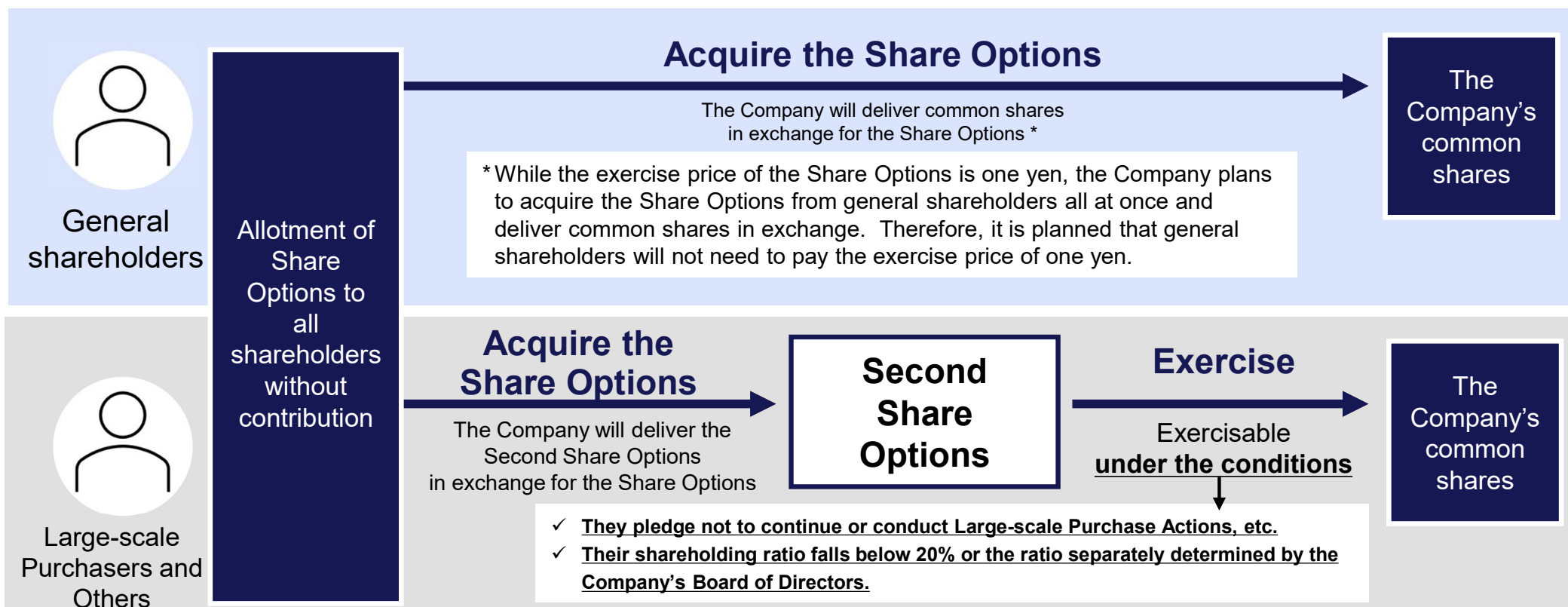
If City and Other Parties purchase more shares without following the procedures

→ Purchase of more shares, resulting in general shareholders being **coerced** (Purchasing more shares without giving sufficient time or providing sufficient information.)

Summary of Countermeasures against Large-scale Purchase Actions, etc.

Countermeasures against Large-scale Purchase Actions, etc.

- ✓ If the agenda item for enactment of the Countermeasures is approved and the Large-scale Purchasers and Others are deemed to commence the Large-scale Purchase Actions, etc. (in other words, the Large-scale Purchasers and Others purchase the Company's shares in excess of the 17,680,525 shares they currently hold), the Countermeasures will be enacted.
- ✓ At that time, the Company will allot share options to all shareholders without contribution, of which the exercise conditions and acquisition clauses will differ between general shareholders and the Large-scale Purchasers and Others.
- ✓ Even if the Countermeasures are enacted, **the value of all the Company's shares held by general shareholders will not be diluted against their will.**



Summary of the Independent Committee's Advice

The Independent Committee is composed of 4 Outside Directors. The details of Advice for the Agenda are below:

Independent Committee's Recommendations

1. The Large-scale Purchase Actions, etc. of the Large-scale Purchasers and Others 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, listed, or the like.
- ✓ Proceeding with the integration and abolition of refineries would not contribute to enhancing the Company's corporate value or the common interests of its shareholders.
- ✓ All other proposals the Large-scale Purchasers have suggested they may make lack validity.
- ✓ The demand by the Large-scale Purchasers 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 the Large-scale Purchase Actions, etc. by the Large-scale Purchasers is to sell off the shares the Large-scale Purchasers hold by causing the Company to conduct an excessively large-scale tender offer for its own shares.
- ✓ They have refused to provide sufficient information on the outline of the group to which they belong and have not indicated a specific management policy for the Company; therefore, the Company's management may be materially disrupted if the Large-scale Purchase Actions, etc. are conducted.
- ✓ It will better contribute to the Company's corporate value and the common interests of its shareholders to have the Company's management team manage the Company.

2. For the reasons listed below, based on the evaluation described in 1. above and assuming that the Proposal will be submitted to, and approved at, the Extraordinary General Meeting of Shareholders, if it is deemed in the future that the Large-scale Purchasers have commenced the Large-scale Purchase Actions, etc., it would be reasonable for the Company's Board of Directors to enact the Countermeasures.

- Appropriateness of submitting the Proposal to the Extraordinary General Meeting of Shareholders
 - In light of the necessity and appropriateness to enact the Countermeasures against the Large-scale Purchase Actions, etc., it is reasonable for the Company's Board of Directors to oppose the implementation of the Large-scale Purchase Actions, etc. and to submit the Proposal for enacting the Countermeasures to the Extraordinary General Meeting of Shareholders.
- Appropriateness of the Company's Board of Directors enacting the Countermeasures if, assuming that the Proposal will be approved at the Extraordinary General Meeting of Shareholders, it is deemed that the Large-scale Purchasers have commenced the Large-scale Purchase Actions, etc.
 - It is reasonable to believe it is necessary to enact the Countermeasures in order to avoid significant damage to the Company's corporate value and its shareholders' common interests due to the Large-scale Purchase Actions, etc.
 - A structure has been established to eliminate arbitrary operation and enactment of unreasonable countermeasures by the Company's Board of Directors. Therefore, it is reasonable to believe that the appropriateness of the Countermeasures has been secured.

While fully respecting the advice from the Independent Committee, the Board of Directors resolved to approve the Agenda

Outline of the Response Policies (Introduced on January 11, 2023)

Items		Details
Emergency/Ordinary		To be introduced in case of emergency (Response policies against Large-scale Purchase Actions, etc. that have already occurred)
Trigger		At least a 20% shareholding ratio (Current shareholding ratio of the Large-scale Purchasers and Others: 20.01%)
Composition of Independent Committee		Composed of 4 Outside Independent Directors (who make recommendations on the propriety of enactment of countermeasures and any other necessary matters)
Procedures	Submission deadline of Statement of Intent	60 business days before (A Large-scale Purchaser is required to submit a statement of intent to the Company's Board of Directors 60 business days prior to conducting Large-scale Purchase Actions, etc.)
	Information Provision (Deadline)	Within 5 business days (The Company will request that the Large-scale Purchaser provide information within 5 business days from receipt of the statement of intent.)
	Board of Directors Evaluation Period	Within 60 Business days (The Company will evaluate and consider the propriety of the Large-scale Purchase Actions, etc. within 60 business days from receipt of the statement of intent.)
	Extraordinary General Meeting of Shareholders	If the Large-scale Purchaser complies with the procedures, a general meeting of shareholders will be held to confirm the shareholders' intent. (The Company will decide on holding a general meeting of shareholders to confirm their intent within 60 business days from receipt of the statement of intent.)
Summary of Countermeasures		<ul style="list-style-type: none"> ✓ Allotment of Share Options without contribution (However, ineligible persons cannot exercise them.) ✓ Ineligible persons may acquire Second Share Options and exercise them to the extent that their shareholding ratio falls 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 held after the Company's Ordinary General Meeting of Shareholders to be held in 2024

Circumstances until submission of the Agenda

Development of dialogue with Large-scale Purchasers and Others

2022

April 5 ● The Large-scale Purchasers and Others filed the large-volume holdings statement.

November 22 ● They filed the Change Report (19.81%).

2023

January 11 ● The Company introduced the Response Policies.

April 14 ● They filed the Change Report (20.01%)

June 22 ● The Company held the 8th Ordinary General Meeting of Shareholders (please see result of it in the next page)

July 28 ● The Company received a Statement of Intent for Large-scale Purchase Actions, etc.

October 12 ● Date for record for voting rights for Extraordinary General Meeting of Shareholders

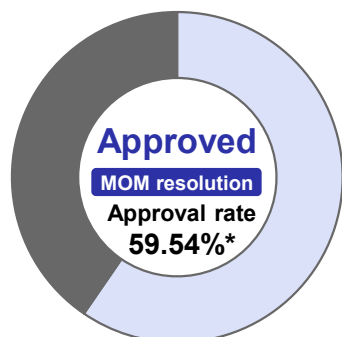
October 24 ● The Company's Board of Directors resolve the opposing opinion to the Large-scale Purchase Actions, etc.

December 14 ● The Extraordinary General Meeting of Shareholders will be held (schedule)

Resolution results of 8th Ordinary General Meeting of the Company's Shareholders



Resolution result of Proposal No. 5, made by the Company



* Voting excluding the voting rights held by the Large-scale Purchasers and Others, Cosmo's directors, and others who have conflicts

Details of the agenda

(On the condition that they are recognized as commencing the Large-scale Purchase Actions, etc. by breaching the procedures)

Approval Regarding Enactment of Countermeasures Based on Response Policies to Large-scale Purchase Actions, Etc.

