

[Translation]

August 23, 2023

To whom it may concern:

Cosmo Energy Holdings Co., Ltd.

**Notice Concerning the Company's Response to the Letter from Minami Aoyama Fudosan and Ms. Aya Nomura Dated August 14, 2023**

The Company has received a letter from Minami Aoyama Fudosan Co., Ltd. ("Minami Aoyama Fudosan") and Ms. Aya Nomura ("Ms. Nomura"), dated August 14, 2023 (the "Letter") (please see details of the Letter in Exhibit 2.).

From a viewpoint of providing appropriate information to its shareholders, the Company hereby informs them for their information that it has sent the response letter in Exhibit 1 to Minami Aoyama Fudosan and Ms. Nomura, the details of which are considered necessary for the shareholders to evaluate the Large-scale Purchase Actions, etc., intended by Minami Aoyama Fudosan and Ms. Nomura.

End

Exhibit 1

August 23, 2023

To: Mr. Tatsuya Ikeda, Representative Director of Minami Aoyama Fudosan Co., Ltd.  
Ms. Aya Nomura

From: Shigeru Yamada, Representative Director and Group CEO  
Cosmo Energy Holdings Co., Ltd.

We are glad to hear that things are going well for you.

We have reviewed the letter from your company dated August 14, 2023 (the "Letter").

In the Letter, while explaining that you had provided your responses to the information list which we sent you in regard to the Statement of Intent for Large-scale Purchase Actions, etc. (the "Information List"), you requested that we answer each of your questions contained in the Letter.

However, **we prepared the request for provision of your responses to the Information List based on the "Company's Basic Policies for the Control of the Company Based on the Fact that City Index Eleventh Co., Ltd. and Other Parties Carry Out Large-scale Purchase Actions, etc. of the Company's Share Certificates, etc. and Response Policies to Large-scale Purchase Actions, etc. of the Company's Share Certificates, etc." that continue to be limited to the extent of enactment, etc. of the countermeasures introduced by the Company as of January 11, 2023 and approved by the Company's shareholders as of June 22 of the same year** (the "Response Policies") **in order to require you to provide necessary or helpful information for the Company's Board of Directors and the Company's shareholders to evaluate and examine whether the Large-scale Purchase Actions, etc. that you intend to carry out** (the "Large-scale Purchase Actions, etc.") **will cause any damage to the Company's medium- to long-term corporate value and its shareholders' common interests (in particular, its general shareholders' interests). In addition, the request does not presume that the Company will answer any question which you, your joint holders, or any of your related entities ("Your Group") ask.**

On the other hand, for our general shareholders' reference, apart from the procedures set forth in the Response Policies, we hereby provide what seems to be necessary for our shareholders to determine whether to accept the Large-scale Purchase Actions, etc.

In addition, although Your Group proceeded with the purchase of the share certificates, etc., mainly by City Index Eleventh Co., Ltd. ("City Index Eleventh") which was represented by Mr. Hironaho Fukushima, since a large-volume holdings statement on the Company's share certificates, etc. was submitted in April 2022, the Statement of Intent for Large-scale Purchase Actions, etc. dated July 27, 2023 was submitted by Minami Aoyama Fudosan Co., Ltd. which was represented by Mr. Tatsuya Ikeda and Ms. Aya Nomura.

In addition, in subsequent communications, although a letter dated August 7 regarding the results of the analysis of the exercise of voting rights at the Company's Ordinary General Meeting of Shareholders ("General Meeting") held in June this year was sent in the name of City Index Eleventh, the Letter was sent in the name of Minami Aoyama Fudosan. Moreover, in meetings between the Company and Your Group, Mr. Yoshiaki Murakami engaged in arguments and came forth to make requests. As such, the use of different entities in Your Group on a case-by-case basis, confused us. We believe that the use of different entities on a case-by-basis basis in this manner is responsible for the unclear responses and information and unnecessarily caused confusion and misunderstanding among our shareholders while deciding on whether to accept the Large-scale Purchase Actions, etc. Furthermore, we believe that although Your Group owns more than 20% of the Company's voting rights in total, by arbitrarily using different entities on a case-by-case basis, you avoided classification as a "Major Shareholder" under the Financial Instruments and Exchange Act, which also caused great

uncertainty from the viewpoint of the general shareholders.

In this regard, we sincerely request that you engage in appropriate behavior, such as unifying the sender of information to Mr. Murakami who is the substantive director of Your Group.

#### Notice

- I. You repeatedly have made claims as if we disregarded our shareholder value until such time as you became shareholders of our company; however, your claims are far from the truth. First of all, the Company's financial soundness was severely damaged by an explosion caused by the Great East Japan Earthquake in 2011 as well as large-scale inventory valuation losses in FY2014 and FY2015 (totaling 184.8 billion yen). It was extremely important for us to ensure financial soundness from the perspective of shareholder value because the net D/E ratio was 4.6 times and the net worth ratio was 7.7% at the end of FY2015.

