

**FLASH REPORT (CONSOLIDATED BASIS)**

May 23, 2002

Company name : Nippon Mitsubishi Oil Corporation

Stock listings: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Exchanges

Code number: 5001

(URL <http://www.nmoc.co.jp>)

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Date for Convening the Board of Directors Meeting for the Settlement of Accounts: May 23, 2002

U.S. accounting standard: not applied

**1. Results for Year ended March 31, 2002 (from April 1, 2001 to March 31, 2002)****(1) Operating results**

(Figures less than ¥ 1 million have been omitted)

	Net Sales (% change from the previous fiscal year)	Operating income (% change from the previous fiscal year)	Recurring income (% change from the previous fiscal year)
	Millions of yen	Millions of yen	Millions of yen
Fiscal 2002	3,949,571 ( 3.1)	75,231 (7.4)	71,023 (12.9)
Fiscal 2001	4,076,890 (13.4)	70,079 (139.1)	62,929 (88.9)

	Net income (% change from the previous fiscal year)	Net income per share	Net income per share after dilution	Return on equity	Ratio of recurring income to total assets	Ratio of recurring income to net sales
	Millions of yen	Yen	Yen	%	%	%
Fiscal 2002	24,006 ( 19.4)	16.11	16.00	2.6	1.9	1.8
Fiscal 2001	29,787 ( - )	20.28	19.91	3.4	1.6	1.5

Notes: 1. Equity in earnings (losses) of unconsolidated subsidiaries and affiliates:

Year ended March 31, 2002: ¥ 3,949 million

Year ended March 31, 2001: ¥ 1,137 million

2. Average number of shares outstanding during fiscal years

Year ended March 31, 2002: 1,489,773,276

Year ended March 31, 2001: 1,468,470,152

3. There was a change in accounting methods.

4. Percentages indicate year-on-year increase/(decrease) in net sales, operating income, recurring income, and net income.

**(2) Financial position**

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2002	3,444,742	924,140	26.8	610.43
Fiscal 2001	3,971,252	898,083	22.6	611.29

Notes: Number of shares outstanding at the end of the period

Year ended March 31, 2002: 1,513,926,746

Year ended March 31, 2001: 1,469,164,712

**(3) Cash flows**

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2002	195,608	145,685	509,414	235,044
Fiscal 2001	195,768	186,222	36,014	399,393

(4) Number of subsidiaries and affiliates

Consolidated subsidiaries: 62, Unconsolidated subsidiaries accounted for by the equity method: 5,  
Affiliates accounted for by the equity method: 25

(5) Changes in the scope of consolidation

There was a new consolidated subsidiary.

Three existing consolidated subsidiaries were excluded.

There was no inclusion nor exclusion of affiliated companies accounted for by the equity method.

2. Forecast for fiscal 2003 ( April 1, 2002 to March 31,2003 )

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Interim period	1,880,000	24,000	4,000
Fiscal year	4,000,000	72,000	30,000

(Reference) Consolidated net income per share for the fiscal year is forecast to be ¥ 19.82

\* These targets were computed using forecasts based on assumptions, outlooks, and plans regarding the future that were current at the time the targets were announced. Accordingly, actual performance may differ from the forecasts and the targets owing to various risks and uncertainties, such as fluctuations in product prices and foreign currency exchange rates. Further information related to these performance forecasts and targets may be found on page 9 of the accompanying supplementary information.

## **Management Performance and Financial Position**

### **1. Management Performance**

#### *a. Review of operations for the fiscal year*

The Japanese economy remained weak during the fiscal year ended March 31, 2002, as the environment for employment and incomes became more severe, personal consumption remained weak, and private capital investment began to decline from fall 2001 owing to deterioration in production and corporate profits. Moreover, beginning in March 2001, a series of policies, principally to quantitatively relax monetary conditions, were adopted, but had no success in boosting the economy.

#### **Petroleum Fuel and Crude Oil**

Demand for oil in Japan fell below the level for the previous year despite a slight increase in gasoline sales, as kerosene sales dropped owing to the warm winter weather conditions and industrial fuels, including diesel fuel and heavy fuel oil C, declined because of the adverse impact of the stagnation in the economy. In addition, competition at the retail level intensified significantly, leading to a softening of petroleum product prices, while crude oil prices rose and the yen fell rapidly in value. As a consequence of these adverse developments, Japan's oil companies experienced a shrinkage in profits.