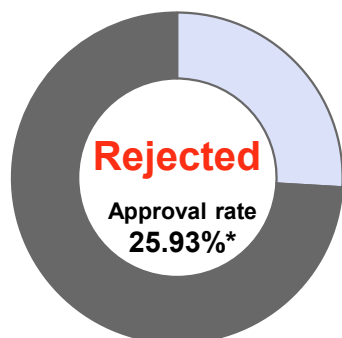
The Company's recognition based on the resolution result

The Company recognizes that this is the result that the general shareholders approved the Large-scale Purchasers and Others commencing further share purchases with a coercive method damaging the Company's corporate value.



The Large-Purchasers and Others

Resolution result of Proposal No. 6, made by the Large-scale Purchasers and Others



* After deducting affirmative votes by the Large-scale Purchasers and Others, the approval rate is 3.04%

Detail of the agenda

Election of 1 director candidate, Ms. Yoko Atsumi

The Company's recognition based on the resolution result

The candidate, Ms. Atsumi, an attorney, with a pledge to "seriously discuss the listing of the renewable energy subsidiary at the Company's Board of Directors meeting and disclosing the results thereof" was rejected. **In the meeting on June 29, 2023, they declared that "in light of the results, we give up the spin-off proposals."**

Details of the Board of Directors' Evaluation

(i) No specific measures

No specific measures to improve the Company's corporate value 1



The Large-scale Purchasers and Others

Summary of the measures claimed by the Large-scale Purchasers and Others

Spin-off the renewable energy business subsidiary
Closure of or consolidation with refineries held by the Company
Business operation under the control of the Company's competitors
Conversion of the business structure under the control of the Company's competitors
Conversion of the business portfolio and type of business
Transfer of the crude oil development business

- Although the Company asked the specific details of these proposals, they refused to provide substantial responses, mentioning “we **merely listed the possibilities** we can assume as widely and specifically as possible,” “**they are merely some of the scenarios**,” and “**we are not sure whether we will actually make these proposals.**”

- At the beginning, although they advised the Company that it should improve its corporate value while keeping its renewable business subsidiary in its group, they suddenly **made a change completely and argued the spin-off** of the subsidiary.

- At the 2023 Ordinary General Meeting of Shareholders, they **made a shareholder proposal to elect an Outside Director** who pledged “to seriously discuss the **listing of the renewable energy business subsidiary** at the Company's Board of Directors meeting and disclose the results thereof”; however, this shareholder proposal **obtained few general shareholders' affirmative votes.**
(Deducting affirmative votes by the Large-scale Purchasers and Others, **the approval rate was only 3.04%**)
- Subsequently, **although in the meeting on June 29, 2023, the Large-scale Purchasers and Others declared that they would give up on the spin-off proposal, only approximately 2 months later, in the response letter dated August 14, 2023, they proposed the spin-off again.**

There is no proposal based on sincere consideration, and they don't have specific measures to improve Cosmo's corporate value.

(i) No specific measures

No specific measures to improve the Company's corporate value 2

Oil business

A short position strategy in which the sales volume exceeds the production volume can work out the high earning power with high operation of refinery, which significantly exceeds the national average.

* The Company's refinery utilization ratio for the past three years is 92%, compared to the national average of 74%

Oil exploration and production

Based on the relationship of trust with oil-producing countries built up for over 50 years, Cosmo has leading operatorship with high-cost competition power.



The Large-scale Purchasers and Others

Summary of the measures claimed by the Large-scale Purchasers and Others

Spin-off the renewable energy business subsidiary

Closure of or consolidation with refineries held by the Company

Business operation under the control of the Company's competitors

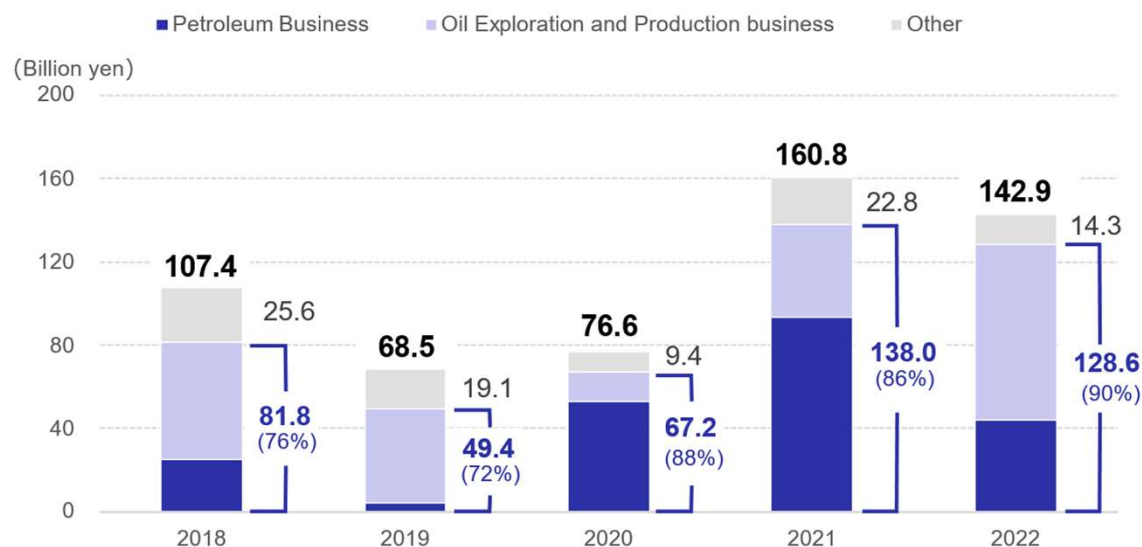
Conversion of the business structure under the control of the Company's competitors

Conversion of the business portfolio and type of business

Transfer of the crude oil development business

Operating income excluding the inventory impact

Segment profits of petroleum and oil exploration and production business account for a large portion of profit.

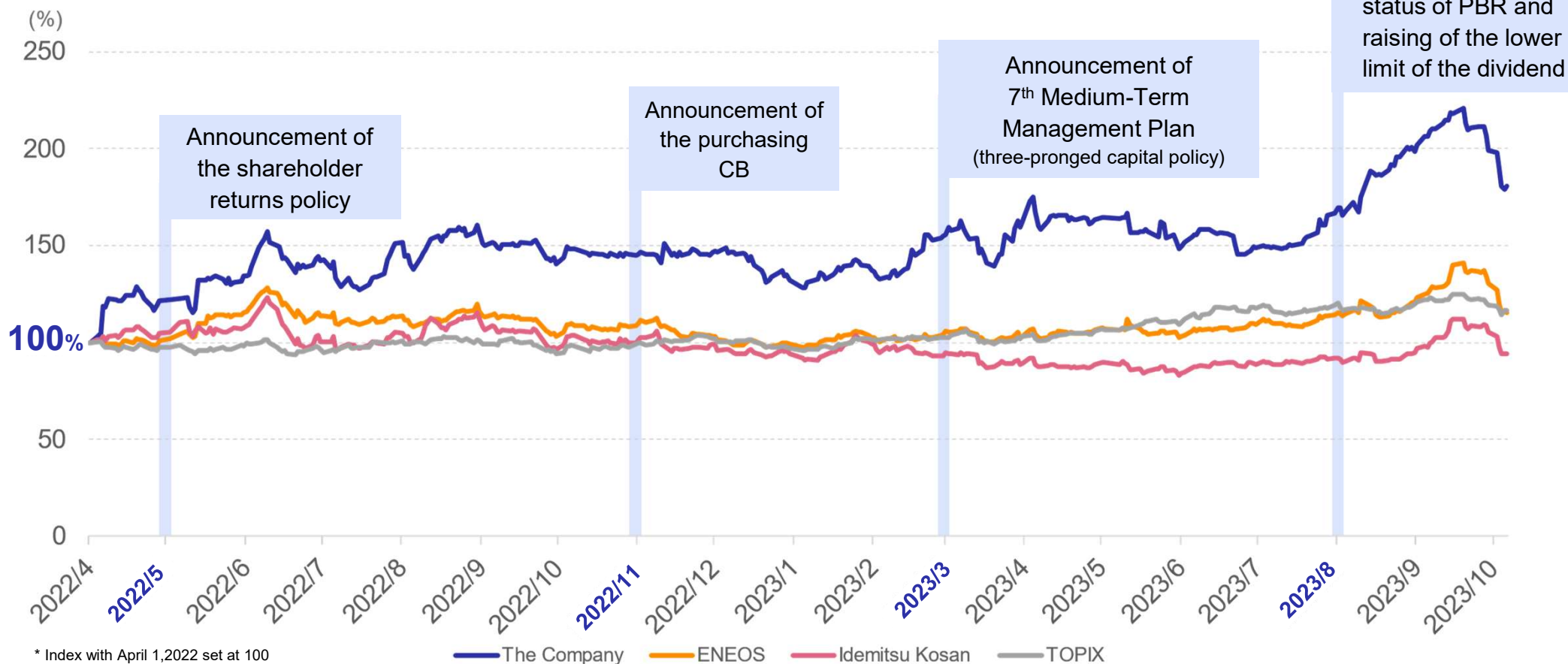


Petroleum and oil exploration and production business are source of Cosmo's profit. Consolidation with refineries or business transfers would harm Cosmo's profit basis.

(i) No specific measures

The Company announced specific measures and realized improvement of its corporate value.

Share price comparison with TOPIX and competitors



The Company has constantly announced the specific measures to improve corporate value, and the share price of the Company has outperformed that of the competitors.

(ii) Conflicts of interest between general shareholders

There is a possibility that the Large-scale Purchasers and Others pursuing their interests would lead to conflicts of interest between them and general shareholders.



