

Basic Agreement on Business Alliance

Nippon Oil Corporation (NOC) and Japan Energy Corporation have agreed to enter a business alliance that calls for cooperation in a broad range of business activities and is expected to help each partner augment its competitiveness and corporate development.

In the future, the two companies will consider and implement numerous measures to deepen their cooperative relationship in various business fields, with the goal of augmenting their international competitiveness.

Details

1. Date of alliance creation: June 20, 2006
2. Period of alliance: Ten years (with provisions for automatic renewal)
3. Fields for cooperation and principal items to be considered or implemented

a. Upstream Operations—The companies will regularly exchange information to promote the consideration of potential opportunities for cooperation regarding exploration and development projects as well as asset acquisition projects. In addition, the companies' are to undertake the mutual acceptance at development sites of technical and other staff for training purposes with an eye to promoting personnel development from a long-term perspective.

b. Refining—Until now, efforts have been made in conjunction with RING* to promote a high level of integration at the Mizushima Kombinat. To further increase the level and effects of such integration, the companies will concretely consider how to undertake the integrated operation of their adjacent facilities in that kombinat. In addition, without restricting the focus to the Mizushima region, the companies will concretely consider various types of cooperation measures that rationalize and boost the efficiency of their refining operations—related to the cooperative use of oil storage tanks and crude oil tanker vessels, the integration and cooperative use of manufacturing and shipping (including those for exports) facilities, the cooperative construction of new manufacturing facilities, the exchange of manufacturing technology information, and other items—and appropriately move to implement such measures.

* RING refers to the Research Association of Refinery Integration for Group Operation, a research association authorized by the Minister of Economy, Trade and Industry.

c. Distribution—The companies will take steps to expand their measures to exchange and provide each other with petroleum products and petrochemical products. In addition, the companies will consider plans including those to cooperatively use transportation infrastructure and to adjust and integrate their depot networks in ways that help cooperatively reduce costs.

d. Fuel Cells—Based on a contract with Japan Energy, the two companies will cooperatively move forward with measures to develop markets for the fuel cells employing petroleum fuels that have been developed by NOC in cooperation with fuel cell manufacturers. The two companies will also move further ahead with measures to handle the same fuel cell models and otherwise reduce related costs, with an eye to quickly promoting the market diffusion of fuel cells employing petroleum fuels. In addition, to increase R&D efficiency, the two companies will undertake cooperative development programs in fields to be agreed upon.

e. Technology Development—To make it possible for the two companies to manufacture and market petroleum fuel products using each others' patents, the two companies will conclude a cross-licensing contract for patents related to the quality of the two companies' petroleum fuel products. As a result, they will be able to work to further deepen their cooperation related to refining and distribution.