Amid this environment, the NMOC Group committed its fullest energies to substantially strengthening its operating base, expanding its sales capabilities, and creating new businesses.

First, in the refining divisions, on October 1, 2001, NMOC made Koa Oil Company, Limited, and Tohoku Oil Co., Ltd., wholly owned subsidiaries with the objective of creating the optimal production system to respond to trends in demand. Then, on April 1, 2002, NMOC merged these two companies with Nippon Mitsubishi Petroleum Refining Company, Limited, to create Nippon Petroleum Refining Co., Ltd.

Next, in the sales area, NMOC launched a new service station brand, “ENEOS,” and introduced ENEOS High-Octane Gasoline, featuring improved mileage and acceleration performance, and conducted a full range of aggressive marketing activities. Moreover, beginning in April 2001, NMOC began sales of ENEOS VIGO, a sulfur-free (10ppm or less) environment-friendly premium gasoline product (initially limited to the Kanto and Kansai areas). In addition, NMOC proceeded actively with the expansion of its “Dr. Drive” service stations, which provide comprehensive support for the car lifestyles of our customers, and through March 2002, the number of these service stations had reached about 1,300. Turning to the field of petroleum and natural gas development, NMOC shifted its activities in this area to Nippon Oil Exploration Limited and, by concentrating management resources, created a more flexible and agile arrangement for pursuing these upstream activities.

NMOC’s consolidated net sales for the fiscal year under review in the petroleum fuel and crude oil business segment declined 2.7% from the previous fiscal year, to ¥3,346.4 billion, owing to the slump in demand for petroleum, which led to a decline in the volume of sales, and declines in product prices. Although the margin on sales declined and one-time expenses were recorded for unifying NMOC’s ENEOS brand logo, cost reductions, together with a change in the Company’s method of accounting for inventories, resulted in a 14.1% increase in operating income compared with the previous fiscal year, to ¥57.0 billion.

### **Petrochemical Operations**

Domestic demand for and exports of petrochemical products declined from the previous fiscal year because of the stagnation in the Japanese economy and the commencement of full-scale operations at major petrochemical plants in Asia and the Middle East. Amid this challenging environment, the NMOC Group continued aggressive sales activities and endeavored to set appropriate prices, while working to strengthen competitiveness through cost reductions in all areas and placing emphasis on strengthening the Group’s specialty chemicals business.

As a result of declines in the volume of sales owing to the weakness in domestic demand and lower exports, consolidated net sales in the

petrochemicals operations segment were down 11% year on year, to ¥206.8 billion. Operating income, however, increased 68.9%, to ¥0.8 billion, despite such adverse factors as a decline in the volume of sales, lower product prices, and high naphtha prices, principally in the first half of the fiscal year, because of the positive impact of thorough cost-cutting measures.

### **Construction**

Investment in public works has continued to shrink and private-sector capital investment remains on a downward trend because of the prolonged recession, thus making it difficult for companies in the construction sector to win new orders. The NMOC Group worked aggressively to obtain new contracts, while implementing thoroughgoing cost-cutting measures to enhance profitability.

Despite these efforts, consolidated net sales for the construction segment were down 4.1%, to ¥330.5 billion. Operating income declined 28.3%, to ¥7.8 billion, owing to intensification of competition for new orders and reductions in costs of public works projects.

### **Other**

Although the operating environment for the oil distribution business has become increasingly challenging, as a result of aggressive efforts to market service station-related products along with the introduction of the new ENEOS brand, consolidated net sales in the other business segment rose 9.9%, to ¥65.6 billion. Operating income increased 11.2%, to ¥6.1 billion, owing to cost-reduction activities and efforts to increase efficiency.

### **Consolidated Financial Results**

As a result of the previously mentioned trends by business segment, consolidated net sales for the NMOC Group for the fiscal year under review declined 3.1%, to ¥3,949.5 billion. Although sales margins deteriorated and expenses were incurred in connection with the adoption of the new brand logo, positive factors, including the contribution of Groupwide efforts to rationalize and enhance the efficiency of operations

and a change in the method of accounting for inventories, led an improvement in profitability. Consolidated operating income for the NMOC Group advanced 7.4% over the previous fiscal year, to ¥75.2 billion, and consolidated recurring income posted a gain of 12.9%, to ¥71.0 billion. However, consolidated net income declined 19.4%, to ¥24.0 billion because of a drop in gains from the sale of fixed assets.