The Large-scale Purchasers and Others

- While holding shares of the Company's competitor, they mentioned the possibility of business restructuring with those competitors
- Requiring to intervene in the negotiations where material facts would be included



While holding shares of Fuji Oil, they proposed that the Company sell the shares of Fuji Oil to the Company

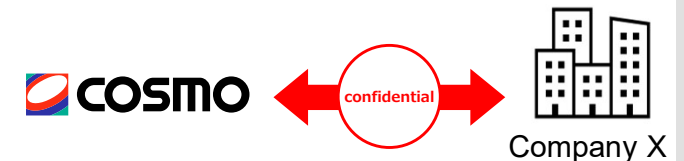
- Holding the shares of Fuji Oil (on a large-volume holdings statement basis: They held 10.11% shares until August 2, 2022, and they sold 5.2% of the shares in the market)
- In the meetings on May 25, 2022 and August 31, 2022, they mentioned "Don't you intend to hold the shares of Fuji Oil?" and "We were turned down by a certain company."
- They also asked the Company whether it intends to purchase the shares of which companies they hold.
- The result for seeking their own interests, their remarks would have general shareholders' interests sacrificed

While holding shares of the Company's competitor, they mentioned the possibility of business restructuring with other companies.

- While holding shares of competitors of the Company (e.g., ENEOS Holdings, Idemitsu Kosan, etc.), they **mentioned** to Cosmo **the possibility of business restructuring** with competitors.
- **The result for seeking their own interests** in the name of industry restructuring, **it would be sacrificed general shareholders' interests.**
- In order to consider the existence of conflicts of interests, the Company inquired about the details, then they **sold the shares of the Company's competitors. However, they do not deny the possibility of holding shares of competitors in the future.**

They required to intervene in the negotiations between two companies where undisclosed material facts can be included.

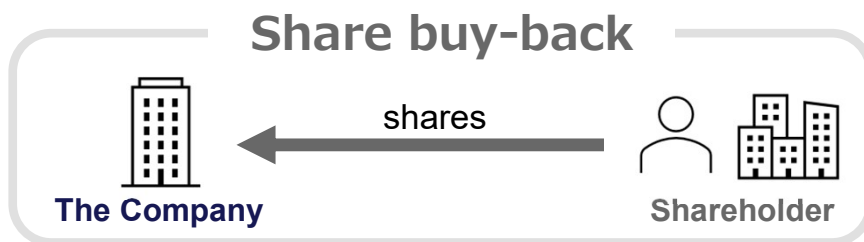
- They insisted that the Company should have Mr. Murakami himself be involved in the negotiations between the two companies directly where undisclosed material facts can be included.
- Based on the fact that there was no progress during the period of only two weeks after the proposal, and immediately after that, they showed their intention to acquire additional shares of the Company.



It can enable the Large-scale Purchasers and Others to pursue only their own interests, which general shareholders could never do.

(ii) Conflicts of interest between general shareholders

Factors suggesting that the Large-scale Purchasers and Others possibly plan to have the Company conduct the TOB by an issuer at a premium 1



The amount of gross profits excluded from deemed dividends is above (following the holding ratio):

- (i) 5% or less: 20% of the amount of dividends
- (ii) more than 5% and 1/3 or less: 50% of the amount of dividends
- (iii) more than 1/3: the total amount of dividends

If the shareholding ratio increases over 5%, more tax benefits can be enjoyed.

Major share buy-back methods	Arising of deemed dividends		
	Domestic corporate shareholders	Individual shareholders	Foreign shareholders
(On-floor) in-market trading	Don't arise	Don't arise	Don't arise
ToSTNeT-3	Don't arise	Don't arise	Don't arise
TOB	Arise	Don't arise	Don't arise



Domestic corporate shareholders can enjoy tax benefits with the system of excluding deemed dividends from gross profits for consideration.



Individual and foreign shareholders cannot exclude gross profits from deemed dividends.

Large-scale Purchasers and Others

- In the past case (Hoosier's TOB by an issuer), they used this scheme and took full advantage: the Large-scale Purchaser Group concentrated the holding shares, which were held by multiple companies, in one company, made its shareholding ratio exceed 1/3, and tendered most of the shares in the TOB by an issuer.
- In the response to the Information List, they acknowledged that they enjoyed benefits by using this scheme.

Because they can enjoy tax benefits that individual and foreign shareholders cannot enjoy, **they have different interest from general shareholders.**

<Announcement of financial results of the settlement by City Index Eleventh, belonging to the Large-scale Purchaser Group>

科 目	金 額	科 目	金 額
流 動 資 産	30,212	流 動 負 債	3,820
固 定 資 産	133,546	固 定 負 債	120,997
有 形 固 定 資 産	50	株 主 資 本	27,789
投 資 そ の 他 の 資 産	133,496	資 本 金	1
		利 益 剰 余 金	76,805
		利 益 準 備 金	0
		そ の 他 利 益 剰 余 金	76,805
		自 己 株 式	△49,017
		評 価 ・ 換 算 差 額 等	11,153
		そ の 他 有 価 証 券 評 価 差 額 金	11,153
資 産 合 計	163,758	負 債 ・ 純 資 産 合 計	163,758
科 目	金 額		
売 上 高	2		
売 上 原 価	1		
売 上 総 利 益	10		
販 売 費 及 び 一 般 管 理 費	9		
営 業 損 失	25,763		
営 業 外 取 得 益	106		
営 業 外 費 用	25,648		
経 常 利 益	1,008		
特 別 損 失	2,395		
特 別 利 益	24,260		
税 引 前 当 期 純 利 益	24,260		
法 人 税 ・ 住 民 税 及 び 事 業 税	0		
当 期 純 利 益	24,260		

税引前当期純利益	24,260
法人税、住民税及び事業税	0
当期純利益	24,260

According to the announcements of financial results of settlements in the past 5 FYs, City Index Eleventh has not paid corporate tax.

With regard to purchasing their holding shares, the Company assumes that their purpose is enjoying tax benefits that individual and foreign shareholders cannot enjoy.

(ii) Conflicts of interest between general shareholders

Factors suggesting that the Large-scale Purchasers and Others possibly plan to have the Company conduct the TOB by an issuer at a premium 2

Past cases where the Large-scale Purchasers and Others held over 20% of shares

Corporate name	Maximum holding ratio	Investment activities by the Large-scale Purchasers and Others	Remarks	Summary of the TOB by an issuer		
				Announcement date	Premium ratio	
					The day before announcement	One-month average before announcement
1 Central Glass Co., Ltd.	28.05%	Tender in the TOB by an issuer and exit		September 20, 2022	1.89%	2.61%
2 Daiho Corporation	43.36%		The Large-scale Purchaser Group proposed the TOB by an issuer. They exited by tendering in the TOB by an issuer; however, they purchased shares of Central Glass again.	March 24, 2023	29.06%	33.20%
3 Nishimatsu Construction Co., Ltd.	25.00%		They tendered in the TOB by an issuer and transferred the remaining shares to a third party.	September 21, 2021	0.58%	2.75%
4 Sanshin Electronics Co., Ltd.	38.92%		In the first TOB by an issuer, they reduced their holding ratio, but they purchased shares of Sanshin Electronics again, and in the second TOB by an issuer, they finally exited.	May 12, 2021	8.65%	8.28%
5 Hoosiers Holdings Co., Ltd.	37.48%			January 28, 2021	-1.44%	3.17%
6 ShinMaywa Industries, Ltd.	23.74%			January 21, 2019	10.54%	12.11%

* Companies for which the holding ratio of share certificates, etc. by the Large-scale Purchasers and Others was over 20% according to the Change Reports filed by the Large-scale Purchases and Others as a submitter or a joint holder in and after 2018 (excluding the Company and companies that went private)

Of all the 36 cases of a TOB by an issuer conducted by listed companies between June 1, 2020 and May 31, 2023, 6 cases were a TOB by an issuer conducted at a premium (in comparison to the one-month average share price), **all of which, except for one case, were conducted by companies with the Large-scale Purchase Group as a large shareholder.**

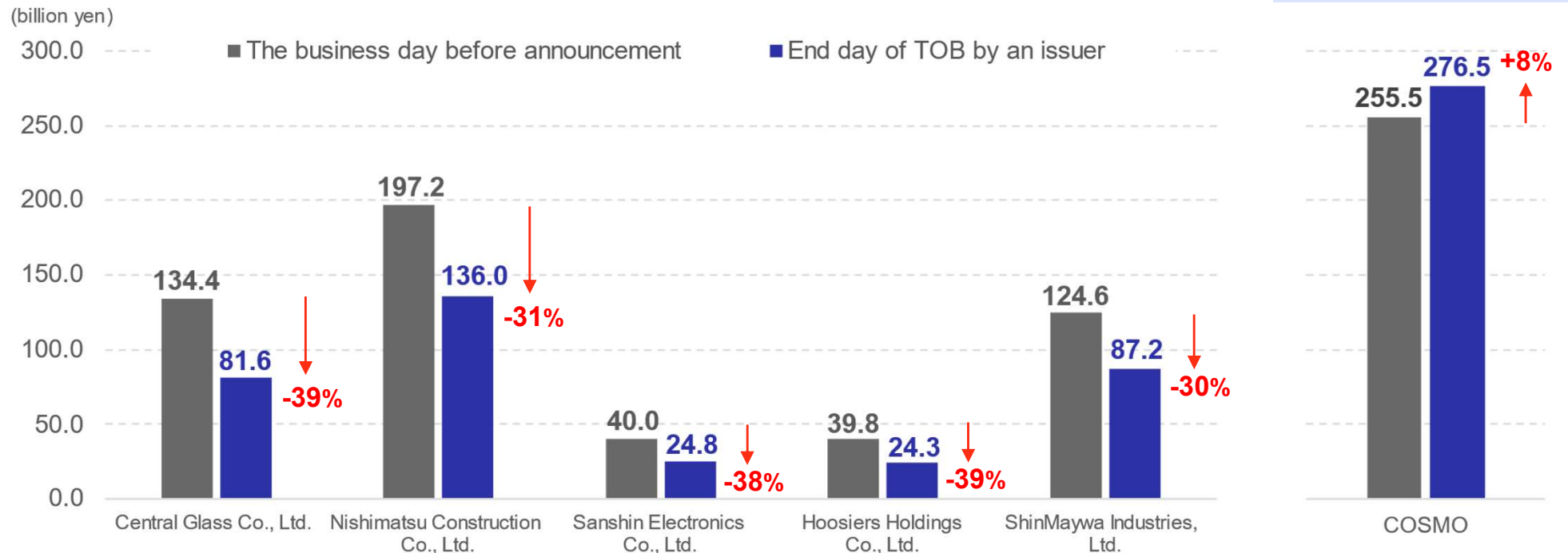
* Source: Pages 78 and 85 to 106 of the Shiryoban Shojihomu No. 448, pages 49 to 50 of Shiryoban Shojihomu No. 460, and pages 36 to 37 and 40 to 42 of Shiryoban Shojihomu No. 472

In cases in past 5 years where the Large-scale Purchasers and Others exited, if their shareholding ratio exceeded 20%, a TOB by an issuer at premium was conducted.

