

The final investment decision on PNG LNG Project

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PRESS RELEASE

Nippon Oil Corporation ("Nippon") (Mr. Shinji Nishio, Representative Director and President) today announced that Merlin Petroleum Company, together with its co-venturers, made a final decision to proceed with the development of the PNG LNG Project (the "Project").

* Merlin Petroleum Company is a participant in the Project as an affiliate of Nippon Oil Exploration Limited ("NOEX"), (Mr. Makoto Koseki, President and CEO), which is the upstream arm of Nippon.

The Project is the first project expected to commercialize LNG in Papua New Guinea with planned production capacity of 6.6 million metric tons of LNG per annum. The Project proposes to commercialize natural gas from onshore gas fields as well as associated gas from crude oil fields. The gas will be transported via a 750km pipeline to an area near Port Moresby where LNG liquefaction facilities are to be constructed. Merlin's share of the estimated capital cost of the Project is US\$700 million. First LNG sales are targeted for 2014.

The project participants have entered into a binding sales and purchase agreement with Tokyo Electric Power Company and Sinopec. Final fully termed sales and purchase agreement with two additional Asia-Pacific buyers are nearing completion and are expected to be concluded by early 2010.

The Project will be an important LNG supply source for markets in Asia, particularly in Japan, whereby demand for LNG as a "clean energy" is expected to increase. Nippon is a founding participant in the Project, being its third LNG project following the Malaysia LNG Tiga Project and the Tangguh LNG Project in Indonesia. Nippon's involvement in significant LNG Projects emphasizes its important role of supplying clean energy.

Participating parties and their interests in the Project are Nippon (4.7 percent), Exxon Mobil Corporation (including Esso Highlands Limited as operator, 33.2 percent), Oil Search Limited (29.0 percent), Independent Public Business Corporation (PNG Government, 16.6 percent), Santos (13.5 percent), , Mineral Resources Development Company (PNG landowners, 2.8 percent) and Petromin PNG Holdings Limited (0.2 percent).

Oceania is a core business area of the Nippon group's upstream business. Accordingly, Nippon is committed to continue its efforts to expand its business in this area, establishing an integrated interest in the value chain from upstream to downstream, and contributing to the stable supply of energy.

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