

Nippon Oil and SK of Korea to Develop Strategic Business and Capital Alliances

Nippon Oil Corporation (Nippon Oil; Headquarters in Minato-ku, Tokyo; President: Shinji Nishio) and SK Corporation (SK; Head Office in 99 Seorin-dong, Jongno-gu, Seoul 110-110, Korea; President & CEO: Heon-Cheol Shin) have announced that they will implement a business alliance spanning a wide range of activities as outlined below. The objectives of this alliance will be to strengthen the competitiveness of the two companies as the oil industry becomes increasingly global and mutually advance the development of their operations in the rapidly expanding economies of Asia. In addition, to further strengthen the alliance between Nippon Oil and SK, the two companies have agreed to establish a capital alliance.

Looking ahead, the two companies will steadily implement their alliance in various business areas and work to establish a powerful management base for their operations.

Details of the Alliance

1. Date of forming the alliance: January 22, 2007
2. Effective term: 10 years (with an automatic renewal provision)
3. Areas covered by the operational alliance and principal items to be considered and implemented:

(1) Upstream operations

Nippon Oil and SK will structure a framework for ongoing evaluation and analysis as well as the exchange of information, including the formation of a technology committee, with the goal of considering possibilities for joint activities in exploration, development, and asset acquisition projects.

(2) Supply

The two companies will exchange and share crude oil and petroleum products as well as promote the mutual and joint use of shipping equipment and transportation facilities, with the objective of creating an optimal supply system under declining demand conditions. In addition, the two companies will promote the mutual sharing of finished and intermediate products when their refineries undergo periodic maintenance.

(3) Petrochemicals

Nippon Oil and SK will promote the mutual sharing of petrochemical products, with the goal of establishing a dominant competitive position in the Asian region, while also moving forward with the consideration of the possibility of the joint construction of production facilities.

(4) Lubricants

The two companies will exchange and share lubricant base oil and promote the mutual and joint use of facilities for lubricant blending, with the aims of creating a stable and efficient supply system to meet the rapid expansion in demand in the international lubricants business.

(5) International operations

Nippon Oil and SK will consider the implementation of joint projects in the oil and other energy fields, including the construction of production facilities together, in the fast-growing Asian region.

Note: In addition to the above, consideration will be given to reducing costs, improving efficiency, and creating new business opportunities in various other areas, including oceangoing shipping, refining, and R&D.

4. Content of the Capital Alliance:

Number of shares to be acquired under the alliance:

Nippon Oil's acquisition of SK shares: 1.29 million (representing 1.0% of SK's issued shares)

SK's acquisition of Nippon Oil's shares: 14.32 million (representing 1.0% of Nippon Oil's issued shares)

For further information, please contact:

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Outline of Nippon Oil Corporation and SK Corporation Alliance

Outline of the Companies

Corporate Name	Nippon Oil Corporation	SK Corporation
Date of Establishment	May 10, 1888	October 13, 1962
Address	3-12, Nishi Shimbashi 1-chome, Minato-ku, Tokyo.105-8412	99 Seorin-dong, Jongno-gu, Seoul 110-110, Korea
Representative	Shinji Nishio, Representative Director, President	Heon-Cheol Shin, President & CEO
Paid-in Capital	¥139.4 billion	¥81.7 billion
Lines of Business	Refining and processing of petroleum products, import and sale of gas, generation and sale of electricity	Refining of crude oil, lubricants, and other petroleum products; trading; gas equipment; catalog sales; cargo transport; and automobile rentals
Principal Shareholders	The Master Trust Bank of Japan, Ltd. (Trust Unit) Japan Trustee Services Bank, Ltd. (Trust Unit) Mizuho Corporate Bank, Ltd. Mitsubishi Corporation Mitsui Sumitomo Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd Tokyo Marine & Nichido Fire Insurance Co., Ltd.	SK C & C SK Chemical
Number of Employees	4,398 (Nippon Oil and Nippon Petroleum Refining Co., Ltd.) (As of March 31, 2006)	5,090 (As of December 31, 2005)
Sales	Non-consolidated: ¥5,177.7 billion Consolidated: ¥6,118.0 billion (As of March 31, 2006)	Non-consolidated: ¥2,739.3 billion Consolidated: ¥6,036.0 billion (As of December 31, 2005)
Recurring Profit	Non-consolidated: ¥93.6 billion Consolidated: ¥309.1 billion (As of March 31, 2006)	Non-consolidated: ¥276.3 billion Consolidated: ¥578.0 billion (As of December 31, 2005)
Share of Domestic Fuel Oil Market	25.9% (Japan)	32.4% (Korea)

Areas Covered by the Alliance

	Nippon Oil	SK

Upstream	Production volume	156,000BD (Average for 2005) 836 million bbl (As of December 31, 2005)	22,000BD (Average for 2005) 420 million bbl (As of December 31, 2005)
	Reserves		
Shipping	Number	19 VLCCs	11 VLCCs
Refinery Capacity	Capacity of Nippon Oil Group refineries	(1,000BD) Muroran 180 Sendai 145 Negishi 340 Osaka 115 Mizushima 250 Marifu 127 Toyama 60 (Nihonkai Oil Co., Ltd.) Total 1,217	(1,000BD) Ulsan 840 Inchon 275 (SK Inchon Oil Co., Ltd.) Total 1,115
Petrochemical Capacity	Ethylene Paraxylene	440,000 tons/year 1.2 million tons/year	730,000 tons/year 490,000 tons/year
Lubricant Capacity	Overseas sales	150,000kl (Fiscal 2005)	40,000kl (2005)
Overseas operations	Production under rights	1.6 million tons (Fiscal 2005)	1.06 million tons (2005)
R&D	Fuel cells (LPG)	Commercialized in March 2005	Under development
	Fuel cells (Kerosene)	Commercialized in March 2006	Under development