(ii) Conflicts of interest between general shareholders

Conducting a TOB by an issuer at a premium does not lead to improvement of corporate value

Market capitalization before and after the TOB by an issuer



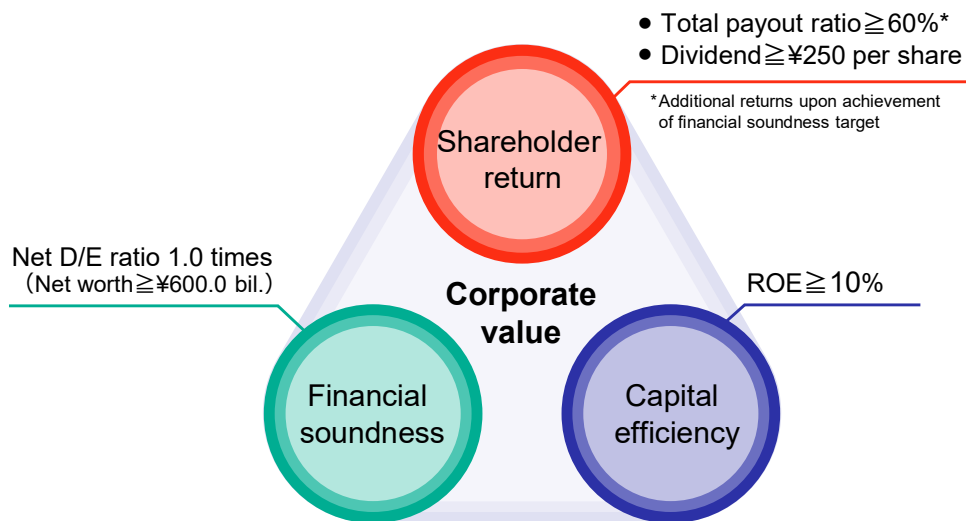
*Market capitalization is calculated by subtracting the number of shares in the share buy-back from the total number of issued shares.
The case of Daiho Corporation was excluded because it allocated the shares which was gained by the share buy-back to a third-party allotment.

A TOB by an issuer at a premium does not lead to improvement of shareholders' common interests, but can damage the interests of general shareholders who remain after the TOB

(ii) Conflicts of interest between general shareholders

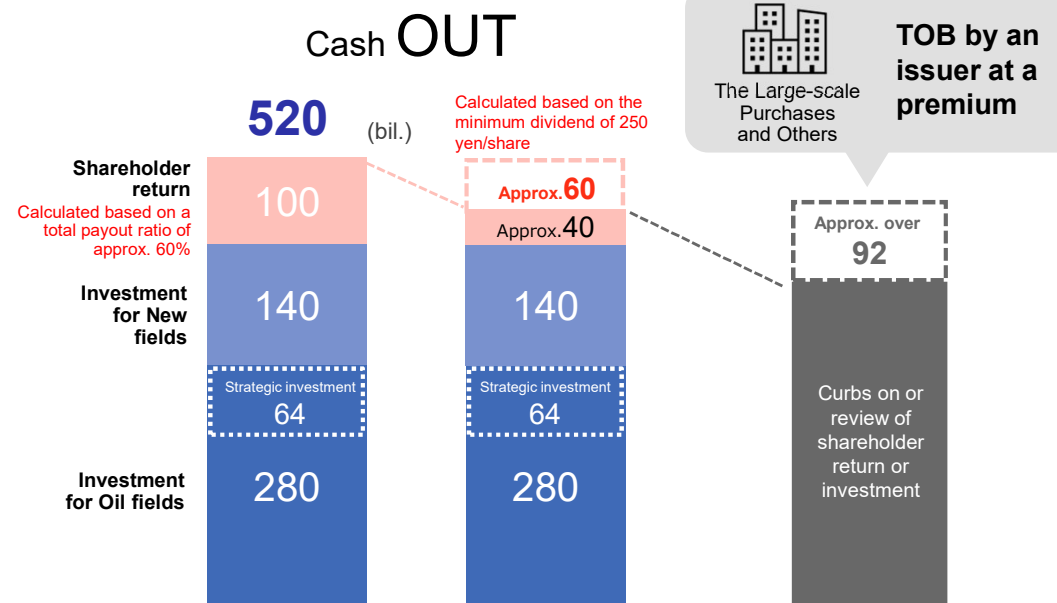
A TOB by an issuer at a premium would significantly damage the common interests of shareholders who remain after the TOB 1

Three-pronged capital policy



The number of shares which the Large-scale Purchases and Others hold at this point is **17,680,525** and it is equivalent to **approximately 92 billion yen**
 ※ Calculated based on the closing price on October 13, 2023 (5,181 yen)

Net cash balance during the period of 7th Medium-Term Management Plan



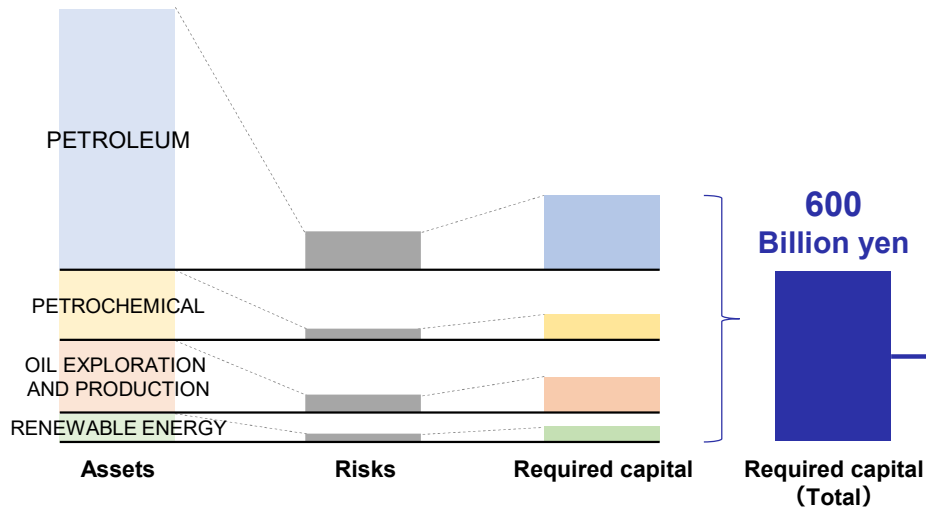
If the Company cannot avoid agreeing to the TOB by an issuer at a premium given their influence, the Company would have no choice but to restrain shareholder return or future investment.

If the influence of the Large-scale Purchasers and Others strengthens and the Company has no choice but to conduct the TOB by an issuer at a premium, there will be a risk that the Company cannot implement its capital policy or investment plan listed in the 7th Medium-Term Management Plan.

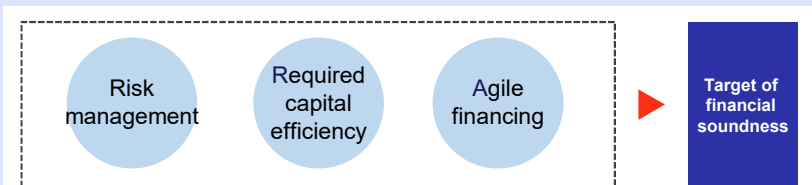
(ii) Conflicts of interest between general shareholders

A TOB by an issuer at a premium would significantly damage the common interests of shareholders who remain after the TOB 2

