

1. BASIC POLICY

To enhance enterprise value based on efficient management throughout the Nippon Mining Holdings Group, and ensure the optimal allocation of management resources, Company Group management is structured around basic management agreements between Nippon Mining Holdings (the Company), as a pure holding company, and its core operating companies while the Company Group respects the operating autonomy of each Group company. The Company's basic policy with regard to corporate governance is to maintain effective control over Group operations and ensure management transparency essentially by keeping operations separate from Group management through the holding-company system.

In line with this basic policy, the Company ensures due respect for all its stakeholders—shareholders, employees, business partners and local communities—by managing its affairs with propriety and efficiency through enhanced management structures and internal control systems. By ensuring harmonious relationships with stakeholders, the Company Group continues to increase corporate value and ensure sound corporate management.

2. CORPORATE GOVERNANCE SYSTEM AND ACTIVITIES

(1) Organizational structure of the Company and method of executing business operations

The Company Group's corporate governance system is as shown in the chart on page 44 of this report. The Company has adopted a holding-company structure. All important management decisions on behalf of Group companies within the Company Group are made by units such as the Board of Directors and the Executive Committee to maximize the benefits for the Company Group as a whole. The Board of Directors and the Executive Committee met 18 and 26 times, respectively, during the fiscal year ended March 31, 2008. The Chairman of the Company chairs the Board of Directors.

A majority of directors are full-time directors of the Company as a rule and manage and supervise Group operations, independent of each business operation. At the same time, some of the Company's corporate auditors also serve as corporate auditors of core business companies to secure the effectiveness of auditing in the Company Group as a whole. Each president responsible for operations of each core business company reports to the Board of Directors and the Executive Committee on corporate governance performance in each core business.

At the 6th annual general meeting of shareholders held on June 26, 2008, the number of outside directors appointed was increased from one to two. This change aims to strengthen the supervision of performance of duties by directors, and encourage greater transparency and objectivity in the decision-making of the Board of Directors. Like other directors, these outside directors attend meetings of the Board of Directors whenever

possible, and are tasked with monitoring executive decision-making and performance of duties by directors.

We have not appointed full-time support staff for the outside directors, but instead support the outside directors by immediately reporting findings, when necessary, to them through the Secretariat, General Administration & Public Relations Group. Since outside director is not a full-time post, the outside directors may not be able to spare the time necessary for gathering information. In light of this, information regarding meetings of the Board of Directors is distributed to the outside directors in advance, and prior briefings are organized for the outside directors when they deem such a measure necessary.

(2) Audit system

There are two full-time corporate auditors. To further reinforce the audit system, at the 6th annual general meeting of shareholders held on June 26, 2008, a change was made to the Company's Articles of Incorporation enabling the maximum number of corporate auditors appointed to be increased from four to five. Furthermore, the number of outside corporate auditors appointed was increased from two to three. The corporate auditors make up the Board of Auditors and monitor the conduct of operations by directors through steps such as attending meetings of the Board of Directors. The corporate auditors also work in close cooperation with the Independent Auditors (audit firm), the Company's Audit Division (internal auditing unit) and corporate auditors at subsidiaries. They use the audits conducted by the Independent Auditors to enable them to conduct their own audits efficiently. Specifically, the corporate auditors and Independent Auditors hold meetings to exchange information as required. In addition, liaison meetings are convened regularly with the Audit Division, conventionally three times a year, in which reports are presented on the audit system, audit plans, and progress and results of audits, and the views of the various parties are exchanged. The corporate auditors and the Audit Division also receive information from the Independent Auditors at these meetings in which opinions are exchanged regarding the results of audits.

As outside corporate auditors perform the same auditing activities as the other corporate auditors based on the division of operations outlined in the Audit Plan, the same level of support is provided to both groups of corporate auditors.

