

25 August 2008

Construction of an LNG receiving terminal at Naoetsu, Japan

This is to inform all concerned that our wholly-owned subsidiary Teikoku Oil Co., Ltd. (headquartered in Shibuya, Tokyo; Mr. Masatoshi Sugioka, President) has decided to construct a liquefied natural gas (LNG) receiving terminal in the port of Naoetsu in Joetsu city, Niigata Prefecture, Japan.

The demand for the natural gas we supply has been steadily increasing against the background of factors such as rising awareness for environmental preservation and energy conservation as well as soaring prices for crude oil, and is anticipated to follow a firm trend in the foreseeable future as well. In response, from August 2007, we have embarked on studies with a view to constructing an LNG receiving terminal in Joetsu city (Naoetsu port) in order to assure ourselves of a fully sufficient capacity for supply of natural gas into the medium and long terms. We decided to go ahead with the construction as outlined below upon the recent partial modification of government plans for the Naoetsu port and harbor.

Together with the introduction of vaporized LNG gas from Shizuoka Gas Company, Ltd. (scheduled in January 2010), the construction of the new LNG receiving terminal will further reinforce our setup for stable supply of natural gas. This is going to result in a phased increase in imported LNG in the share of total feedstock gas, and therefore greatly change cost structure, which has thus far been led by domestically produced natural gas. We shall strive for the sustained growth of our natural gas business by making optimal utilization of natural gas assets, both domestic and foreign, and supply infrastructure in Japan.

[Outline of the Naoetsu LNG receiving terminal]

1. Site of construction: Arahama Pier zone, Port of Naoetsu, Joetsu city, Niigata Prefecture, Japan
2. Lot area: about 25 ha
3. Major facilities: berth, tanks (aboveground 180,000-kl tank x 2), vaporizers, and calorific value adjustment facilities
4. Investment cost: about 100 billion yen (including the cost of land acquisition)
5. Start of construction: 2009 (tentative)
6. Start of operation: 2014 (tentative)