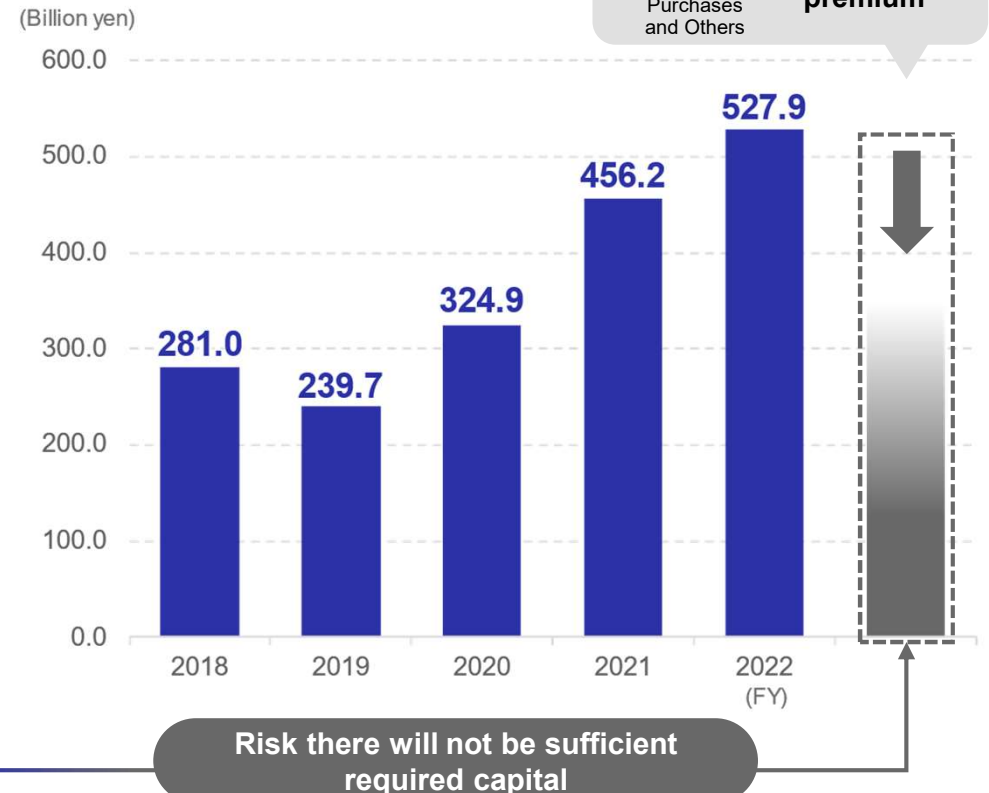
Risk-based calculation of required capital



Scrutinized financial soundness from multiple perspectives: risks associated with assets in each segment, required capital efficiency, and agile financing, and **the required capital we calculated was over 600 billion yen.**



Change in required capital



If the influence of the Large-scale Purchasers and Others strengthens and the Company has no choice but to conduct the TOB by an issuer, the required capital of the Company will be damaged significantly and there will be business continuity risks for shareholders who remain after TOB.

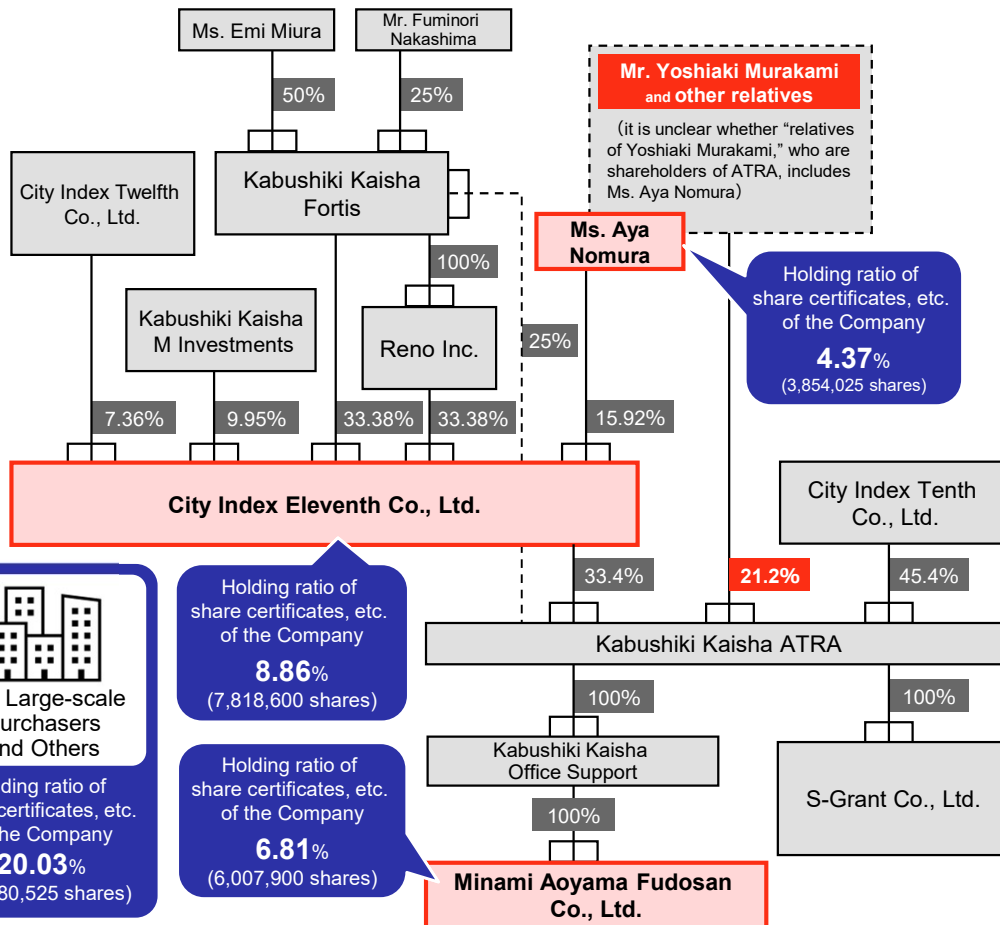
(iii) Inappropriate for entities to implement the Large-scale Purchase Actions, etc.

Their capital relationship is unclear, and the entity responsible for making and explaining decisions cannot be determined.

Their capital relationship is unclear in the Large-scale Purchase Group

- Although Mr. Murakami has led discussions from the outset, he does not have direct control of any entities in terms of a capital relationship. (See the capital relationship chart on the left.)
- The Large-scale Purchaser Group is very complicated because it includes many entities, and rapid changes have been made to its capital structure. We requested information from the Group on the details of the capital relationship, but we did not receive a sufficient response. It does not deny the possibility of future changes to entities.
- City Index Eleventh and Ms. Nomura initially held the Company's shares, and subsequently, Reno joined as a joint holder. Reno was then suddenly replaced by Minami Aoyama Fudosan. In addition, Minami Aoyama Fudosan was suddenly added to the application under the Foreign Exchange and Foreign Trade Act.
- City Index Eleventh, which made the Shareholder Proposal and provided communications with the Company on its website, is not included in the Large-scale Purchasers.
- The Large-scale Purchaser Group has frequently changed the entities holding shares in investees within the group.
- The Large-scale Purchaser Group is acting against the "Principle of Transparency,"* which is the third principle of the Takeovers Guidelines formulated by the Ministry of Economy, Trade and Industry.

* Information useful for shareholders' decision making should be provided appropriately and proactively by the acquiring party and the target company. To this end, the acquiring party and the target company should ensure transparency regarding the acquisition through compliance of acquisition-related laws and regulations.



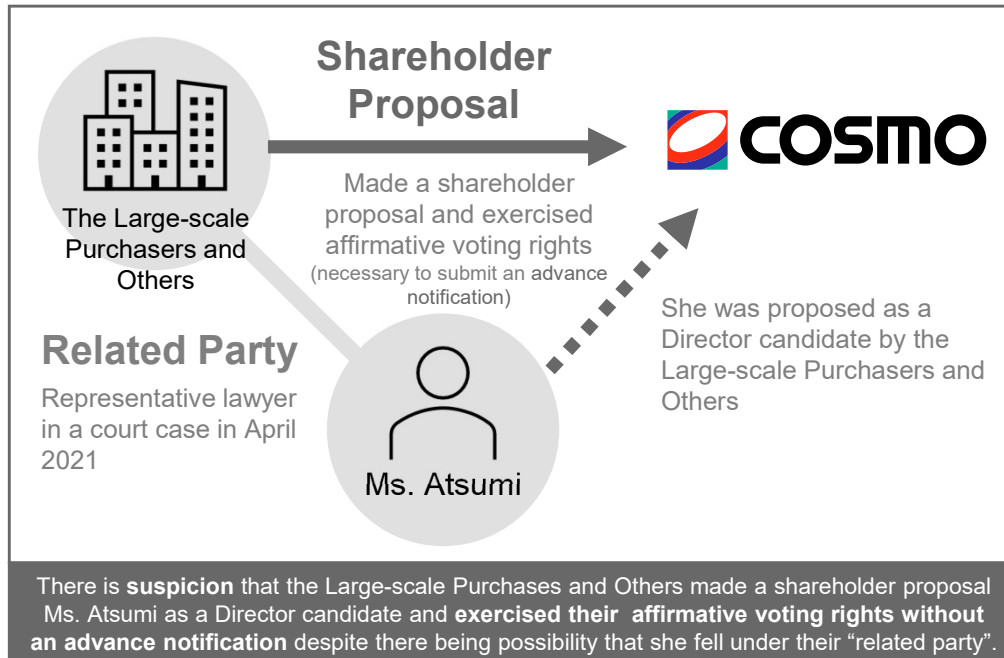
* The holding ratio is calculated based on the number of the voting rights at 2023 Ordinary General Shareholders Meeting

The Large-scale Purchaser Group is acting against the Principle of Transparency, and it is unclear which entity has significant influence over the Company's management.

(iii) Inappropriate for entities to implement the Large-scale Purchase Actions, etc.

There is suspicion that the Large-scale Purchases and Others breached the Foreign Exchange and Foreign Trade Act

Exercising affirmative voting rights for a shareholder proposal at the 2023 Ordinary General Meeting of Shareholders



- In a court case in April 2021, Ms. Atsumi served as the representative lawyer of the Large-scale Purchasers and Others; therefore, there is possibility that she falls under their “related party” under the Foreign Exchange and Foreign Trade Act.
- At the 2023 Ordinary General Meeting of Shareholders, the Large-scale Purchases and Others made a shareholder proposal to Ms. Atsumi as a Director candidate and exercised the affirmative voting rights.
- There is suspicion that, for exercising the affirmative voting rights, the Large-scale Purchasers and Others were **required to file an advance notification to the competent authority** regarding such exercise, **but failed to do so**. Therefore, the Company requested an investigation to the competent authority.

