

Relationships with Oil-producing Countries for Procuring a Stable Supply

—Close partnership with UAE



Procuring a Stable Oil Supply Starts with Trusting Relationships

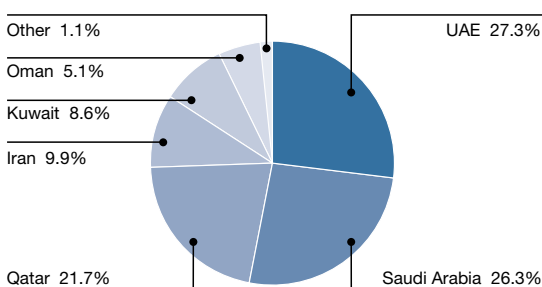
Oil is the energy source that allows society and industry to function. In Japan, a resource-poor country, almost all of the oil it needs must be imported, and its suppliers are mainly concentrated in the Middle East. For many years, the Cosmo Oil Group has made strong efforts to build trusting and cooperative relationships with oil-producing countries in the Middle East. Its relationship with the Emirate of Abu Dhabi of the United Arab Emirates (UAE), precedes their respective creations in their present forms, and the more than 40 years of collaboration since then has yielded impressive results.

Relationship with UAE Stretches Back to 1967

The relationship between the Cosmo Oil Group and the Emirate of Abu Dhabi goes back to 1967. Up until that point, Abu Dhabi had only granted oil concessions to major western countries, but it decided to open its market to Japan in 1967. Maruzen Oil Co., Ltd., Daikyo Oil Co., Ltd. (both now Cosmo Oil) and Nippon Mining Co., Ltd. (currently Japan Energy Corporation) took advantage of this opportunity by jointly placing an international bid. The bid succeeded, and in 1968 the three companies formed a consortium, Abu Dhabi Oil Co., Ltd. (ADOC).

In 1969, the Mubarraz Field was discovered during exploratory drilling of the first exploration well. This was followed in 1970 with the granting of a 50% concession in the offshore Al Bunduq oil field, located on the border between

◆ Percentage of Cosmo Oil's Oil Imports by Country in Fiscal 2007



◆ United Arab Emirates

Situated in the southeast of the Arabian Peninsula, the United Arab Emirates is a federation of seven emirates with Abu Dhabi as the capital city. It is a triangular land mass forming the south and southeast coasts of the Arabian Peninsula and the west coast of the Gulf of Oman. Its main resources are oil and natural gas, most of which are located in Abu Dhabi.



Abu Dhabi and Qatar, and the establishment of the United Petroleum Development Co., Ltd. (UPD) for developing the oil field and managing production. Subsequently, ADOC steadily expanded its business in the face of major shifts in the operating environment, including the founding of the UAE in 1971 and the first oil shock in 1973, followed by the second oil shock in 1979. With the successful development of the Umm Al Anbar Field, oil production surged even further.

When the Cosmo Oil Group was established in 1986, it assumed this mutually beneficial relationship with Abu Dhabi. The Group weathered crises such as the Persian Gulf War, and followed up the success of the Mubarraz Field and Umm Al Anbar Field with the start of commercial production at the Neewat Al Ghalan Field. The crude oil produced from these three fields is mixed together and shipped to Japan as Mubarraz Blended Crude.

Commencement of Commercial Production in Qatar

After acquiring oil concessions in Abu Dhabi, the Cosmo Oil Group signed a development and production sharing agreement with the Government of Qatar in 1997, and acquired concessions to the Al-Karkara oil field and the A-Structure North oil field. This led to the establishment and development of Qatar Petroleum Development Co., Ltd., which began operations in 2006.

Environment-friendly Oil Production

Flames burning in a flare stack have become a symbol of



Before Zero Flare Project



After Zero Flare Project

oil fields. The flare stack incinerates gases released as a by-product in crude oil production, including hydrogen sulfide—a poisonous gas—as well as carbon dioxide.

In 2001, ADOC was the first in the Middle East to succeed with the Zero Flare

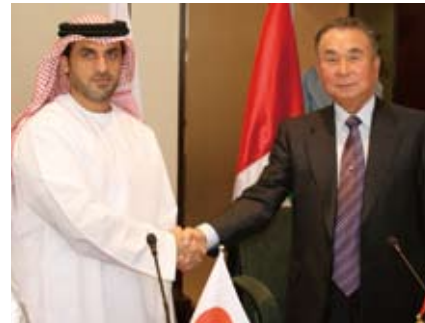
Project by recovering all of the associated gases and injecting them into an underground oil reserve. This allowed the company to reduce its emissions of greenhouse gases by 200,000 tons of CO₂ equivalent per year. Qatar Petroleum Development also began injecting these gases into underground oil reserves when it came onstream in 2006.

Strategic Affiliation with IPIC to Realize Capital Increase and Reinforce Relationships

In recent years, crude oil prices have reached record highs, making stable oil procurement over the long term even more important. High expectations are held for the Cosmo Oil Group's strong ties with the Emirate of Abu Dhabi and oil-producing countries in the Middle East. As part of these efforts, Cosmo Oil formed a strategic alliance with the International Petroleum Investment Company (IPIC) in 2007, an investment company wholly owned by the government of the Emirate of Abu Dhabi, and issued 176,000,000 ordinary shares through a third-party allocation to raise capital. Furthermore, Cosmo Oil will strengthen its ties with Abu Dhabi by accepting two directors from IPIC to the Board of Directors (as outside directors). Combining the Group's management resources with IPIC's financing and international network through this affiliation solidifies Cosmo Oil's system for fulfilling its mission of providing a stable supply of oil. The companies also plan to work together to expand international sales (through exports), reinforce the petroleum development business and build up new businesses (such as the ALA business; refer to Special Feature 3).

Mutual understanding, trust and collaboration that go beyond national boundaries have become even more important now that economic conditions and environmental problems are demonstrating how closely the entire world is linked together.

The Cosmo Oil Group will continue to fulfill its mission of providing a stable supply of oil by capitalizing on its firm ties it has built up over a long period in a wide range of areas with the Emirate of Abu Dhabi and oil-producing countries in the Middle East.



Partnership signing ceremony in September 2007

Message

“We hope that this business tie-up will serve as an opportunity for deepening relationships in areas other than oil.”

Cosmo Oil is extremely interesting in terms of the scale of both its operations and marketing.

Its strategies are consistent with IPIC's own, making it an ideal partner for strategic affiliations. We hope that this partnership serves as an opportunity to deepen our relationship in areas other than oil, such as

Saeed Al Mehairbi, director from IPIC

culture, education and technology. We also want to use this relationship of more than 40 years as a springboard from which to enhance our understanding of the Japanese and their culture. In addition, we hope that Cosmo Oil ranks among the most environment-friendly companies in Japan.

Khalifa Al Romaihi, director from IPIC