Based on consideration of this performance and other factors, NMOC declared cash dividends of ¥4 per common share for the second half of the fiscal year.

***b. Outlook for the fiscal year ending March 31, 2003***

The operating environment for the NMOC Group's activities is becoming increasingly challenging, but the Group has set targets of ¥4,000 billion for consolidated net sales (¥3,040 billion on a non-consolidated basis), ¥72 billion for consolidated recurring income (¥20 billion on a non-consolidated basis), and ¥30 billion for consolidated net income (¥10 billion on a non-consolidated basis).

These targets assume an average crude oil price of \$22 per barrel and a yen/dollar exchange rate of ¥130 to one U.S. dollar for fiscal 2002, ending March 31, 2003.

**2. Financial Position**

Net cash flow provided by operating activities amounted to ¥195.6 billion. This cash was generated primarily by net income for the period, depreciation, and a larger decline in notes and accounts receivable than the decline in notes and accounts payable accompanying the drop in crude oil prices.

Net cash provided by investing activities was ¥145.6 billion. Principal factors accounting for this were withdrawals of time deposits held for management of funds raised from the issue of commercial paper and gains from the sale of securities.

Net cash used in financing activities amounted to ¥509.4 billion. This was primarily due to the redemption of commercial paper issued for cash management purposes and continued reductions in interest-bearing debt.

As a result of the above cash movements, cash and cash equivalents at the end of the fiscal year declined ¥164.4 billion from the beginning of the year. Of this total, ¥163.0 billion was due to the impact of withdrawing time deposits held for management of funds raised from the issue of commercial paper and the subsequent redemption of commercial paper outstanding. Excluding this factor, the actual decline in cash and cash equivalents was ¥1.4 billion.

Interest-bearing debt, which amounted to ¥1,410 billion as of March 31, 1999, stood at ¥1,090 billion as of March 31, 2002. The NMOC Group therefore attained its objective of “reducing interest-bearing debt by ¥300 billion over the three-year period.”

## CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2001		Year ended March 31, 2002		Change from the previous
	Millions of yen	%	Millions of yen	%	Millions of yen
<b>Assets</b>					
<u>Current assets</u>	<u>1,875,218</u>	47.2%	<u>1,419,282</u>	41.2%	<u>455,936</u>
Cash and cash time deposits	302,702		139,376		163,326
Trade notes and accounts receivable	636,473		556,021		80,452
Short-term investments in securities	388,429		161,348		227,080
Inventories	389,021		378,897		10,123
Deferred tax assets	30,371		30,005		365
Other current assets	128,219		153,631		25,411
<u>Fixed assets</u>	<u>2,096,001</u>	52.8%	<u>2,025,370</u>	58.8%	<u>70,630</u>
Property, plant and equipment	1,594,980		1,552,087		42,892
Buildings and structures	( 324,878 )		( 313,683 )		( 11,195 )
Oil tank·Machinery and equipment·Other	( 342,351 )		( 302,141 )		( 40,210 )
Land	( 865,547 )		( 865,686 )		( 139 )
Construction in progress	( 62,202 )		( 70,575 )		( 8,372 )
Intangible fixed assets	55,514		56,178		664
Investments and other assets	445,506		417,104		28,401
Investment securities	( 303,288 )		( 273,787 )		( 29,501 )
Deferred tax assets	( 19,856 )		( 33,467 )		( 13,610 )
Other investment and assets	( 122,361 )		( 109,850 )		( 12,511 )
<u>Deferred assets</u>	<u>32</u>	0.0%	<u>89</u>	0.0%	<u>57</u>
Bond issuance expenses and other	32		89		57
<b>Total assets</b>	<b>3,971,252</b>	<b>100.0%</b>	<b>3,444,742</b>	<b>100.0%</b>	<b>526,510</b>

