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November 16, 2023

City Index 11 Co., Ltd.

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

Our View on the Press Release from Cosmo Energy Holdings Co., Ltd.

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

It has come to our attention that Cosmo released the "Notice Concerning the Company's View of the Letter and Press Release from City Index Eleventh Co., Ltd." dated November 14, 2023 (the "Press Release"). We would like to share our thoughts on this Press Release with Cosmo shareholders.

First of all, we have repeatedly and steadily been requesting shareholder value improvement to Cosmo ever since we began acquiring Cosmo shares in February 2022, explaining the need to promote initiatives for improving share prices to above 1x PBR. On top of that, in March, the Tokyo Stock Exchange has been demanding that companies trading at below 1x PBR engage in initiatives to improve their share prices to above 1x PBR. Given the above as well as our initiatives, Cosmo has finally begun taking a serious look at improving its shareholder value, resulting in the recent trend of Cosmo share prices trading at above 0.8x PBR since August, approaching the achievement of 1x PBR.

We have been approaching Cosmo with the hope of having them strive to achieve shareholder value improvement through constructive dialogue. The capital policy that Cosmo announced in their 7th Mid-Term Management Plan still holds various problems as we have been pointing out multiple times through our letters to Cosmo as well as our press releases to Cosmo shareholders, but Cosmo has yet to make sufficient explanations about these problems. Despite that, even though Cosmo's attitude toward us remains aggressive, we have been making compromises in having Cosmo strive to achieve 1x PBR through their methods, to a certain extent. Therefore, Cosmo's claims that we have been "changing important policies and arguments" is completely unfounded. We believe that it is essential that Cosmo executes on the shareholder return initiatives (1) and (2) below in the minimum.

In the memorandum that we sent to Cosmo on November 10, 2023, we made a request to Cosmo that it **(1) decides on a total shareholder return ratio of 60% within a single fiscal year, and (2) return to shareholders all of the equity capital that is in excess of 600 billion yen.** Our thoughts on Cosmo's response to these two points are as follows:

(1) Total shareholder return ratio of 60% within a single fiscal year

In the Press Release, Cosmo states "sufficient consideration of profit volatility due to crude oil prices and the market environment caused by the nature of the business" as a reason to why total shareholder returns should be

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60% cumulatively over the course of 3 fiscal years. However, when Chairman Kiriyama was President, he repeatedly made comments that Cosmo had the ability to generate 120 billion in ordinary income (excluding inventory appraisal profits) and 50 billion yen in net income through the execution of profit improvement initiatives, and the Cosmo IR team made similar responses when we interviewed them. As such, Cosmo itself is aware that they have the capability to consistently generate 50 billion yen in net income. On top of that, Cosmo mentions in its 7th Medium-Term Plan "cumulative three-year total payout ratio of at least 60% of net profit excluding impact of inventory valuation", signifying that their shareholder return policy is based on their ability to generate profits excluding the impact of inventory. Given the above, Cosmo's aforementioned claims should not prohibit the execution of 60% shareholder return ratios in a single fiscal year.

(2) Returning all of the excess equity capital above 600 billion yen to shareholders

First of our, our belief is that Cosmo still has not explained itself adequately with regard to why the level of necessary equity capital was abruptly increased to 600 billion in the 7th Medium-Term Plan, given that the target figure was stable at 400 billion yen for over a decade. If Cosmo should fail to win certain contracts or business such as the renewable energy contract that it is currently working on winning, we believe that the target value for necessary equity capital needs to be revisited.

Separately, considering the current levels of profits, there is a significant possibility that equity capital may reach 60 billion yen during the fiscal year ending March 2025. As such, we request to Cosmo that they clarify how additional shareholder returns will be made (timing, frequency, method, etc.) in the situation that equity capital reaches a level "above the necessary equity capital of 600 billion yen", which is a threshold level that Cosmo itself sets.

To begin with, until we became shareholders, Cosmo has been very reluctant to engage in shareholder returns, with less than 10% total shareholder return ratios (excluding impacts of inventory valuation) when industry competitors were committing to 50% for the same ratio. In addition, share prices have collapsed due to the sale of Cosmo shares by IAL in March 2022 and the dilution caused by the conversion of convertible debt issued by Cosmo.

At a publicly traded company, there is no place for a management team that does not engage in the improvement of shareholder value. We request that the Cosmo management team achieve share prices of 1x PBR in advance of the extraordinary shareholders' meeting, and commit to shareholder value improvement initiatives that contribute to the further increase of Cosmo share prices. We ask Cosmo shareholders that they too make an appeal to Cosmo so that they sincerely engage in improving shareholder value.