

OIL EXPLORATION AND PRODUCTION BUSINESS

In addition to our achievements in oil development spanning half a century, we strive to expand business based on our trustworthy relationships with Middle Eastern oil-producing countries.



President, Representative Director, Chief Executive Officer
Cosmo Energy Exploration & Production Co., Ltd.
Katsushi Nishi

Business Overview

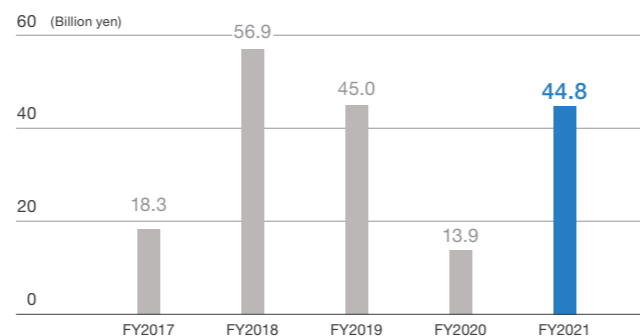
The oil exploration and production business is a revenue driver within the Group business portfolio, and based on the core area of the Middle East, centered on Abu Dhabi, United Arab Emirates (UAE) and Qatar, with which we have established long relationships of trust, we are promoting safe and stable operations in existing concession areas.

FY2021 Results and FY2022 Forecasts

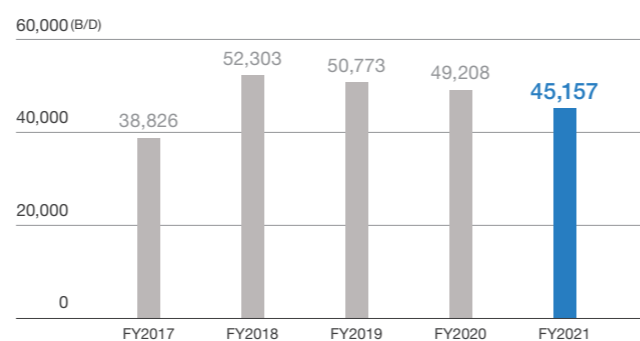
In FY2021, ordinary profit increased ¥30.9 billion year on year, to ¥44.8 billion, due to a rise in crude oil prices (Dubai crude oil price in Jan. to Dec. 2021: US\$69/barrel, up US\$27/barrel year on year), more than offsetting a decrease in sales volume.

In FY2022, we expect ordinary profit to increase ¥30.2 billion year on year to ¥75.0 billion, due to the impact of a much greater rise in crude oil prices than in the previous fiscal year (assumed Dubai crude oil price in Nov. 2021 to Oct. 2022: US\$95/barrel, up US\$26/barrel year on year).

Ordinary profit



Crude oil production volume*



* Production volume is the combined production of Abu Dhabi Oil Co., Ltd., Qatar Petroleum Development Co., Ltd., and United Petroleum Development Co., Ltd., which are the major oil operating companies in the Group.

Identified risks

- Risks related to crude oil prices and production
- Risk of stranded assets associated with energy transition
- Risk of accidents in oil fields and at production facilities
- Risks related to exploration and development

Opportunities

- Realization of stable energy supply in the period of the transition to decarbonization
- Expectations for global progress in CCS and CCUS technologies and their global popularization
- Potential for collaboration with oil-producing countries in the field of decarbonization

Strengths

- Trust-based relationships with oil producing countries for more than 50 years
- Possession of highly competitive oil fields
- Technologies and know-how cultivated through oil field operations

