

Report on Performance in the First Quarter of Fiscal 2005

(from April 1, 2004 to June 30, 2004)

Executive Vice President and Representative Director(CFO)

Shinji Nishio

<http://www.eneos.co.jp>

August 5, 2004



NIPPON OIL
Your Choice of Energy

Highlights of the Consolidated Income (FY2005 1Q)

	(Yen billion)		
	FY2004 1Q <April- June2003>	FY2005 1Q <April- June2004>	Change
Crude Oil Price (\$/Bbl)	26.1	33.4	+7.3
Yen/dollar exchange rate (Yen/\$)	118.7	109.1	-9.6
Domestic fuel sales including crude oil (10,000kl)	1,300	1,250	-50
Net sales	976.7	1036.8	+60.1
Operating income	10.4	34.6	+24.2
Non-operating income and loss, net	0.6	1.1	+0.5
Recurring income	11.0	35.7	<u>+24.7</u>
(Excluding inventory valuation factors)	(29.5)	(7.9)	(-21.6)
Extraordinary income and loss, net	0.9	8.0	+7.1
Net income	5.3	24.5	+19.2

Recurring income: Factors underlying a ¥24.7 billion improvement

(1) Inventory valuation factors	+ 46.3
(2) Sales volume, profit margins, time lag*	-26.3
(3) Operating income in the oil E&P division	-1.5
(4) Cost reductions and improvements in efficiency	+ 5.7
(5) Improvement in non-operating income	+ 0.5

Recurring income + 24.7

* "Time lag" represents the interval between changes in procurement costs and changes in selling prices.

Highlights of the Consolidated Income

(First half of FY2005/FY2005(forecast))

(Yen billion)

		First half of FY2005 (forecast)	Change from the original forecast	FY2005 (forecast)	Change from the original forecast
Crude Oil Price	(\$ / Bbl)	33.4	+ 3.7	31.6	+ 1.9
Yen/dollar exchange rate	(Yen/\$)	108.6	+ 3.6	106.7	+ 1.7
Domestic fuel sales including crude oil	(10,000kl)	2,520	+ 150	5,300	+ 150
Net sales		2,160.0	+ 190.0	4,410.0	+ 220.0
Operating income		66.0	+ 23.0	136.0	+ 14.0
Non-operating income and loss, net		1.0	±0	3.0	±0
Recurring income		67.0	+ 23.0	139.0	+ 14.0
Excluding inventory valuation factors		(48.5)	(+0.3)	(139.0)	(+9.0)
Extraordinary income and loss, net		7.0	-2.0	10.0	±0
Net income		43.0	+ 13.0	84.0	+ 8.0

Recurring income : Analysis of Changes to Original Forecast (First half of FY2005/ FY2005)

First half: ¥48.2billion ⇒ ¥48.5 billion (+ ¥0.3 billion)
FY2005 : ¥130.0 billion ⇒ ¥139.0 billion (+¥9.0 billion)

(Yen billion)

	First half of FY2005	FY2005	
(1) Changes in sales volume and profit margins	-1.8	+ 2.8	
(2) Growth in operating income of oil E&P division	+ 2.1	+ 6.2	
(3) Cost reductions and improvements in efficiency	±0	±0	
<hr/>			
Recurring income (Excluding inventory valuation factors)	+ 0.3	+ 9.0	
<Inventory valuation factors	+ 22.7	+ 5.0	>
	(-4.2 ⇒ 18.5)	(-5.0 ⇒ 0)	

Supplementary Information (1)

Net Sales and Operating Income by Segment (FY2005 1Q)

(1) Net sales

(Yen billion)

Total 1,036.8 (+60.1)			
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
892.3 (+38.8)	76.0 (+17.2)	50.2 (+5.0)	18.3 (-0.9)

→ Figures include 16.7 (-2.0) in net sales of the oil exploration and development division

Note: Figures in parentheses are year on year changes.

(2) Operating income

(Yen billion)

Total 34.6 (+24.2)			
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
30.1 (+20.0)	4.6 (+3.2)	-2.5 (+0.9)	2.4(+0.1)

→ Figures include 7.0 (-1.5) in net sales of the oil exploration and development division

Note: Figures in parentheses are year on year changes.

Supplementary Information (2)

Net Sales and Operating Income by Segment (FY2005 Forecast)

(1) Net sales

(Yen billion)

Total 4,410.0 (+220.0)			
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
3,698.0 (+188.0)	275.0 (+30.0)	365.0 (±0)	72.0 (+2.0)

→ Figures include 63.8 (+7.2) in net sales of the oil exploration and development division

Note: Figures in parentheses are changes from May forecasts.