**CONSOLIDATED BALANCE SHEETS**

	Previous fiscal year March 31, 2001		Year ended March 31, 2002		Change from the previous fiscal year
	Millions of yen	%	Millions of yen	%	Millions of yen
Liabilities					
<u>Current liabilities</u>	<u>1,807,176</u>	45.5%	<u>1,411,434</u>	41.0%	<u>395,741</u>
Trade notes and accounts payable	334,216		304,892		29,324
Short-term loans	306,339		260,786		45,552
Commercial paper	400,500		25,000		375,500
Accounts payable	503,237		488,070		15,166
Other current liabilities	262,882		332,684		69,801
<u>Total Long-term     liabilities</u>	<u>1,127,316</u>	28.4%	<u>999,662</u>	29.0%	<u>127,653</u>
Bonds	252,705		226,282		26,423
Convertible bonds	140,854		69,628		71,226
Long-term loans	460,591		435,245		25,345
Deferred tax liabilities	91,863		76,400		15,462
Retirement allowances for employees	100,793		102,007		1,213
Other long-term liabilities	80,507		90,098		9,590
Total liabilities	2,934,492	73.9%	2,411,096	70.0%	523,395
Minority interest	138,676	3.5%	109,505	3.2%	29,171
Shareholders' equity					
Capital stock	137,176	3.5%	139,436	4.0%	2,260
Capital surplus	247,011	6.2%	274,829	8.0%	27,817
Consolidated retained earnings	477,911	12.0%	492,236	14.3%	14,325
Evaluation differences on other securities	46,994	1.2%	23,503	0.7%	23,490
Translation adjustments	10,922	0.3%	5,529	0.2%	5,392
Less treasury common stock, at cost	88	0.0%	336	0.0%	248
Total shareholders' equity	898,083	22.6%	924,140	26.8%	26,056
Total liabilities, minority interest, and shareholders' equity	3,971,252	100.0%	3,444,742	100.0%	526,510

## CONSOLIDATED STATEMENTS OF INCOME

	Previous fiscal year March 31, 2001	Year ended March 31, 2002	Change from the previous fiscal year
	Millions of yen	Millions of yen	Millions of yen
Net sales	4,076,890	3,949,571	127,319
Cost of sales	3,691,142	3,555,907	135,234
Selling, general and administrative expenses	315,668	318,432	2,764
Operating income	70,079	75,231	5,151
Non-operating profits and expenses			
Non-operating profits	47,220	44,477	2,743
Interest and dividend income	( 12,340 )	( 8,848 )	( 3,491 )
Exchange gain on foreign currencies	( 14,318 )	( 12,243 )	( 2,075 )
Equity in earnings of unconsolidated subsidiaries and affiliates	( - )	( 3,949 )	( 3,949 )
Other	( 20,562 )	( 19,435 )	( 1,126 )
Non-operating expenses	54,370	48,684	5,686
Interest	( 41,594 )	( 34,880 )	( 6,714 )
Expenses for bonds	( 191 )	( 304 )	( 113 )
Equity in losses of unconsolidated subsidiaries and affiliates	( 1,137 )	( - )	( 1,137 )
Other	( 11,447 )	( 13,500 )	( 2,052 )
Recurring income	62,929	71,023	8,093
Special gains	34,750	27,503	7,246
Special loss	38,208	54,821	16,613
Income before income taxes and minority interests	59,472	43,705	15,766
Income taxes	17,108	23,382	6,273
Deferred income taxes	4,427	9,741	14,168
Minority interests	8,149	6,058	2,091
Net income	29,787	24,006	5,780

## APPROPRIATION OF CONSOLIDATED RETAINED EARNINGS

Previous Fiscal year April 1 ,2000 ~ March 31, 2001	Year ended April 1 ,2001 ~ March 31, 2002
Millions of yen 458,432	Millions of yen 477,911
Retained earnings at beginning of the period	
Increase in retained earnings	293
Increase due to increase in consolidated subsidiaries	1,202
Increase due to increase in companies accounted by the equity method	-
Increase due to merger of consolidated subsidiaries	-
Appropriations of retained earnings	235
Cash dividends	10,601
Directors' bonuses	10,883
Net income	10,271
Retained earnings at the end of the period	330
29,787	24,006
477,911	492,236