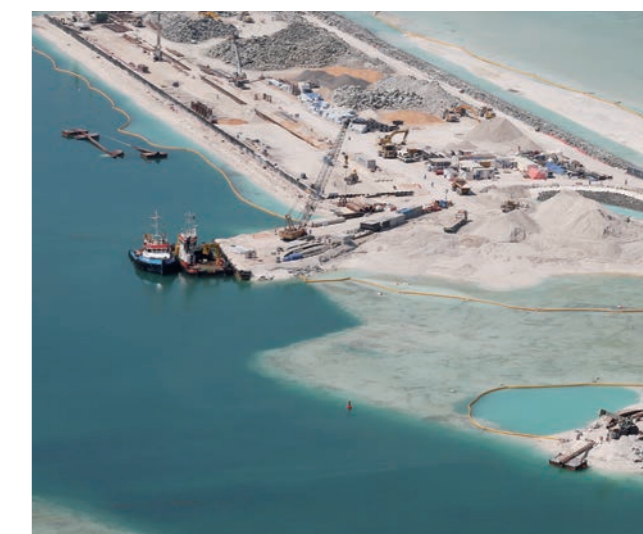
Business strategy

In the Oil E&P Business, we have identified the following four major risks: (1) risk of the fluctuation of crude oil prices attributed to global trends in oil supply and demand as well as political instability in oil-producing countries and surrounding countries; (2) risk of the asset stranding of oil fields and other asset holdings associated with the energy transition; (3) risk of accidents at oil fields and production facilities associated with operations, and; (4) risk that a commercially viable amount of resources cannot be found in a newly awarded exploration block.

We can say that the strong market demand for a stable energy supply in the period of the transition to decarbonization is an opportunity in our business environment. In March 2022, we concluded a memorandum of understanding on the consideration of collaboration with Abu Dhabi National Oil Company (hereafter, "ADNOC") in the field of decarbonization including CCS and CCUS. We plan to investigate and consider projects jointly with ADNOC.

The greatest strength of the Group is our close and trustworthy relationship with the Emirate of Abu Dhabi for more than 50 years since before the UAE was founded. In 2021, we acquired the new Offshore Block 4. The new block is adjacent to an oil field possessed by Abu Dhabi Oil Co., Ltd., a Group company.

We therefore expect that synergy, including the reduction of development and operating costs, will be created by the joint utilization of production, storage and shipping facilities. Furthermore, our oil fields including the new block are located in shallow offshore areas, which makes it possible to reduce operating cost and thereby features high competitiveness. At the Cosmo Energy Group, we possess technological capabilities and expertise cultivated over many years of self-operation in the Emirate of Abu Dhabi and other oil-producing countries.





Competitive advantages

Firm relationship maintained with the Emirate of Abu Dhabi

The relationship between Abu Dhabi Oil Co., Ltd. in the Cosmo Energy Group and the Emirate of Abu Dhabi, the UAE, started in 1967, before the UAE was founded. The strong relationship of trust has been maintained for 55 years. The Group has continued safe, stable crude oil development in collaboration with ADNOC in the Emirate of Abu Dhabi.

In January 2022, Cosmo Energy Holdings and Masdar* concluded a memorandum of understanding regarding the consideration of collaboration in the field of decarbonization. We can say that this and other moves, including the acquisition of Off-shore Block 4 in the Emirate of Abu Dhabi and the conclusion of a memorandum of understanding regarding the CCS and CCUS with ADNOC, which are described on the previous page, prove that the Emirate of Abu Dhabi and ADNOC have evaluated us highly as a reliable partner. We will continue to strive to remain a friendly, trusted partner of the Emirate of Abu Dhabi.

* Masdar: Abu Dhabi Future Energy Company PJSC – Masdar
It is a renewable energy company in the Emirate of Abu Dhabi. To address global sustainability issues, the company is working to commercialize and expand renewable energy, sustainable urban development and clean technologies.
Masdar is a wholly owned subsidiary of Mubadala Investment Company, a strategic investment company owned by the Government of Abu Dhabi. The goal of the company is to support the diversification of both the economy and energy sources of the UAE for the benefit of future generations while maintaining the UAE's leadership in the global energy sector. It operates business in approx. 40 countries, including the UAE, Jordan, Saudi Arabia, Mauritania, Egypt, Morocco, the United Kingdom, the United States, Australia, Serbia, India, Indonesia, and Uzbekistan.