The Company subsequently enacted the 6th Medium-Term Management Plan (the "Previous Medium-Term Management Plan"), which began in FY2018, and has since been working to strengthen its earnings power. Since the Company had certain prospects of ensuring its financial stability, in May 2022, we announced that we would substantially increase shareholder return, including an increase in dividends and buying back our own shares, and targeting a total return ratio of 50%.

In this regard, you also stated in the Response (in Section 2 of Response 1) that the reason why you chose to invest in us is that "we believed that if your company's net worth reaches 400 billion yen, which is the target in your company's Previous Medium-Term Management Plan, and if your company's net worth is fully realized, your company may decide to increase dividends or buy back the Company's shares, which would contribute to enhancing shareholder value." As such, we believe that you fully comprehend the relationship between ensuring financial soundness and increasing shareholder returns.

In addition, even before May 2022, we had stated that we will increase shareholder returns when our financial position reaches a certain level. We also wish to mention measures we have worked on to increase shareholder return, such as increasing dividends from 50 yen/share to 80 yen/share when the net D/E ratio fell below 2.0 in May 2019, and the dividends being increased from 80 yen/share to 100 yen/share when the net D/E ratio was expected to fall below 1.5 times in November 2021.

In addition, in the 7th Medium-Term Management Plan announced on March 23, 2023 (the "Medium-Term Management Plan"), we clearly stated that we will work to increase our shareholder value and PBR by improving profitability, enhancing capital policies, and fostering growth expectations. Also, in our capital policies, we announced a more in-depth shareholder return policy with a total return ratio of at least 60% and a minimum dividend of 200 yen/share. Since then, we have still maintained an extremely strong awareness of increasing shareholder value. The raising the lower limit of the dividend from 200 yen/share to 250 yen/share during the period of the Medium-Term Management Plan, which was announced on August 10, 2023, also demonstrates our commitment to enhancing shareholder value constantly while keeping an eye on medium- to long-term business performance trends.

We believe that maintaining high refinery utilization is indispensable to our ability to provide greater shareholder returns than our competitors, and that our ability to continually carry out safe and stable operations is proof of our sincere efforts to increase our shareholder value.

We recognize that the Company's current stock price being below PBR 1 time is an important issue that must be prioritized. In order to maximize our medium- to long-term corporate value and the common interests of our shareholders, and to be appropriately evaluated by the stock market, we will continue to implement the various measures outlined in the Medium-Term Management Plan announced on March 23, 2023.

- II. In order to restore our financial soundness, which has been severely damaged, to at least the minimum level required for business continuity, in the Previous Medium-Term Management Plan, we set a target net worth of 400 billion yen or more, using possible inventory valuation

losses from a decrease in crude oil prices as the greatest risk, in consideration of the amount of inventory valuation losses incurred in previous years.

Then, as the next step, **from the viewpoint of covering business risks to the entire group, including the oil exploration and production, petrochemical, and renewable energy businesses conducted by our group, we analyzed the performance of approximately 130 similar companies, both in Japan and overseas, in the Medium-Term Management Plan and calculated the risks inherent in the assets of each segment and the required net worth to cover those risks. In addition to this analysis, we reviewed our financial soundness from multiple perspectives, including required capital efficiency and flexibility in fund procurement, and determined that the required net worth amount is at least 600 billion yen.**

We believe that business risks change according to the environment and other factors, and the required net worth amount also changes based on risk. In this regard, we will continue to review the required net worth amount, as appropriate.

The oil exploration and production business accounts for the second largest required net worth amount by segment after the oil business, and the renewable energy business has not required a large amount of net worth, at least during the Medium-Term Management Plan period, and we expect that the required net worth amount will gradually increase as the business expands.

As we announced in the past, we are gathering and reviewing information on a wide range of options for how we should operate our Group's renewable energy business, and we will consider the appropriate level of capital stock as we expand the business.

- III. **Based on the circumstances in which we submitted Proposal No. 5 to our shareholders at the General Meeting of Shareholders held on June 22, 2023, our understanding is that there was a structural conflict of interest between Your Group (which intends to conduct the Large-scale Purchase Actions, etc. with "triple" coercive pressure: (i) failing to submit a Statement of Intent for Large-scale Purchase Actions, etc. and provide sufficient time and information for our shareholders to carefully consider whether to accept the Large-scale Purchase Actions, etc., (ii) making in-market purchases, and (iii) making partial purchases (i.e., where some shareholders have left and some remain); and this triple coercive pressure was caused by the postponement of the recommencement of the purchase of the Company's shares to after the General Meeting of Shareholders) and other shareholders excluding Your Group (who are under such triple coercive pressure (namely, our general shareholders)).**

**We believe that the shareholders' will, in regard to whether the Countermeasures should be enacted, should be confirmed in a manner in which the voting rights of City Index Eleventh and Your Group, which intend to conduct the Large-scale Purchase Actions, etc., are excluded. In addition, we have obtained opinions from several well-known corporate law experts that it is reasonable to make such a decision.** Therefore, we believe that **the adoption of the "so-called MoM resolution method" for voting on Proposal No. 5 at this General Meeting of Shareholders was appropriate.**

In the event that the Meeting of Shareholders for Confirmation of Shareholders' Will is held, the method of resolution in response to your submission of a Statement of Intent for Large-scale Purchase Actions, etc., should be finally decided by our Board of Directors, in consideration of the advice from the Company's Independent Committee, and there is nothing to be decided at this moment.