(2) Operating income

(Yen billion)

Total 136.0 (+14.0)			
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
107.5 (+10.0)	13.7 (+4.2)	7.4 (-0.1)	7.4 (-0.1)

→ Figures include 25.5 (+6.2) in net sales of the oil exploration and development division

Note: Figures in parentheses are changes from May forecasts.

Supplementary Information (3)

Sales Volume (Unconsolidated)

(10,000kl)

Type of Petroleum Product	FY2004 1Q <April- June2003>	FY2005 1Q <April- June2004>	Change (%)
Gasoline	338	359	+ 6.2
(High octane)	(65)	(68)	(+ 4.4)
(Regular)	(270)	(287)	(+ 6.6)
Naphtha	147	162	+ 9.9
Jet fuel	29	26	-9.1
Kerosene	102	99	-2.7
Diesel fuel	204	205	+ 0.5
Fuel oil A	171	178	+ 3.7
Fuel oil C	235	186	-20.9
(For electric power)	(119)	(80)	(-33.1)
(For general use)	(116)	(106)	(-8.5)
Total domestic fuel sales	1,226	1,215	-1.0
Crude oil	74	35	-51.8
Domestic fuel sales including crude oil	1,300	1,250	-3.8
Barter joint, other	652	786	+ 20.6
Total	1,952	2,036	+ 4.3

FY2004	FY2005 (forecast)	Change (%)
1,409	1,421	+ 0.9
(276)	(298)	(+ 8.0)
(1,118)	(1,109)	(-0.8)
605	657	+ 8.6
122	117	-4.1
683	678	-0.7
849	828	-2.5
775	784	+ 1.2
887	695	-21.6
(426)	(250)	(-41.3)
(461)	(445)	(-3.5)
5,330	5,180	-2.8
212	120	-43.4
5,542	5,300	-4.4
3,076	3,080	+ 0.1
8,618	8,380	-2.8

Supplementary Information (4)

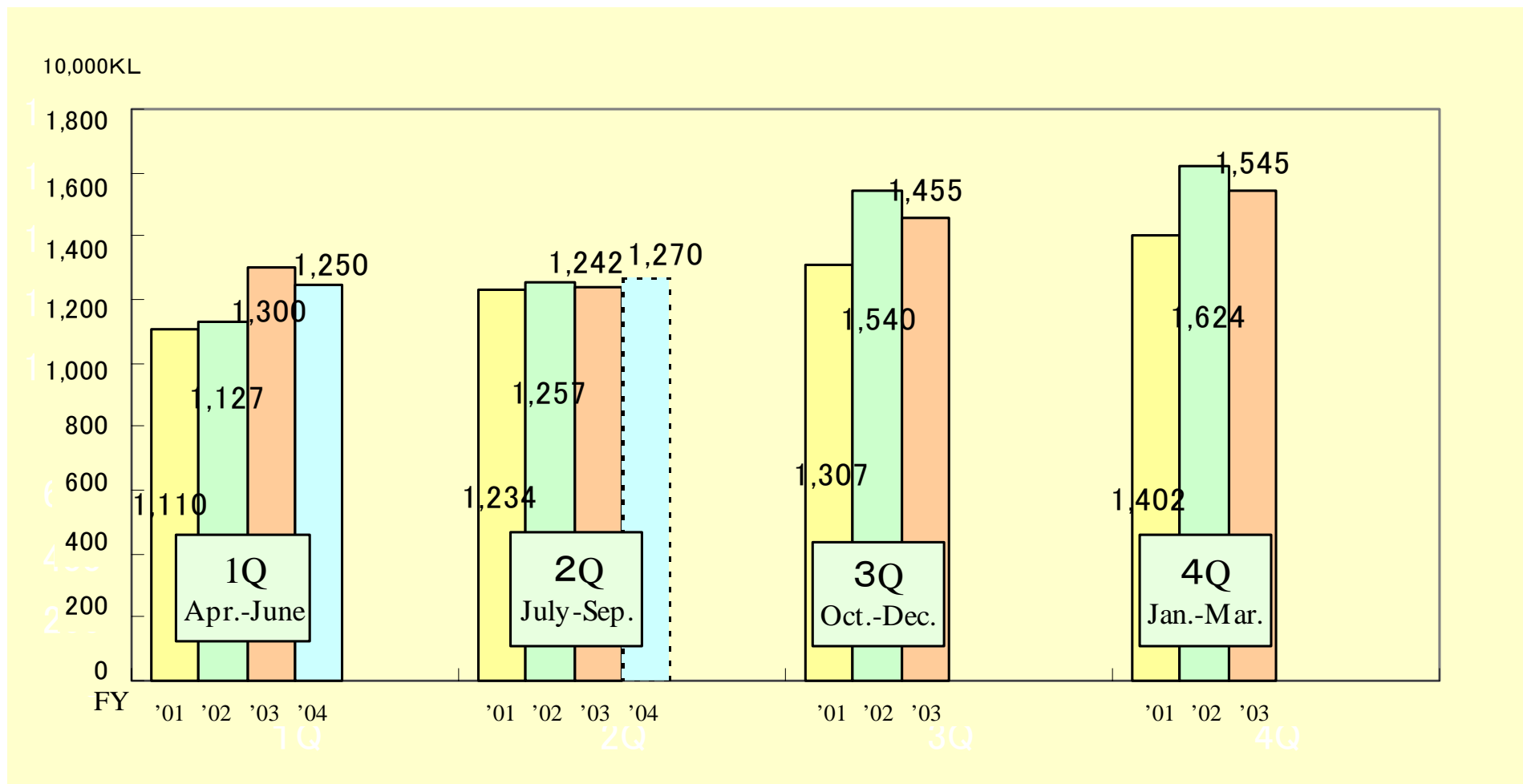
Fuel Oil Demand, NOC Sales, Share of Sales