Advantage related to CCS and CCUS

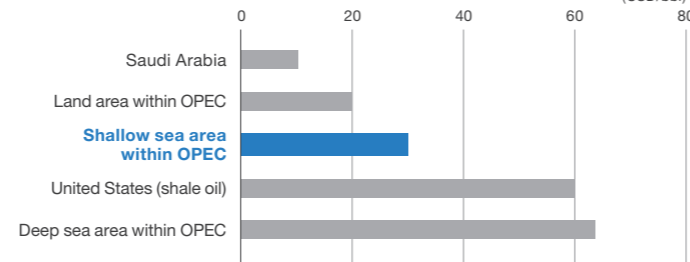
At the Cosmo Energy Group, our advantage in CCS and CCUS is that we have technologies and expertise in the field of oil exploration and production that are highly connected to CCS and CCUS, including experience injecting gases

Highly competitive oil fields that we operate on our own

The area where the Group is engaged in oil exploration, development, and production contains traditional oil fields located in shallow seas. They have lower operating costs and are more competitive than non-traditional oil fields, which are typically deep water oil fields and shale oil fields. In addition, the Cosmo Energy Group has been exploring, developing, and producing oil as an operator* in oil-producing countries. Therefore, we have accumulated technologies, expertise, and experience related to oil field operations. Our Oil E&P Business segment secured ordinary profit even in FY2016 and FY2020, when crude oil prices were weak.

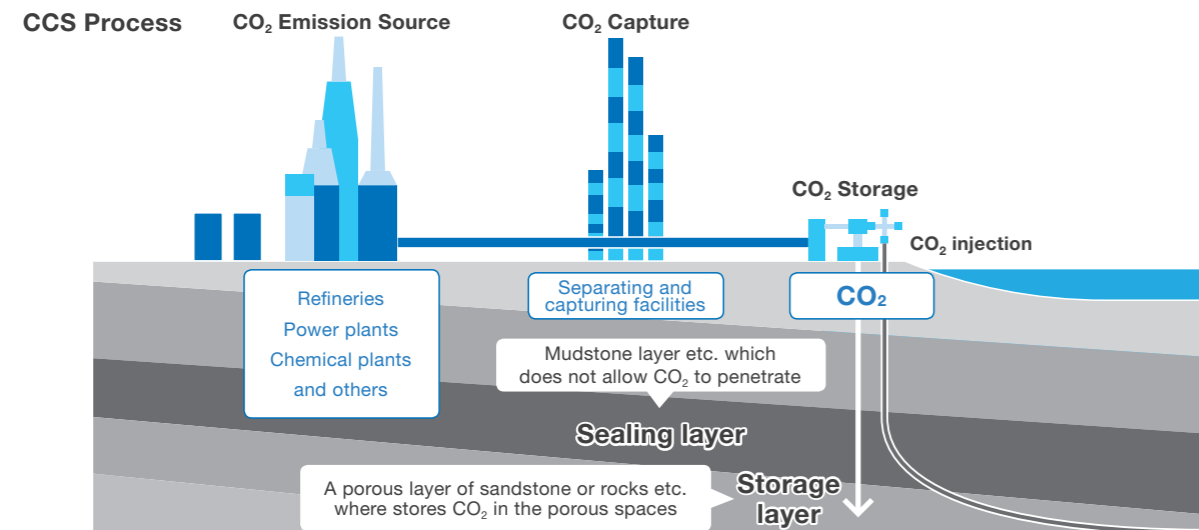
*Operator: A company that not only invests but also plays a central role in the planning of a project and the implementation of exploration and development tasks

Crude oil price equivalent to break-even point, by development area



* Created based on data from an external research organization. Production cost differs among oil fields.

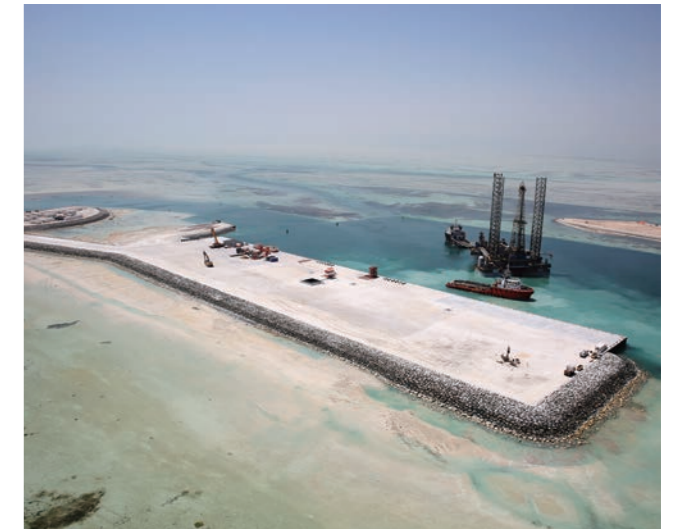
associated with zero-flaring operations, which we achieved in May 2001. Moving forward, we will study the feasibility of CCS and CCUS in the Emirate of Abu Dhabi jointly with ADNOC.



