

## Nippon Oil and CNPC Sign “Letter of Intent to Establish a Joint Refinery”

Nippon Oil Corporation (Nippon Oil; Head Office in Minato-ku, Tokyo; President: Shinji Nishio) announces that it has signed a letter of intent with China National Petroleum Corporation (CNPC; President Jiang Jiemin) for a detailed consideration of establishing the Osaka refinery of Nippon Oil refining subsidiary Nippon Petroleum Refining Co., Ltd. (Headquarters in Minato-ku, Tokyo; President: Hiroshi Ono) as a joint venture.

The alliance between Nippon Oil and CNPC is founded on many years of cooperative relations. The positive relationship between the companies commenced in July 2004 with the signing of “a contract for refining of petroleum products on a commissioned basis” between Nippon Oil and CNPC subsidiary China Oil. More recently in April 2007, Nippon Oil and China Oil have signed a “memorandum of understanding regarding long-term collaboration”. Along with the letter of intent, the companies have also agreed to increase the amount of oil products that Nippon Oil supplies to CNPC from the 50,000 barrels per day in fiscal 2007 to 70,000 barrels per day in fiscal 2008.

Nippon Oil and CNPC look forward to continuing to build on their strong alliance to further enhance the business competitiveness of each company and contribute to ongoing business expansion and development.

### Details of the Letter of Intent

#### 1. Date and Site of Execution of the Letter of Intent

May 7, 2008 at the Imperial Hotel, Chiyoda-ku, Tokyo

#### 2. Signatories

Fumiaki Watari, Representative Director, Chairman of the Board, Nippon Oil Jiang Jiemin, President, CNPC

#### 3. Summary of Joint Venture

(1) Location: Takaishi, Osaka

(2) Ratio of Capital Contribution

Nippon Oil 51%

CNPC 49%

(3) Description of Business

Crude oil refinement at the Osaka refinery for export sale to markets in the Asia-Pacific region.

(4) Additional Information

The company name, date of establishment, and other details will be determined at a future date by Nippon Oil and CNPC.

#### 4. Joint Venture Background and Objective

(1) The outlook for a significant decline in domestic oil demand, owing to changes in fuel consumption patterns and progress in energy conservation in response to recent high oil prices and tightening environmental regulations, is forcing the Japanese oil industry to seek ways to deal with the potential of excessive production capacity as well as radical changes in the structure of the domestic oil industry. At the same time, oil demand is steadily growing in the Asia-Pacific region and presents an opportunity for medium- to long-term business development.

(2) With a shared awareness of the business environment, Nippon Oil and CNPC have begun examining the possibility of establishing a joint venture with the aim of effectively leveraging the oil refinery capacity of the Nippon Oil Group and the superior product marketing capabilities of the CNPC Group.

(3) The joint venture will seek to take full advantage of the superior features (high product quality, large capacity storage tanks,

etc.) of the Osaka refinery of Nippon Oil refining subsidiary Nippon Petroleum Refining and convert the refinery from a supplier of domestic products into a supplier of export products for markets throughout Asia.

(4) Converting the existing facility into an export product refinery would be an effective measure to prevent overcapacity and would strengthen the business competitiveness of the domestic oil industry while also contributing to establishing a steady supply of energy to the rapidly growing markets in the Asia-Pacific region, which is consistent with the energy policy of the Japanese government.

Please see the attachment:

 [“Summaries of Nippon Petroleum Refining and the Osaka Refinery”](#). (PDF:11KB)

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