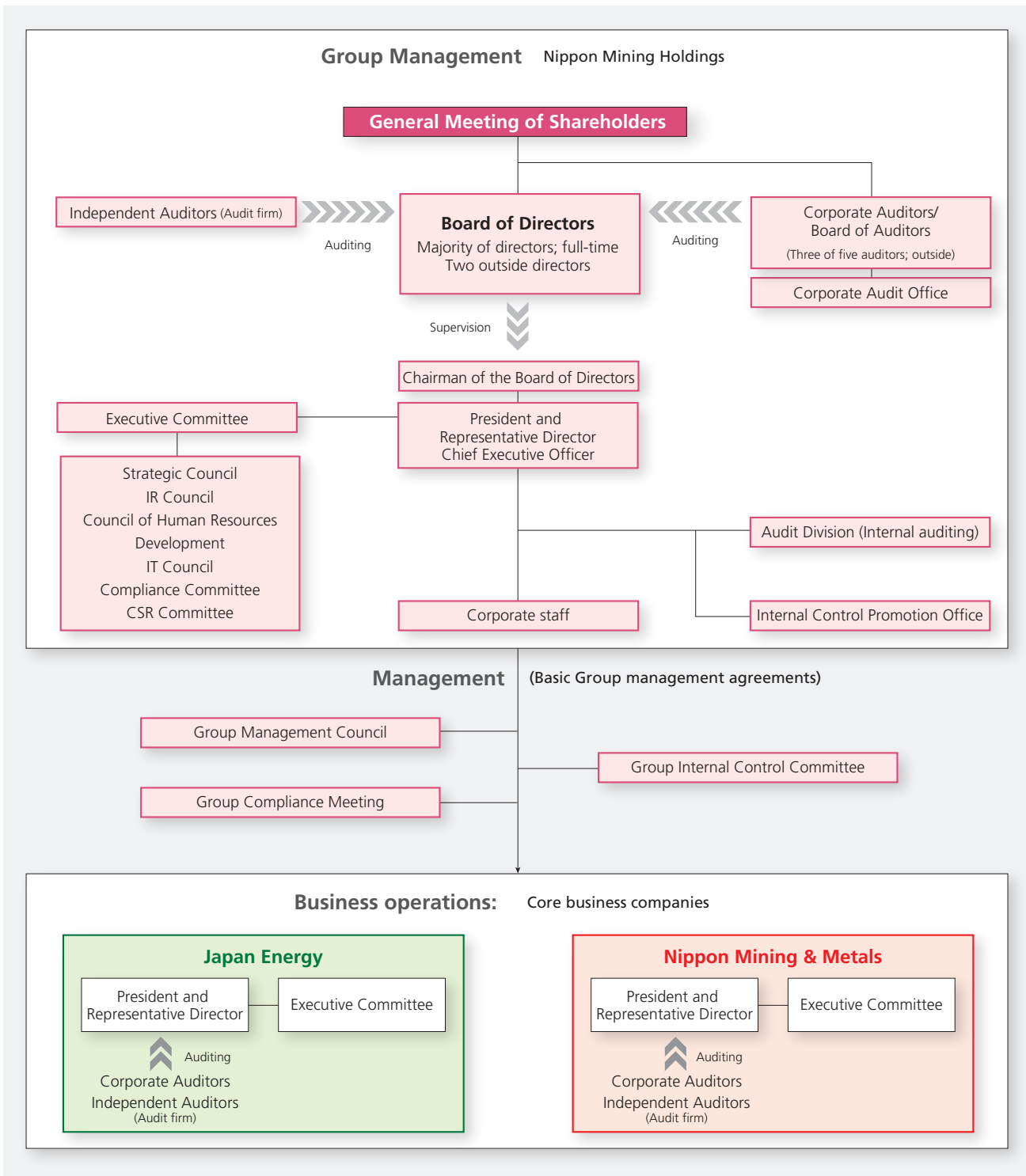
Outside corporate auditors are part-time and so are unable to spend a large amount of time on auditing and information gathering. Therefore, the results of each individual audit are reported and discussed during the regular liaison meetings aimed at pooling auditing information and expertise. Both full-time and part-time outside corporate auditors attend nearly all meetings of the Board of Directors in the fiscal year ended March 31, 2008.