Type of Petroleum Product	Fuel Oil Demand (% Change from the FY2004 1Q to FY2005 1Q)	NOC Sales (% Change from the FY2004 1Q to FY2005 1Q)	Share of Sales (Consumption basis, %)		
			FY2003	FY2004	FY2005 1Q
Total	-4.3	-1.0	21.9	22.2	22.8
(Gasoline)	(+0.1)	(+6.2)	(23.2)	(23.3)	(24.4)
(Kerosene)	(-11.1)	(-2.7)	(23.6)	(23.5)	(25.6)
(Diesel fuel)	(-0.3)	(+0.5)	(22.4)	(22.3)	(22.3)
(Fuel oil A)	(-2.2)	(+3.7)	(24.1)	(26.1)	(27.4)
(Fuel oil C)	(-26.9)	(-20.9)	(29.9)	(29.4)	(30.7)

Source: Agency of Natural Resources and Energy

Supplementary Information (5)

Quarterly Trends in Domestic Sales Volume of Petroleum Fuels including Crude Oil



Supplementary Information (6)

Number of Service Stations (Fixed type)

	<u>31-Mar.-02</u>	<u>Change</u>	<u>31-Mar.-03</u>	<u>Change</u>	<u>31-Mar.-04</u>	<u>Change</u>	<u>30-June-04</u>
Service Stations	11,987	-293	11,694	-361	11,333	-100	11,233
(NOC- owned)	(2,857)	(-111)	(2,746)	(-139)	(2,607)	(-36)	(2,571)

Number of Self-service Retail Outlets

	<u>31-Mar.-02</u>	<u>Change</u>	<u>31-Mar.-03</u>	<u>Change</u>	<u>31-Mar.-04</u>	<u>Change</u>	<u>30-June-04</u>
NOC	142	+200	342	+178	520	+46	566
(Total for Japan)	(1,353)	(+1,169)	(2,522)	(+901)	(3,423)	(-)	(3,081)*

* This figure indicates only self-service retail outlets that are affiliated to oil wholesale companies.

Source : Oil Information Service Center and Others.

Number of Dr. Drive Service stations

	<u>31-Mar.-02</u>	<u>Change</u>	<u>31-Mar.-03</u>	<u>Change</u>	<u>31-Mar.-04</u>	<u>Change</u>	<u>30-June-04</u>
Dr. Drive Service stations	1,283	+327	1,610	+261	1,871	-4	1,867

Supplementary Information (7)

Number of Transport Depots

	<u>1-Apr.-02</u>	<u>Change</u>	<u>1-Apr.-03</u>	<u>Change</u>	<u>1-Apr.-04</u>	<u>Change</u>	<u>1-July-04</u>
Transport Depots	62	-7	55	-4	51	±0	51

