

Development of Serai Gas Field, Offshore Sarawak, Malaysia

February 5, 2003

We are pleased to announce that one of our subsidiaries, Nippon Oil Exploration (Sarawak), Limited ("the Company") of which shareholders are Nippon Oil Exploration Limited, Teikoku Oil Co., Ltd., Mitsubishi Corporation and the Japan National Oil Corporation started construction of gas production facilities of the Serai Gas Field in Block SK-8 offshore Sarawak, Malaysia.

The company was established exclusively for Block SK-8 project in August, 1991 and discovered the Serai Gas Field in 1993 as a result of its exploration work. Gas production is scheduled to start in the 2nd quarter, 2004 with the maximum producing level of 8.5MM3 per day. The Company plans to invest about US\$36MM (4,300MMYen) for this project.

The Company and Shell Oil & Gas (Malaysia) LLC, the operator of the Block ,each holds a 37.5% working interest in the Block while the rest 25% working interest is held by PETRONAS Carigari Sdn Bhd, a subsidiary of PETRONAS, Malaysia National Oil Company. The Company is being financed by the Japan National Oil Corporation.

Moreover, the Company is currently developing the Jintan Gas Field in the Block where the gas production is scheduled to start in the 3rd quarter, 2003. Nippon Oil Exploration (Malaysia), Limited of which shareholders are Nippon Oil Exploration Limited, Teikoku Oil Co., Ltd., Mitsubishi Corporation and the Japan National Oil Corporation is developing Helang Gas Field in SK-10 offshore Sarawak, Malaysia where the production is scheduled to start in the 4th quarter, 2003.

We subscribed for the new shares of the above two companies in November, 2000 and currently hold 15% of the total shares issued in each company.

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