- IV. There are no plans to disclose the costs associated with soliciting the advice of outside experts, as doing so is not specifically required by the laws and regulations or the Timely Disclosure Rules.
- V. In order to enhance our shareholders' value, we will work diligently to improve profitability, enhance our capital policies, and foster growth expectations, as indicated in the Medium-Term Management Plan. The raising the lower limit of the dividend which was announced on August 10, 2023 is one such specific measure. Also, we will continue to make every effort to announce specific measures to our shareholders in a timely and appropriate manner.

[Noted: translated by the Company]

August 14, 2023

To: Board of Directors, Cosmo Energy Holdings Co., Ltd.

From: Tatsuya Ikeda,  
the Representative Director of Minami Aoyama Fudosan Co., Ltd. and  
Aya Nomura

We are glad to hear that things are going well for you.

We have received from your company an information list containing questions regarding the Statement of Intent for Large-scale Purchase Actions, etc. submitted by Minami Aoyama Fudosan Co., Ltd. and Aya Nomura (collectively, the “Purchasers”) on August 3, 2023. The Purchasers responded to these questions as attached.

On the other hand, the Purchasers, as major shareholders of your company, also have the following five questions for your company. We would appreciate it if you could respond to these questions within five business days.

- I. In the first place, until City Index Eleventh Co., Ltd. (“City”) and the Purchasers (collectively, “we”) became shareholders of your company, your company had been very reluctant to engage in shareholder returns, with less than 10% total payout ratios, excluding inventory valuation impacts, when industry competitors were committing to 50% for the same ratio. Then, a government investment fund in the Emirate of Abu Dhabi, which had been a major shareholder of your company, sold your company’s shares through a secondary offering (offering price: 2,450 yen), resulting in a significant decline in the share price. In addition, regarding the convertible debt, which we had proposed to buy back entirely, the amount of the buyback was only 24.1 billion yen, and as a result, your company allowed a capital increase at below 1x PBR by converting 32 billion yen of this convertible debt. Given your management’s disregardful attitude towards shareholder value, we acquired your shares in order to encourage you to focus on increasing shareholder value. Please describe your views on your previous capital policy.
- II. In your past medium-term management plans, your company’s target net worth for the past 13 years from the fiscal year ending March 2011 to the fiscal year ending March 2023 was 400 billion yen. However, in May 2023, in the 7th Medium-Term Management Plan, you suddenly raised your target net worth by 1.5 times to 600 billion yen. We believe that this substantial increase is an obstacle to improving your company’s ROE. Although the target net worth above is a numerical issue, you have not provided any concrete or quantitative explanations. In the Q&A session after your company’s presentation, you stated, “We have concluded that we need to increase net worth adequately, especially in the oil exploration and production and renewable energy segments.” In that case, instead of raising your target net worth, we believe that you should have considered to be injected capital by other companies into the renewable energy business, as we have proposed. Please describe your views on this point.
- III. Why did you adopt the majority-of-minority (“MoM”) resolution regarding the introduction of takeover defense measures at the ordinary general meeting of shareholders? Why did you not adopt an ordinary resolution openly and squarely? In the event that a resolution of a Shareholders’ Will Confirmation Meeting regarding implementation of takeover defense measures for a purchase based on the Statement of Intent for Large-scale Purchase Actions, etc. submitted by the Purchasers is to be approved by an MoM resolution, if the approval ratio of the Confirmation resolution does not reach the level to pass an ordinary resolution, we will ask a court to determine the validity of the MoM resolution. If the court determines that the MoM resolution is unjustified, does your management intend to take management responsibility for it?

- IV. We believe that you have entrusted securities companies, lawyers, etc. with the dealing with us up to today, including the introduction of the takeover defense measures and the adoption of the MoM resolution on takeover defense measures at the ordinary general meeting of shareholders, and that the large amount of expenses required for them have been paid using shareholder capital. We would appreciate it if you could disclose a summary of these expenses.
- V. On July 18, 2023, we received a response from you stating that you would like to discuss a comprehensive shareholders' value enhancement plan, as described in City's press release dated July 28, 2023. Also, in the Q&A session at the Financial Results Briefing on August 10, 2023, when an analyst asked whether the company would buy back its own shares, Mr. Yamada, your Representative Director and Group CEO, answered, "At present, it is difficult to obtain the company's own stock in a simple manner. However, I do not expect this situation to continue for more than six months. To a certain extent, and where some sort of goal has been made, I believe that the buying of treasury stock will naturally be one of the methods." Based on the answer above, please let us know when the comprehensive measures to increase shareholder value will be released.