Initiatives and achievements in the medium-term management plan

Stable production and reduction of operating costs at the Hail oil fields and existing oil fields

In the Oil E&P Business segment, we have been considering business strategy from a long-term perspective by seeking “added-value projects utilizing the Company's strengths” under the Sixth Consolidated Medium-Term Management Plan. During the period of the medium-term management plan, we have been engaged in stable production at the Hail oil fields and existing oil fields. We have also been striving to reduce operating costs. The world is accelerating towards decarbonization, but the transition from fossil fuels to zero carbon fuels cannot be completed in a single step. We believe that the social responsibility of the Cosmo Energy Group as an energy company is to ensure stable energy supply in step with the development of technologies and legal systems and changes in demand. Cosmo Energy Exploration & Production Co., Ltd. will continue to supply energy, which will be needed for energy security, in line with the times.

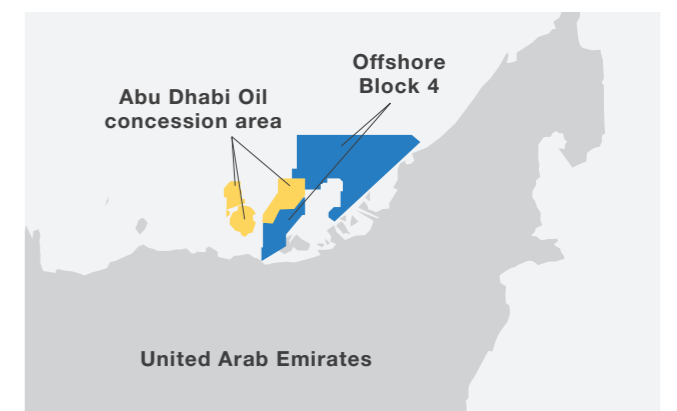
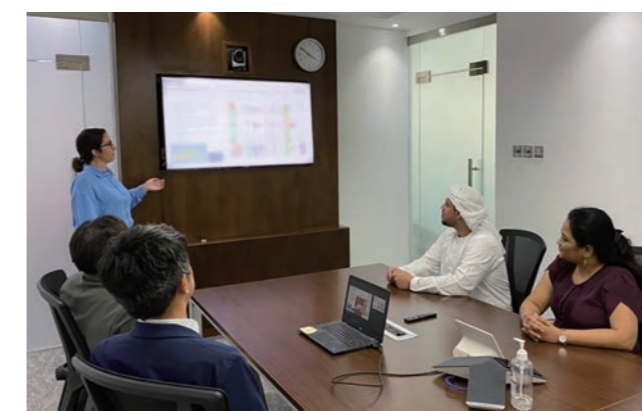


Acquisition of new Offshore Block 4 and commencement of exploration

Cosmo Energy Exploration & Production acquired the Offshore Block 4, an offshore exploration block in the Emirate of Abu Dhabi, to realize long-term stable supply. We believe that the bid for the Offshore Block 4 was successful due to the high evaluation of the solid, trust-based relationships the Group has built in the Emirate of Abu Dhabi, its many years of operating oil fields, and other reasons. To start explorations in Offshore Block 4, we have newly established Cosmo E&P Albahriya Limited. For the exploration

project in Offshore Block 4, we reached an agreement with JOGMEC* to receive equity financing. In addition offshore Block 4 lies adjacent to an oil field owned by Abu Dhabi Oil, a Group company. We expect that, if we reach the phase of development and production, the shared use of production, storage, and shipping facilities will minimize production and operating costs and maximize the synergy between the two companies.

* JOGMEC: The Japan Oil, Gas and Metals National Corporation



A joint investigation with ADNOC launched toward decarbonization

On March 2, 2022, we concluded a memorandum of understanding with ADNOC based on an agreement to begin a joint investigation for the exploration of technologies that can contribute to decarbonization and a feasibility assessment regarding CCS and CCUS in the Emirate of Abu Dhabi. Toward

the realization of a decarbonized society, we will work to evaluate the feasibility of businesses related to new initiatives, acquire knowledge, and create opportunities for collaboration.