

Notice of Conclusion of Basic Memorandum on Management Integration



NIPPON MINING HOLDINGS

Nippon Oil Corporation (“Nippon Oil”; Head Office: Nishi-Shimbashi 1-chome, Minato-ku, Tokyo; President: Shinji Nishio) and Nippon Mining Holdings, Inc. (“Nippon Mining Holdings”; Head Office: Toranomom 2-chome, Minato-ku, Tokyo; President: Mitsunori Takahagi), having reached a basic agreement to integrate the management of both parties, today signed a memorandum to that effect.

The two parties will work together to develop an action plan to carry out the integration and plan to sign an “Agreement on Management Integration” by around March 2009.

● 1. Background and Objectives of the Management Integration

With continuing and unprecedented changes expected in the current business environment, the two parties, both of which are engaged in the energy, resources and materials industries, are focused as their top priority on pursuing sustainable growth and development while addressing current issues.

Particularly in the areas of new energy and energy saving, against the backdrop of heightened awareness about the global environment concentrated corporate efforts are required. Another pressing issue is the response to the worldwide movement to secure natural resources.

To preempt these fundamental structural changes in the business environment and ensure the highest level of success amid intensifying competition, Nippon Oil and Nippon Mining Holdings have determined that the integration of the management resources of the two Groups and reinforcement of their respective management structures under a new management philosophy will provide them with the strongest impetus for further and rapid growth.

In addition, we believe that reinforcing our management through integration will enable us to establish a means by which to secure a stable and efficient supply of energy, resources and materials, which will have a significant impact on Japan’s national security and which will contribute to the country’s future in terms of energy, resources and materials.

Sharing this understanding, we have reached an agreement to integrate our management in accordance with the following three basic concepts:

- (1) We, on an equal footing, will fully integrate our management functions across all our business sectors by combining the management resources of our Groups and leveraging their combined strength to the fullest extent. From this basis, we aim to become one of the world’s leading integrated energy, resources and materials groups, operating in the areas of Petroleum Refining & Marketing, Oil and Natural Gas Exploration & Production (“E&P”) and Metals.
- (2) The integrated group will develop and pursue aggressive strategies for global growth, with efforts focused on maximizing corporate value by allocating management resources to the sectors with highest profitability under the concept of “Best Practice.”
- (3) Regarding the Petroleum Refining & Marketing sector, we will undertake a comprehensive restructuring at an early stage. This will be facilitated by the integration and, further, it is believed it would not be possible without it.

● 2. Basic Group Philosophy after Integration

(1) As a group operating in the areas of energy, resources and materials, we will pursue harmonious coexistence with both the global environment and society at large by establishing sound and transparent corporate governance and appropriate and flexible operating structures, thus contributing to the establishment and development of a sustainable economy and society.

(2) Under a vertically integrated operating structure, we will pursue a stable and efficient supply of products and seek innovative and creative approaches to doing businesses.

● 3. Method of Integration and Post-Integration Structure

(1) Nippon Oil and Nippon Mining Holdings will establish an integrated holding company by the joint transfer of stocks. We shall then integrate and restructure all businesses of both parties under the integrated holding company.

(2) Core business companies will be established as direct subsidiaries of the integrated holding company in the following areas:

(i) Petroleum Refining & Marketing

A company will be established by combining the Refining & Marketing arms of both Nippon Oil and Japan Energy Corporation (currently, a wholly owned subsidiary of Nippon Mining Holdings).

(ii) Oil and Natural Gas E&P

A company will be established by combining Nippon Oil Exploration Limited (currently, a wholly owned subsidiary of Nippon Oil) and the Oil and Natural Gas E&P business of Japan Energy Corporation.

(iii) Metals

Nippon Mining & Metals Co., Ltd. (currently, a wholly owned subsidiary of Nippon Mining Holdings) will be positioned as the core business company.

(3) Other Group companies will be positioned according to the following principles:

(i) Each of the Group companies operating in one of the fields of the core businesses of Petroleum Refining & Marketing, Oil and Natural Gas E&P or Metals will become a subsidiary of the respective core business company.

(ii) Listed companies, common Group function companies and independent companies will become direct subsidiaries of the integrated holding company.