Refining Capacity Utilization Rates

	<u>First half of FY2003</u>	<u>Second half of FY2003</u>	<u>FY2003</u>	<u>First half of FY2004</u>	<u>Second half of FY2004</u>	<u>FY 2004</u>	<u>FY2005 1Q</u>
	%	%	%	%	%	%	%
Utilization Rates	77	91	84	79	88	83	79

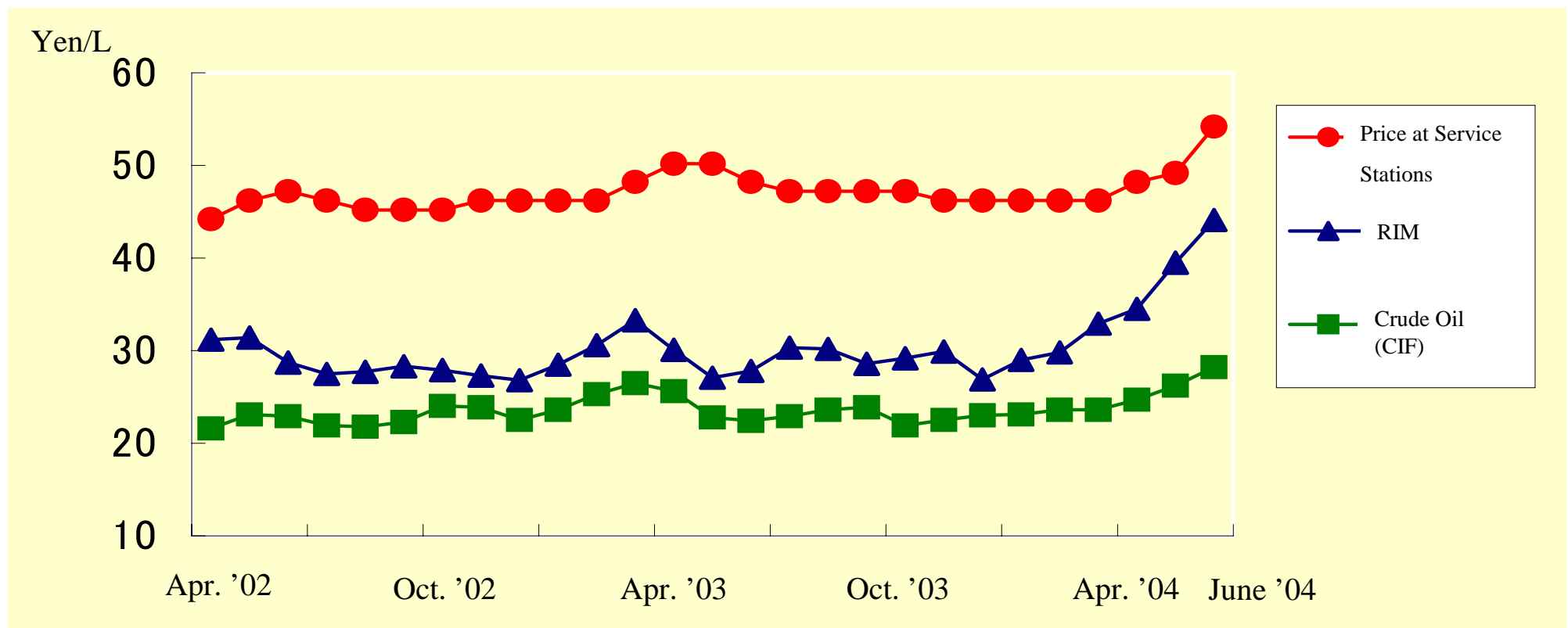
Production Volume of Oil Developed by the Company

	<u>Average for Jan.-Dec. 2002</u>	<u>Change</u>	<u>Average for Jan.-Dec. 2003</u>	<u>Change</u>	<u>Average for Jan.-Mar. 2004</u>
	(1,000 BOED)		(1,000 BOED)		(1,000 BOED)
Production Volume of Oil Developed by the Company (Converted to a daily basis)	50	+ 16	66	+ 46	112

Note: These figures are on the project companies' entitlement basis.