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous Fiscal year April 1 ,2000 ~ March 31, 2001	Year ended April 1 ,2001 ~ March 31, 2002
. Cash flow from operating activities		
Income before income taxes and minority interests	59,472	43,705
Depreciation and amortization	123,367	113,461
Decrease (increase) in trade notes and accounts	79,233	89,148
Decrease (increase) in inventories	22,166	10,301
Decrease in trade notes and accounts payable	82,123	32,589
Other	73,449	24,433
Sub-total	237,013	248,460
Interest and dividends received	13,103	10,095
Interest paid	41,842	36,044
Income taxes paid	12,505	24,845
Payment for special early retirement benefits	-	2,058
Net cash provided by operating activities	195,768	195,608
. Cash flows from investing activities		
(Increase) decrease in time deposits	93,777	110,678
Additions to property, plant and equipment	54,811	79,561
Proceeds from sales of property, plant and equipment	38,471	31,927
Net decrease (increase) in marketable and investment securities	97,152	104,762
Other	21,047	22,120
Net cash used in investing activities	186,222	145,685
. Cash flows from financing activities		
Increase (decrease) in short-term loans	42,545	425,725
Increase (decrease) in long-term loans and bonds	68,211	69,161
Other	10,348	14,527
Net cash used in financing activities	36,014	509,414
. Effect of exchange rate changes on cash and cash equivalents		
	947	2,833
. Decrease in cash and cash equivalents	25,521	165,287
. Cash and cash equivalents at beginning of period	424,837	399,393
. Increase in cash and cash equivalents due to merger of consolidated subsidiaries	-	1,099
. Increase in cash and cash equivalents due to inclusion in consolidation	81	-
. Decrease in cash and cash equivalents due to exclusion from consolidation	4	160
. Cash and cash equivalents at end of the period	399,393	235,044

## Segment Information

### Business Segment

Year ended March 31, 2001 ( April 1 ,2000 ~ March 31, 2001 )

	Petroleum fuel and crude oil	Petrochemical	Construction	Other	Total	Eliminations	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales							
( 1 ) Sales to third parties	3,439,895	232,538	344,710	59,745	4,076,890	-	4,076,890
( 2 ) Intergroup sales and transfers	139,302	16,480	409	16,677	172,869	(172,869)	-
Total	3,579,198	249,019	345,119	76,423	4,249,760	(172,869)	4,076,890
Operating expenses	3,529,213	248,533	334,162	70,935	4,182,844	(176,033)	4,006,810
Operating income (loss)	49,984	485	10,957	5,487	66,915	3,164	70,079
Assets, Depreciation and Capital expenditures							
Assets	3,385,328	192,040	373,916	172,195	4,123,480	(152,227)	3,971,252
Depreciation	104,055	6,911	5,080	7,471	123,518	(150)	123,367
Capital expenditures	49,068	4,319	5,251	7,191	65,830	-	65,830

#### Notes:

- Business segments are based on the classifications used by the Company internally for management of its businesses.
- Principal products by business segment are as follows:
  - Petroleum fuel and crude oil: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and fuel oil, as well as oil exploration and development
  - Petrochemical operations: Petrochemical products, including ethylene, paraxylene, and other products
  - Construction: Asphalt paving, civil engineering construction, building construction
  - Other: Activities include sales of automotive products, such as tires, lease financing, insurance agency business, real estate rentals, travel agency business, computer-related operations, financial services, and food product business

Year ended March 31, 2002 ( April 1 ,2001 ~ March 31, 2002 )

	Petroleum fuel and crude oil	Petrochemical	Construction	Other	Total	Eliminations	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales							
( 1 ) Sales to third parties	3,346,486	206,844	330,563	65,677	3,949,571	-	3,949,571
( 2 ) Intergroup sales and transfers	121,554	15,769	548	15,485	153,357	(153,357)	-
Total	3,468,040	222,613	331,111	81,163	4,102,929	(153,357)	3,949,571
Operating expenses	3,411,007	221,794	323,257	75,059	4,031,119	(156,778)	3,874,340
Operating income (loss)	57,033	819	7,854	6,104	71,810	3,420	75,231
Assets, Depreciation and Capital expenditures							
Assets	2,914,917	168,612	339,116	187,560	3,610,207	(165,464)	3,444,742
Depreciation	95,369	6,257	4,932	7,082	113,642	(180)	113,461
Capital expenditures	89,917	4,411	15,741	5,468	115,539	(12,992)	102,547

#### Notes:

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- Principal products by business segment are as follows:
  - Petroleum fuel and crude oil: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and fuel oil, as well as oil exploration and development
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  - Construction: Asphalt paving, civil engineering construction, building construction
  - Other: Activities include sales of automotive products, such as tires, lease financing, insurance agency business, real estate rentals, travel agency business, computer-related operations, financial services, and food product business