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November 2, 2023

City Index 11 Co., Ltd.

To the Shareholders of Cosmo Energy Holdings Co., Ltd.:

Our Thoughts Regarding the Improvement of Shareholder Value at Cosmo Energy Holdings Co., Ltd.

Our company is a major shareholder in Cosmo Energy Holdings Co., Ltd. ("Cosmo"), with an ownership of approximately 20% of the voting rights in Cosmo along with our joint shareholders.

We confirmed through analyst reports that, in the ESG Presentation that Cosmo made on October 30, 2023, President Yamada called out to shareholders asking that they make a decision though an ordinary resolution (regarding the agenda item about the enactment of countermeasures against large-scale purchases with us in mind at the extraordinary shareholders' meeting scheduled for December 14, 2023) to signify that Cosmo is not willing to agree to a share buyback at a premium.

There is no foundation to Cosmo's claim that we are demanding that Cosmo purchases our ownership stake through a share buyback; in fact, our thinking is completely different. We are providing the following explanation so that the shareholders can make sound decisions.

First of all, we have never made a demand to Cosmo for a share buyback with the intent of having them purchase our Cosmo shares. A share buyback is something that is conducted through a decision by the board of directors, and we regret that Cosmo is attempting to pin the blame on us when it is Cosmo that is being unable to improve shareholder value.

In the press release "Notice of Finalization of the Analysis Results of the Board of Directors of the Company Concerning the Large-scale Purchase Actions, etc. of the Company's Share Certificates, etc. by the Large-scale Purchasers and of the Agenda for the Company's Extraordinary General Meeting of Shareholders to Confirm Shareholders' Will Concerning Enactment of Countermeasures" dated October 24, 2023, Cosmo states that the real objective behind our purchase of Cosmo shores is to sell this ownership by making Cosmo execute a share buyback. However, even if Cosmo did execute a share buyback, we have no intention to sell Cosmo our shares through this buyback. What we are demanding to Cosmo is not that they purchase our shares in Cosmo through a share buyback, but rather that Cosmo improve their share prices to above 1x PBR, just as the Tokyo Stock Exchange is requesting to publicly traded companies. Minami Aoyama Fudosan Co., Ltd. and Aya Nomura, who have submitted Statements of Intent for Large-scale Purchase Actions, have done so because Cosmo shares are trading at a discount, and they will not acquire additional shares in Cosmo when its share prices are at approximately 1x PBR.

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In order for Cosmo to achieve improvements in shareholder value, we believe that Cosmo needs to sincerely consider the following 3 points and take action on them:

(1) Commit to over 60% in total shareholder returns every fiscal year

In its 7th Consolidated Medium-Term Management Plan ("Medium-Term Plan"), Cosmo states that its shareholder return policy is over 60% in total over the 3 years covered by the Medium-Term Plan (the 3 years from the fiscal year ending March 2024 to the year ending March 2026). However, if Cosmo is to realize over 60% in total shareholder returns for this fiscal year alone and not as a total of 3 years, the current dividend forecast of 250 yen/share will make them fall short by over 10 billion yen in total shareholder returns.

At the earnings announcement meeting for the first quarter of the fiscal year ending March 2024, President Yamada mentioned that "if Cosmo conducts a share buyback, their ownership ratio will increase as a result, so it's not that easy for Cosmo to conduct a share buyback at the moment", suggesting that a share buyback is difficult due to the fact that we exist as major shareholders. Additionally, at the meeting between ourselves and Cosmo on September 28, 2023, he mentioned that "Cosmo is not sure yet whether they will provide returns of 60% in a single fiscal year, although it's evident that the reaction will be negative", in an attempt to secure flexibility in terms of when the 60% returns will be realized.

We do not mind how the shareholder returns are realized (whether through dividends or share buybacks), but we are very adamant about the realization of improvements in shareholder value, namely the improvement of share prices to above 1x PBR. If Cosmo finds issue with our ownership ratio rising as a result of share buybacks, we believe that they should realize over 60% in shareholder returns for this fiscal year through the payout of dividends.

As President Yamada is aware that "the reaction will be negative (for the policy of 60% in total over the course of 3 years)" and that "there is a significant correlation between dividends and share prices", we believe that Cosmo should realize over 60% in shareholder returns (through dividends and/or share buybacks) each year starting this fiscal year ending March 2024 if they are in full understanding of initiatives that contribute to improvements in shareholder value. If Cosmo is to achieve these levels solely through dividends, we believe that it is necessary to increase the minimum level of stable dividends from the current 250 yen/share to 315 yen/share.

(2) Revisiting the level of necessary equity capital

Although Cosmo increased the amount of necessary equity capital from 400 billion yen to 600 billion yen in its Medium-Term Plan, no explanation that is acceptable to shareholders has been made. Although a portion of the increase is related to the renewable energy business, investments in this field are dependent on winning contracts. At the end of 2023, the results for biddings on offshore wind power generation contracts will be released, and if Cosmo

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fails to win these contracts that they are seeking, we believe that it will become necessary to revisit the level of necessary equity capital.

(3) Clarification of shareholder return policy for earnings in excess of necessary equity capital

Furthermore, in the Medium-Term Plan, Cosmo has stated that they will make additional shareholder returns on top of the 60% policy if and when equity capital exceeds 600 billion yen. If we look at the current levels of earnings, these levels may be surpassed during the fiscal year ending March 2025 (as stated above, the threshold of 600 billion yen needs to be revisited if Cosmo fails to win the biddings on offshore wind power generation contracts).

Therefore, we request to Cosmo that they clarify how these additional shareholder returns will be made (timing, frequency, method, etc.), in addition to the aforementioned requests (1) and (2).

We believe that Cosmo shares our goal to realize improvements in shareholder value at Cosmo. If so, Cosmo management should immediately terminate any actions that lead only to their self-preservation and do not contribute to improvements in shareholder value, and should sincerely work on improving shareholder value. We will continue to make constructive requests to Cosmo in order to achieve the goal mentioned above.