Supplementary Information (8)

Trend in Gasoline Price at Service Stations, RIM, and Crude Oil CIF Price

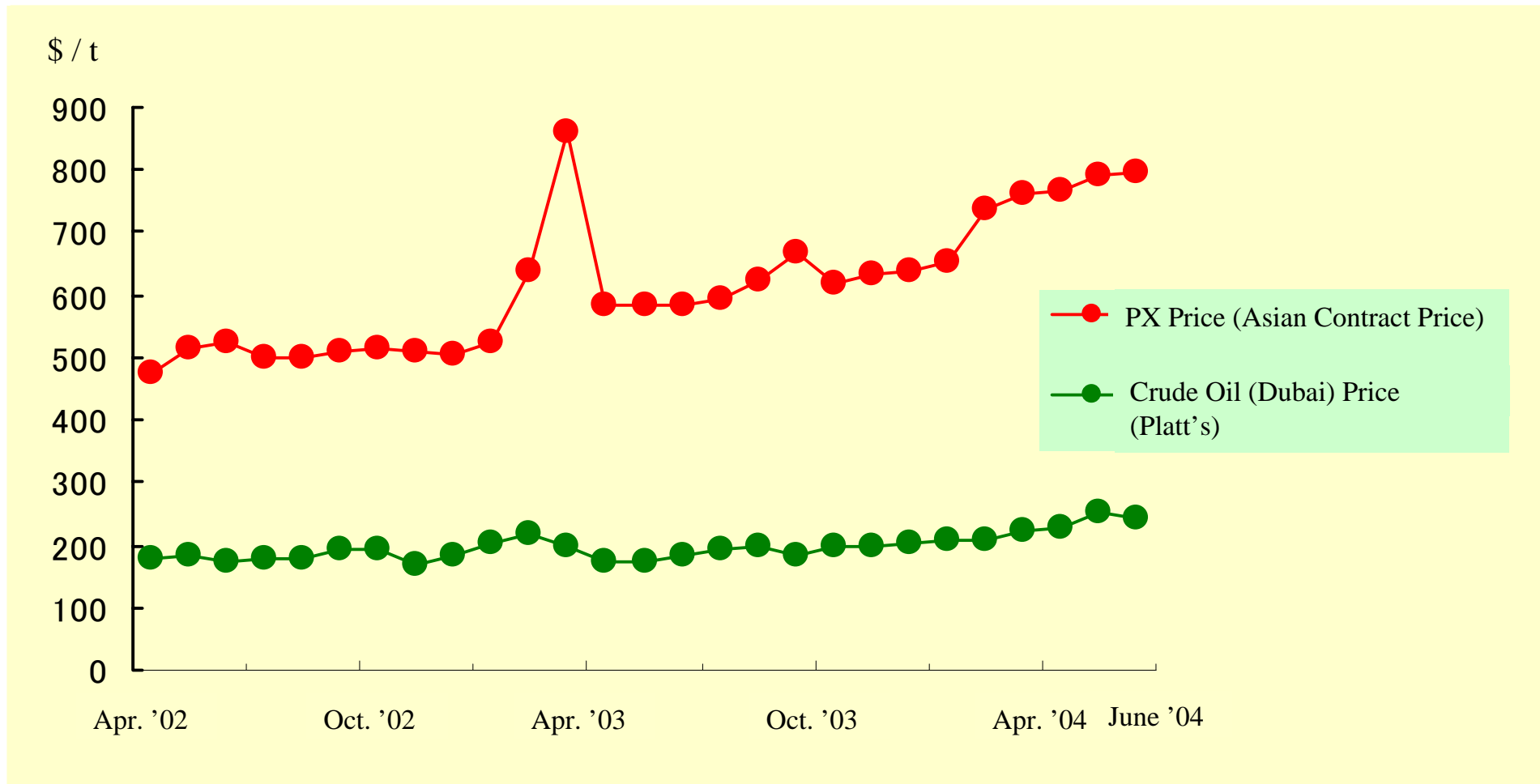


Notes:

1. Gasoline Prices at Service Stations: Surveys conducted by the Oil Information Service Center (excludes ¥53.8 gasoline tax/liter)
2. RIM Gasoline :excludes ¥53.8 gasoline tax/liter
3. Crude Oil CIF Price: Customs clearance basis (including tariff, petroleum tax, and interest)

Supplementary Information (9)

Trends in Paraxylene and Crude Oil (Dubai) Price



Cautions with Respect to Forward-Looking Statement

The financial forecasts, management targets, and any other estimates and projections of the Company presented in this report are based on information available to management as of the date set forth within.

Please note that actual results may vary significantly from projected forecasts due to various uncertain factors, and as such, readers should take care when making investment decisions based solely on the forecasts herein.

The factors affecting actual results include but are not limited to economic conditions, crude oil prices, demand for and market conditions of oil-related products, and exchange rate and interest rate trends.