Summary of Article 27, paragraph (1) and Article 26, paragraph (2), item (5) of the Foreign Exchange and Foreign Trade Act, and Article 2, paragraph (11), item (1) and paragraph (12) of the Cabinet Order on Inward Direct Investment

- ① If a foreign investor
- ② who has 1% or more to vote
- ③ at a shareholders meeting in a company which runs the designated business
- ④ to an agenda proposed by itself to elect a foreign investor that is its related party as a director (including the case where this is proposed by another person in terms of formality),
- ⑤ agrees, that is, exercises affirmative voting rights, **the foreign investor is required to submit the letter of advance notification to the authority and must not exercise “agreement” until the investigation by the authority completes regarding the letter of advance notification and the authority issues a public notice to announce the decision that the foreign investor can exercise the “agreement”.**

Article 2, paragraph (1), item (2) (e) of the Order on Inward Direct Investment

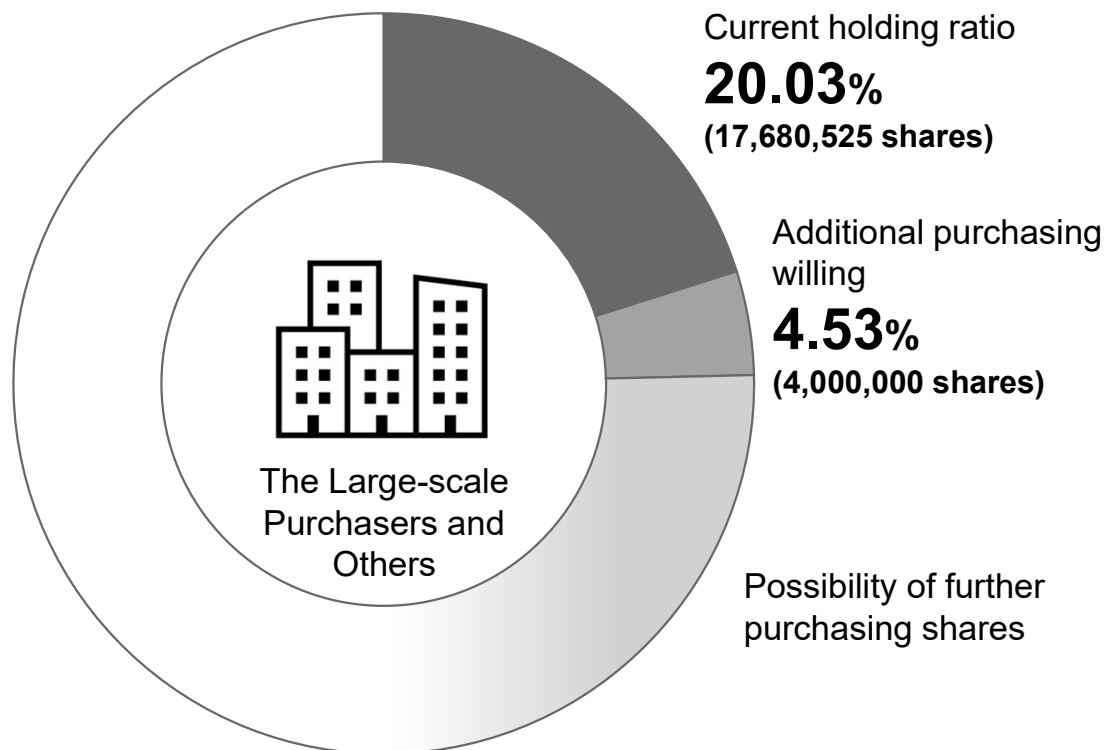
Article 2 The person specified by order of the competent ministry as a person related to a foreign investor as prescribed in Article 2, paragraph (11), item (i) of the Cabinet Order on Inward Direct Investment (hereinafter referred to as the “Cabinet Order”) is any of the following persons:

(ii) In a case relating to a proposal submitted to a shareholders meeting directly by the foreign investor or through another person (excluding the case set forth in item (iii)), any of the following persons:

(e) a person that has received a large amount of money or any other property from the foreign investor

(iv) The possibility of further purchasing shares and threat to damage of the company's corporate value

After implementing the Large-scale Purchase Actions, etc., it is highly possible to further purchase shares exceeding 24.56%



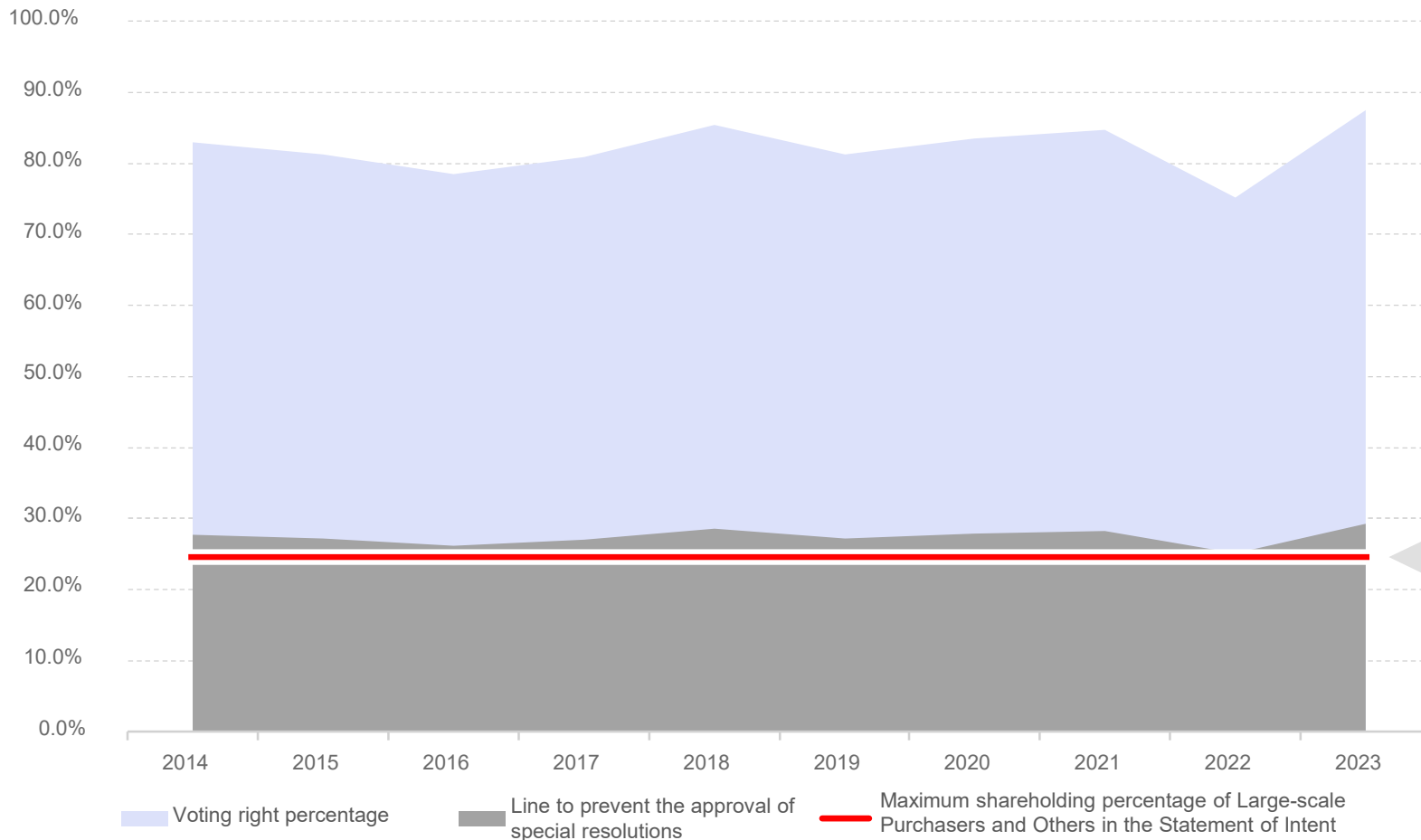
- Initially, the Large-scale Purchasers and Others made a promise that they would only hold shares up to 20%.
- Despite the promise, they unilaterally made a complete change and **declared that they would purchase shares up to 30%**
- Actually, they implemented additional purchasing over **20%**
- **Due to introduction of the Response Policies, their additional purchasing was stopped**
- The upper limit of investment regulations under the Foreign Exchange and Foreign Trade Act was increased (29.97%→**39.96%**)
- The Large-scale Purchasers and Others responded that they had not yet decided about further purchase after the 2023 Ordinary General Meeting of Shareholders; however, **only after 1 month, they submitted the Statement of Intent for the Large-scale Purchase Actions, etc.**
- When the Company confirmed the possibility after the purchasing period, **they did not deny the further purchase**

* Voting rights ratio basis calculated based on the number of voting rights at the Company's 2023 Ordinary General Meeting of Shareholders

After implementing the Large-scale Purchase Actions, etc., for strengthening the control or influence over the Company, it is highly possible that the Large-scale Purchasers and Others will further purchase shares of the Company.

(iv) The possibility of further purchasing shares and threat to damage of the company's corporate value

Holding 24.56% of the shares in terms of the voting right percentage is comparable to the veto on matters requiring a special resolution



- Major matters requiring special resolutions**
- Change of Articles of Incorporation
 - Decrease in capital
 - Business transfer etc., dissolution
 - Entity conversion, merger, company split, share exchange, and share transfer

In light of the past voting right percentage of the Company, **24.56%** is equivalent to the level at which the Large-scale Purchasers and Others could have a material influence over the Company's management and they can prevent the approval of special resolutions at a shareholders meeting, by cooperating with "a small number of other shareholders."

