Expanding Oil Exploration and Production to Secure Stable Supplies, Building on Strong Relations with Oil-Producing Nations

Strong Relations with Abu Dhabi Emirate

Cosmo Oil established Abu Dhabi Oil Co., Ltd. (Japan) after obtaining concessions in the Emirate of Abu Dhabi, UAE in 1967, and has been producing oil for shipments to Japan from three oil fields in the emirate for more than 40 years. In that time, Abu Dhabi Oil (Japan) has established a close cooperative relationship with Abu Dhabi National Oil Company (ADNOC), and has also built positive relations with the emirate and the surrounding oil-producing nations by providing human resources, technical collaboration, and cultural exchange, as well as supporting Japanese language education for young people in UAE. The positive relations helped the company to obtain concessions for the new Hail Field, which lies adjacent to three existing oil fields. The Cosmo Oil Group is committed to securing stable supplies of energy by pursuing oil exploration and production built on strong relations with oil-producing nations.

Progress Report on Development of New Hail Oil Field

Situated south of Mubarraz Island, the Hail Oil Field is expected to produce approximately 20,000 barrels of crude oil per day, which is equivalent to the combined production of three existing oil fields. Since its launch in 2014, the project has been steadily advancing, with channel dredging for rig and man-made island construction currently underway for oil production to start in fiscal 2016.

Development Schedule to Start of Production

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Development Aims to Steadily Increase Production

Qatar Petroleum Development Co., Ltd. (Japan) of the Cosmo Oil Group is engaged in the additional development of an offshore oil field in Qatar that started producing oil in 2006. The goal is production of around 9,000 barrels per day.
We pursue the upstream business of oil exploration and production to raise revenues for the Cosmo Oil Group. The core company in these efforts is Abu Dhabi Oil (Japan), which successfully renewed oil concessions for existing fields and obtained a new concession for the Hail Field. With development as planned, the company’s oil production will double by around 2020, reaching around 40,000 barrels per day. We are also considering maintaining existing concessions for our two other operating companies, United Petroleum Development (Japan) and Qatar Petroleum Development (Japan), set to expire in 2018 and 2022, respectively. Looking ahead, we will work to obtain new upstream concessions and assets, including more in Abu Dhabi, working closely with CEPSA, our strategic partner since 2014.

**Strengthening Relations to Obtain New Concessions**

In January 2014, Cosmo Oil signed a strategic comprehensive agreement with CEPSA, a leading petroleum company based in Spain. Under the agreement, the two companies will jointly identify business opportunities for oil-related business, pursuing expansion. In November 2014, Cosmo Oil transferred a stake in Cosmo Abu Dhabi Energy Exploration & Production Co., Ltd., which was newly created as a holding company of Abu Dhabi Oil (Japan), to CEPSA. Moving forward, the two companies will jointly operate the new holding company in an effort to strengthen the projects of Abu Dhabi Oil (Japan) and obtain new concessions.

1. Compañía Española de Petróleos, S.A.U. (CEPSA) is a wholly-owned subsidiary of the International Petroleum Investment Company (IPIC).

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**Environmental Initiatives in Abu Dhabi**

Abu Dhabi Oil (Japan) is strongly committed to environmental initiatives. By re-injecting the gases liberated in crude oil production into the ground, the company achieved zero gas flaring at three oil fields in 2001, helping to reduce air pollution and greenhouse gas emissions. It also plants mangroves and treats household wastewater for use in watering trees, to add greenery to Mubarraz Island. These extended efforts earned Abu Dhabi Oil (Japan) an ADNOC HSE Award for HSE Performance in 2014.

1. Flaring involves igniting associated gases to dispose of the gases.
2. ADNOC HSE Awards were established by ADNOC to give recognition for health, safety, and environmental initiatives.