● 4. Management Integration Ratio

The management integration ratio (stock transfer ratio) for establishing the integrated holding company will be jointly determined by Nippon Oil and Nippon Mining Holdings after due deliberation, taking into consideration appraisals made by financial advisors to be nominated respectively by each side.

● 5. Effects of the Management Integration

Through fair and objective examination of cost of every division without exception, with a particular focus on the Petroleum Refining & Marketing sector, and taking full advantage of the integration to streamline functions and improve efficiency, we hope to achieve savings of least 60 billion yen per year. Furthermore, we aim to achieve eventual savings of at least 100 billion yen per year by continuing this process.

● 6. Schedule

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| December 4, 2008 (today): | Conclusion of the Basic Memorandum on Management Integration |
| December 2008: | Commencement of due diligence |

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| March 2009: | Conclusion of the “Agreement on Management Integration” (including the Stock Transfer Plan) |
| June 2009: | Ordinary General Meeting of Shareholders of both companies (Approval resolution of the Stock Transfer Plan) |
| October 2009: | Establishment of a new holding company |
| April 2010: | Establishment of core business companies |

Please note that the dates shown are tentative and the specific schedule will be determined following due deliberations between Nippon Oil and Nippon Mining Holdings, in accordance with the progress of the relevant procedures required for the integration such as approval at the general meeting of shareholders and approval of the relevant government authorities.

● 7. Others

- (1) The name, location of the head office, governance, brand (trade mark), logo of the integrated holding company and core business companies and other related matters will be announced upon determination.
- (2) Nippon Oil and Nippon Mining Holdings will establish a preparatory committee as soon as possible to propel the integration procedures forward.

[Attachment 1]  [Corporate Profiles of Nippon Oil Corporation and Nippon Mining Holdings, Inc. \(1\)](#)
(Corporate Profile, Financial Data of the Past Three Fiscal Terms)
(PDF:57.8KB)

[Attachment 2]  [Corporate Profiles of Nippon Oil Corporation and Nippon Mining Holdings, Inc. \(2\)](#)
(Business Description, Relationship between the Companies) (PDF:54.5KB)

【Contact Information for Inquiries in Connection with the Press Release】

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● Filings with the U.S. Securities and Exchange Commission

Nippon Oil Corporation and Nippon Mining Holdings, Inc. may file a registration statement on Form F-4 with the U.S. Securities and Exchange Commission (the “SEC”) in connection with the proposed joint share transfer. The Form F-4 (if filed) will contain a prospectus and other documents. The Form F-4 (if filed) and prospectus, as they may be amended from time to time, will contain important information about Nippon Oil Corporation and Nippon Mining Holdings, Inc., the joint share transfer and related matters including the terms and conditions of the transaction. U.S. shareholders of Nippon Oil Corporation and Nippon Mining Holdings, Inc. are urged to read the Form F-4, the prospectus and the other documents, as they may be amended from time to time, that may be filed with the SEC in connection with the joint share transfer carefully before they make any decision at the shareholders meeting with respect to the joint share transfer. The Form F-4 (if filed), the prospectus and all other documents filed with the SEC in connection with the joint share transfer will be available when filed, free of charge, on the SEC’s web site at www.sec.gov. In addition, the prospectus and all other documents filed

with the SEC in connection with the joint share transfer will be made available to shareholders, free of charge, by faxing a request to Nippon Oil Corporation at +81-3-3502-9860 or Nippon Mining Holdings, Inc. at +81-3-5573-5139.

● **Cautionary Statement Regarding Forward-Looking Statements**

This announcement contains certain forward-looking statements. These forward-looking statements may be identified by words such as 'believes', 'expects', 'anticipates', 'projects', 'intends', 'should', 'seeks', 'estimates', 'future' or similar expressions or by discussion of, among other things, strategy, goals, plans or intentions. Actual results may differ materially in the future from those reflected in forward-looking statements contained in this document, due to various factors including but not limited to: (1) macroeconomic condition and general industry conditions such as the competitive environment for companies in energy, resources and materials industries; (2) regulatory and litigation matters and risks; (3) legislative developments; (4) changes in tax and other laws and the effect of changes in general economic conditions; (5) the risk that a condition to closing of the transaction may not be satisfied; (6) the risk that a regulatory approval that may be required for the transaction is not obtained or is obtained subject to conditions that are not anticipated; and (7) other risks to consummation of the transaction.