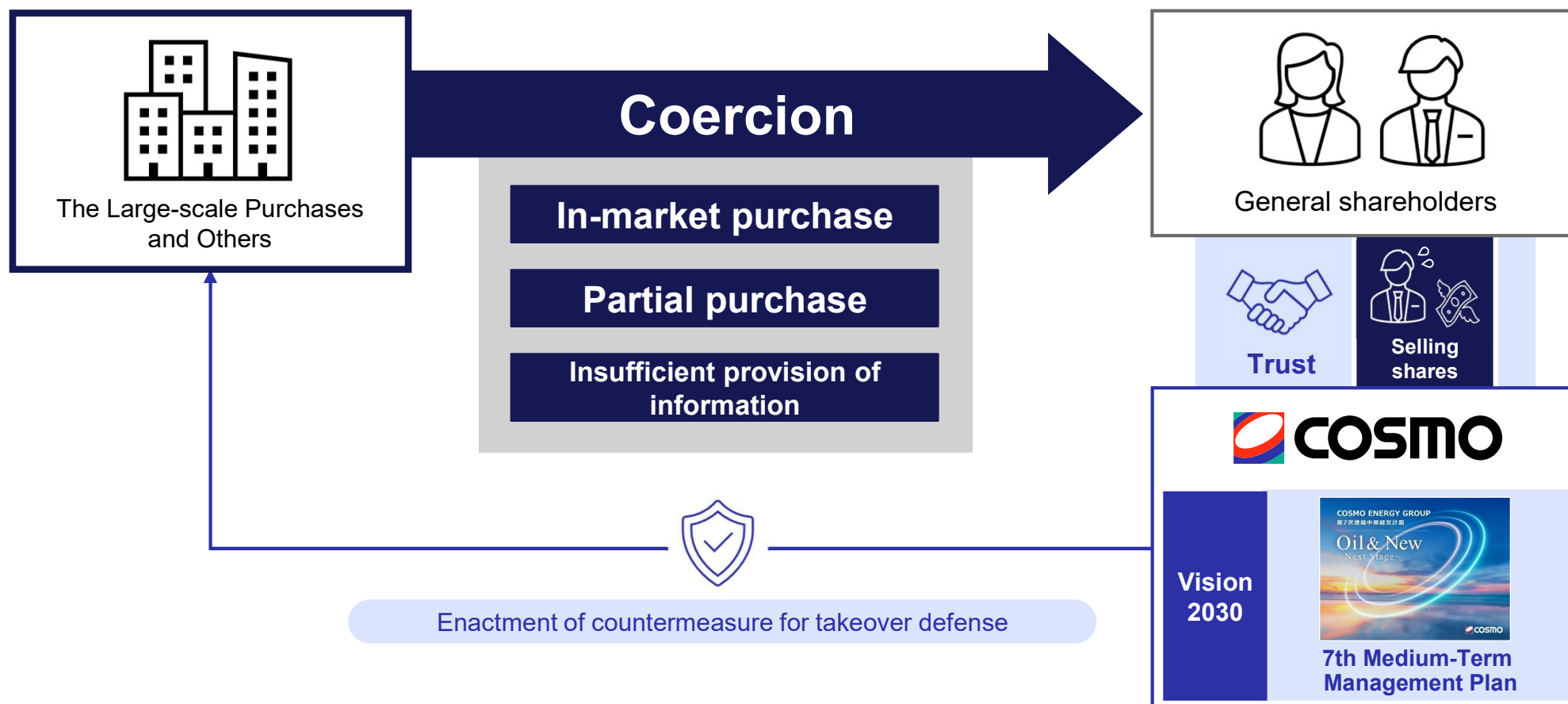
24.56% of voting right percentage is the level at which the Large-scale Purchasers and Others obtain the substantial veto on matters requiring a special resolution at the Company's general meeting of shareholders by cooperating with a small number of other shareholders.

(v) Coercion

In-market purchase/partial purchase/insufficient provision of information 1

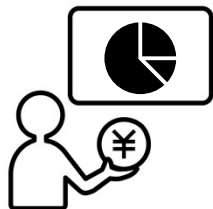
Structural coercion is seen in the purchasing method of the Large-scale Purchasers and Others.

“Coercion” means that if the Large-scale Purchasers and Others purchase the Company’s shares and have strong influence over the Company, shareholders who are concerned that **the Company’s corporate value or shareholders’ common interests will be damaged** will be motivated to sell the Company’s shares in the market as soon as possible against their will.



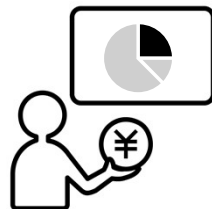
(v) Coercion

In-market purchase/partial purchase/insufficient provision of information 2



In-market purchase

- ✓ Compared to TOB, timing and prices are unclear.
- ✓ The nature is that shares are bought on a first-come, first-served basis, from the shares of the shareholders who place a sell order earlier.



Partial purchase

- ✓ Compared to full purchase, there is risk that shareholders will be left behind as residual shareholders.
- ✓ If shareholders are left behind as residual shareholders, there may be concerns that the shareholders will be treated unfairly compared to what they are now.



Insufficient provision of information

- ✓ General shareholders are in a situation where it is unable to make sufficient investment decisions about the Large-scale Purchase Actions, etc.

It is highly likely that the shareholders who would otherwise be willing to continue holding their shares to be motivated to unwillingly sell the Company shares.

(Ref.)

Supplementary Materials for Enhancing Our Corporate Value

Profitability of the Petroleum Business

Short position strategy *

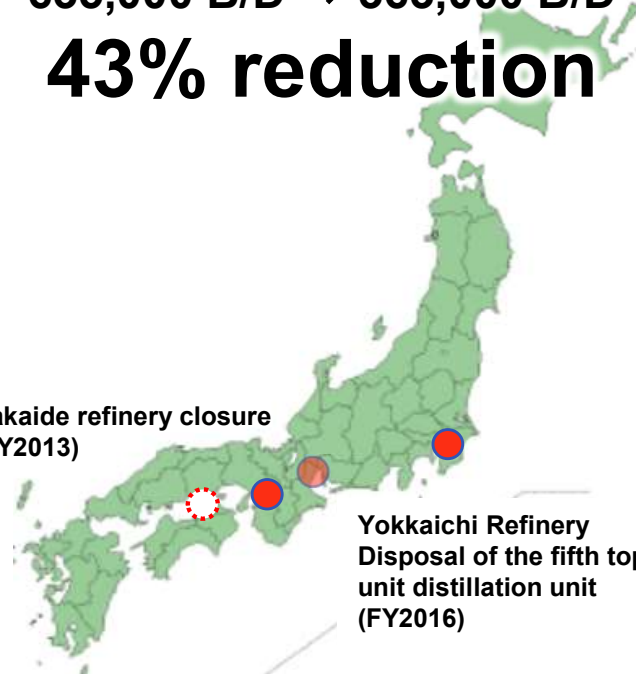
* Insufficient crude oil processing capacity to produce relative to sales volume

- ✓ 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 ⇒ 363,000 B/D
43% reduction

Sakaide refinery closure
(FY2013)



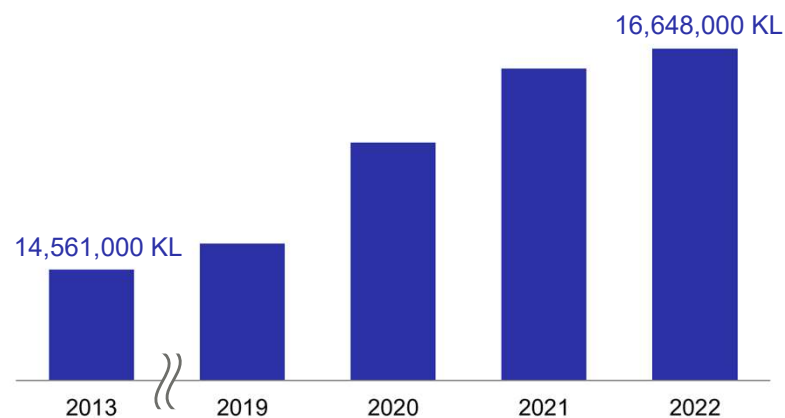
Yokkaichi Refinery
Disposal of the fifth topper
unit distillation unit
(FY2016)

*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 ⇒ 16,648,000 KL
14% increase