The Company's internal audit unit is its Audit Division, which is staffed principally by full-time personnel. Based on the Audit Plan, the Audit Division conducts a program of audits each year covering the main Group companies and their business premises. The results are then reported to the representative directors and feedback on all items highlighted is provided to senior management of concerned sections and companies.

This corporate governance system including outside directors and outside corporate auditors ensures the Company and Group companies possess adequate monitoring capabilities.

(3) Compensation for directors and corporate auditors

The Company's compensation for directors comprises three elements—fixed-amount compensation, bonuses based on



business results and stock-option-based compensation. The maximum amount available for compensation is determined by a resolution of the general meeting of shareholders. The fixed-amount compensation is determined after taking into account the performance and ability of each director in comparison with benchmarks, and is subject to fair consideration and deliberation by the Board of Directors. Separate from the fixed-amount compensation, the Company has adopted a system of business results-based bonuses linked to results each fiscal year. Directors' retirement benefits have been abolished and a part of corresponding amount is now granted in the form of share warrants as stock-option-based compensation.

In this way, the Company's fundamental policy is to make directors' compensation more responsive to—and reflective of—such factors as its share price and business results than was previously the case.

Director and Corporate Auditor Compensation

Fiscal year ended March 31, 2008

Directors	9 persons	¥ 419 million
Corporate Auditors	4 persons	¥ 86 million
Total		¥ 505 million

(4) Independent Auditors

At the 5th annual general meeting of shareholders, Ernst & Young ShinNihon (Ernst & Young ShinNihon LLC from July 1, 2008) was appointed as the Independent Auditors. No significant conflict of interest exists between the Company and the Independent Auditors and their executive-level employees working on our audit operations. The Independent Auditors has also voluntarily taken steps to ensure executive-level employees are not involved in the audit operations of the Company for over a given period.

The Company and the Independent Auditors have entered into an audit agreement pursuant to the audit requirements stipulated in the Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan. Fees are paid by the Company to the Independent Auditors in accordance with this audit agreement.

Audit Fees

Fiscal year ended March 31, 2008

Fees relating to audit certification	¥ 227 million
Fees other than those included above	¥ 41million
Other fees*	¥ 14 million
Total	¥ 282 million

* Until June 2007, MISUZU Audit Corporation was appointed as a Temporary Independent Auditor. The amount indicated was paid by the Company and one consolidated subsidiary to MISUZU Audit Corporation in the fiscal year ending March 31, 2008, in accordance with agreements.

3. ACCOUNTABILITY

The Company makes every effort to ensure prompt, appropriate disclosure to its shareholders and investors, and maintain a high level of management transparency. In addition to compliance with legal requirements, we proactively provide information regarding management policy and business operations to enhance understanding of the Company Group's business activities. Senior management take the initiative in fulfilling their duty to be accountable to shareholders and investors through briefings to explain the details of medium-term management plans and business results announcements, and use these opportunities to speak directly to shareholders and investors. The Company also aims to communicate its activities through its website in a fair and easily understood manner.

For individual investors, we held meetings in February 2008 in Tokyo, Osaka and Nagoya, and staged a round-table session for shareholders in which the president outlined the Company Group's business situation. We hold quarterly results briefings for analysts and institutional investors, as well as briefings on the medium-term management plan. For overseas investors, we organize road shows and briefings by the president and other officers on the medium-term management plan, including reporting on the progress of these plans.

Our website carries details of business policy (president's briefing on the medium-term management plan, etc.), information on our financial position and business performance, press releases, various investor relations materials (financial results bulletins, results briefing materials, regulatory securities filings, shareholders' newsletters, annual reports, etc.), and stock information (convocation notice of the general meeting of shareholders, articles of incorporation and stock transaction regulations, etc.). Other disclosure methods include the release on our website of written and video materials from roundtable sessions for shareholders and briefings for analysts and institutional investors.

Furthermore, we are promoting measures to share information with Company Group employees through such forums as Management Council meetings and internal newsletters.