Sales Volume of four main products

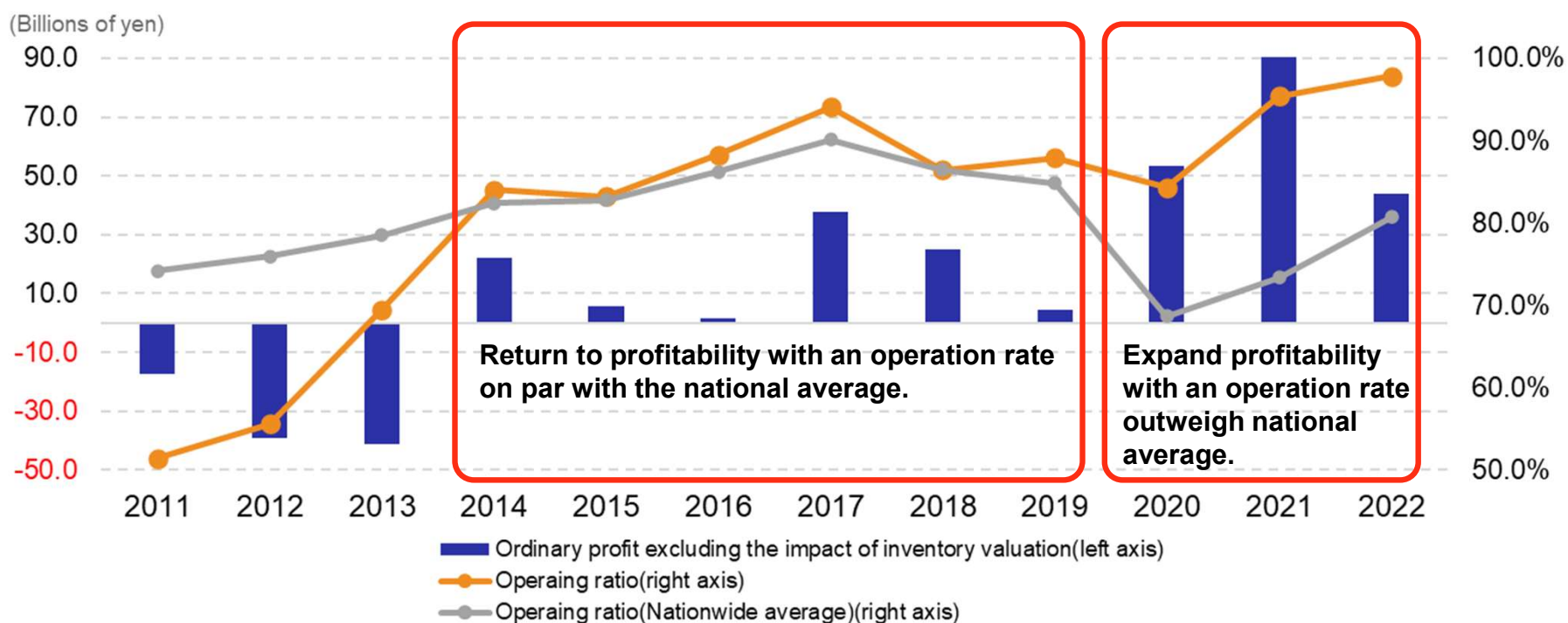


*2 Comparison of domestic sales volume of four products (Gasoline, Kerosene, Diesel fuel and Heavy Oil A) in FY2013 and FY2022.

Achieving high operating rates and high profitability

- ✓ In addition to the short-position strategy, the introduction of an “Operation Management System” and other measures improved the level of safe operations. This 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



Superiority of the Oil Exploration and Production business

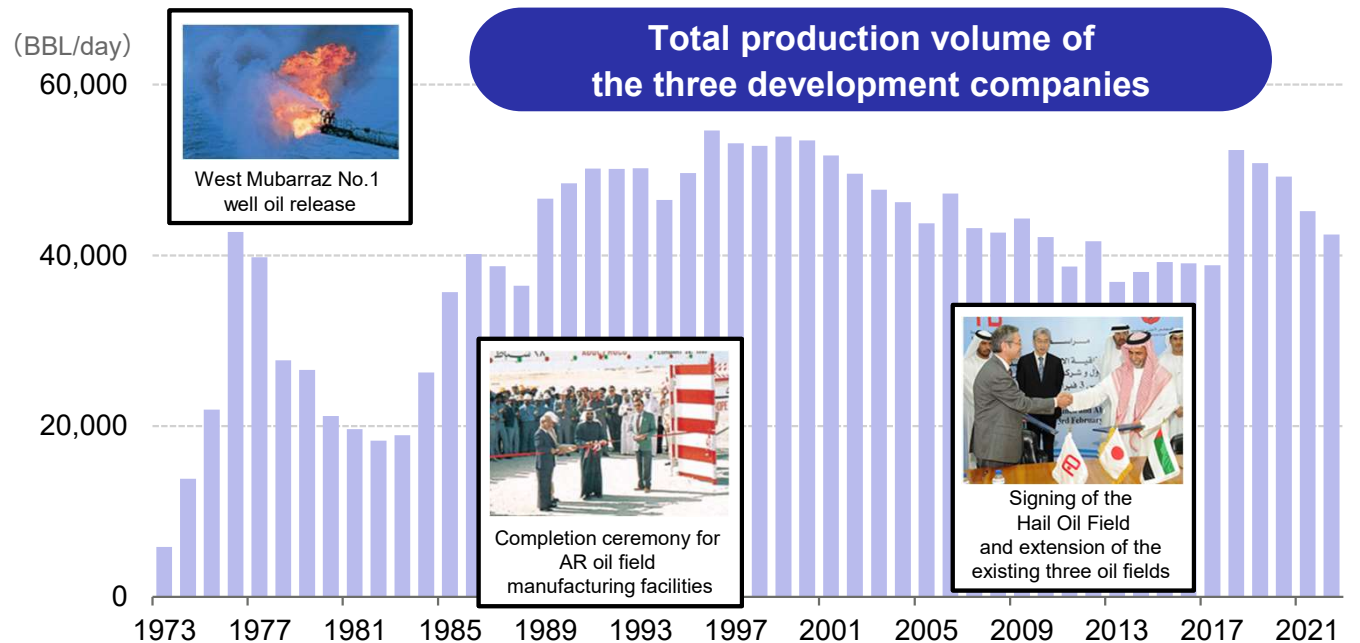
Partnership with oil-producing countries

- ✓ Building a strong relationship of confidence with Abu Dhabi Emirates for more than 50 years since the signing of the Rights Agreement in 1967. Building a Stable Production System over the Long Term
- ✓ In the Middle East region, the only Japanese company is promoting its business as an operator. Holding several highly cost-competitive oil fields

Continue stable production for a long period of time



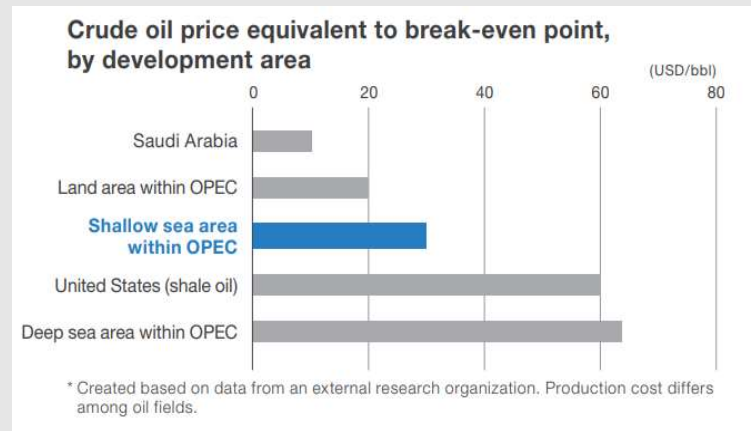
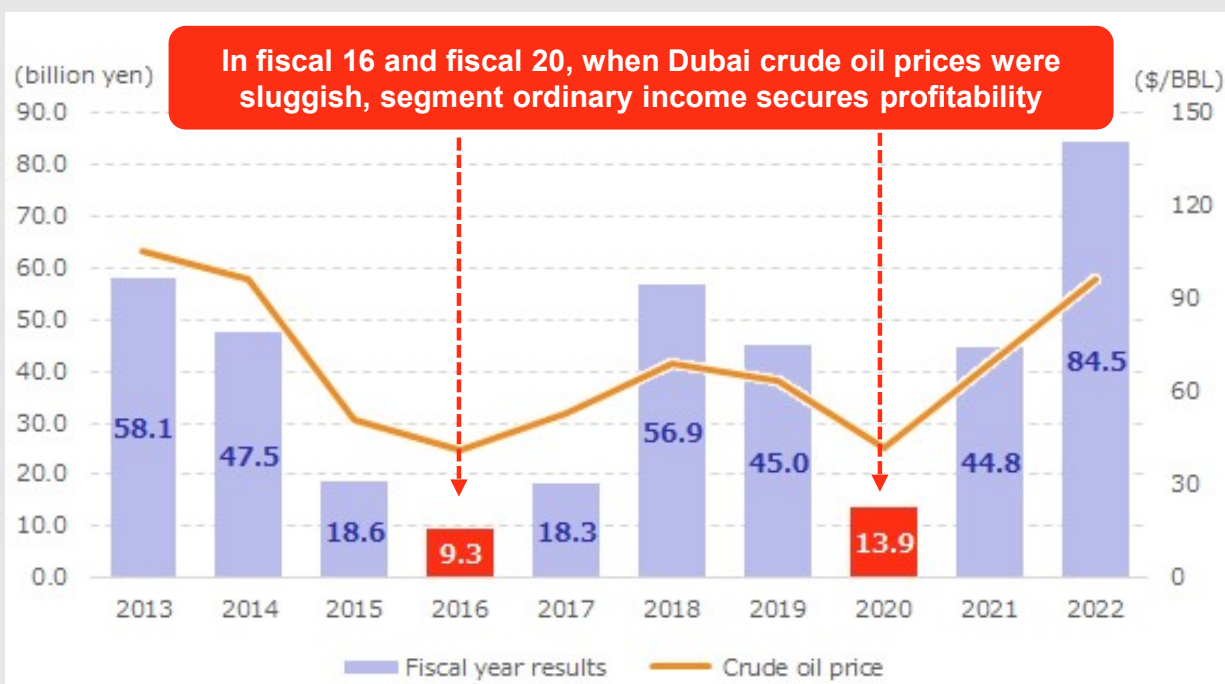
1967
Concession agreement concluded



Competitiveness of the Oil E&P business

- ✓ The production area is a conventional oil field located in the shallow sea. Our oil fields are **competitive and with lower operating costs** compared with unconventional oil fields such as large-water deep oil fields and shale oil.
- ✓ Exploration, development, and production of petroleum has been carried out for more than 50 years as an operator. **Accumulate technologies, expertise and experience**
- ✓ In fiscal 2016 and 2020, when crude oil prices were sluggish, segment ordinary income remained in the black.

Oil Exploration and Production Business: Ordinary Income





This document is not intended to solicit the Company or any third party to exercise voting rights by proxy with respect to the proposals at the Company's Extraordinary General Meeting of Shareholders.