Such activities have been recognized by external organizations. For example, the Company received the 13th Disclosure Award from the Tokyo Stock Exchange, Inc., (TSE) for fiscal 2007. This award recognizes listed companies that TSE judges to have highly transparent disclosure. The Company was praised in receiving this award for not only providing detailed information but also for its courteous approach to disclosure activities and its considerable efforts to increase the convenience for information users. We intend to maintain our high level of management transparency in the future and will strive to provide fair disclosure.

4. BASIC PHILOSOPHY AND APPROACH REGARDING THE INTERNAL CONTROL SYSTEM

(1) Basic approach

Under the supervision by the Internal Control Promotion Office, the Company reinforces and promotes its internal control system and internal control-related measures. The Group Internal Control Committee discusses and deliberates on policies in such areas as planning, documentation and evaluation of internal control on a Company Group-wide basis.

(2) Progress

● Basic approach to building an internal control system

With regard to the development of its internal control system, the Company formulated an overall system to ensure that Company operations are carried out correctly in accordance with Article 362, Paragraph 4-6 of the Corporation Law and Article 100 of the Corporation Law Enforcement Regulations at a meeting of the Board of Directors held on May 10, 2006. This system is subject to ongoing reviews and any necessary amendments to ensure that Company operations remain in accordance with the enactment, revision or abolition of relevant laws and regulations and reflect changes in social conditions.

● Compliance

In May 2006, we formulated the Group Compliance Basic Regulations, and set up a whistleblower system at the Company, having previously taken this measure at each of the core operating companies. As part of efforts to further expand and strengthen our compliance commitment, we also set up in October 2006 the Nippon Mining Holdings Group Compliance Committee, which holds compliance meetings jointly with major Group companies, including core operating companies.

● Risk Management

Under the holding company system, each Group company implements risk management measures tailored to the characteristics of its own business activities. Overall responsibility for risk management rests with the Company, as part of its Group management activities.

5. OTHER MATTERS

(1) Defensive measures against takeover attempts

Under the holding company system, the Company Group has designated the Petroleum business operated by Japan Energy Corporation and the Metals business operated by Nippon Mining & Metals Co., Ltd., as the two core businesses of the Company Group. We aim to build enterprise value through efficient Group management and optimal deployment of resources,

which will enable us to consolidate our position in each of our business areas, in terms of competitiveness and earnings potential. In view of this, we are not opposed in principle to the idea of takeover by another company through stock purchase, if this creates new value and serves the interests of our shareholders.

However, any party attempting a buyout that, in its aims or methods, erodes enterprise value or significantly conflicts with the common interests of all shareholders, would not be an appropriate agent in which to vest decision-making powers affecting our finances and business policies. Based on such recognition, the Company will carefully monitor the situation pertaining to the makeup of its capital, including any changes in major shareholders. We are also taking steps to prepare for any possible crisis by establishing the necessary internal systems to deal with such situations. In the case that a takeover attempt was launched by a party deemed inappropriate, we would undertake such measures as we deem appropriate within the scope permitted by the laws of Japan and our Articles of Incorporation.

(2) Other corporate governance related matters

To maintain effective control over Group operations and ensure management transparency by keeping operations separate from Group management, the Company has implemented the following measures in addition to those outlined above. The Nippon Mining Holdings Group Management Council is held in April and October every year where the Company makes an effort to build a shared commitment within the Company Group to fully accomplishing the Company Group's medium-term management plan. The Company has also approved budgets and business plans for core business companies' business activities, and is monitoring their progress.

Based on wide-ranging liberalization measures covering the organizational configuration of companies under the Corporation Law of Japan enacted in May 2006, the boards of directors, boards of auditors and executive committees of each core business company were abolished by resolutions of the annual general shareholders' meetings of each of these companies, which were held in June 2006, and renewed executive committees were set up in their place. This measure aims to speed up decision-making and simplify executive hierarchies, as part of our efforts to further streamline the operation of our businesses.