

Report on Performance in the Third Quarter of Fiscal 2005

(from April 1, 2004 to December 31, 2004)

Executive Vice President and Representative Director(CFO)

Shinji Nishio

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

February 3, 2005



NIPPON OIL
Your Choice of Energy

Highlights of Consolidated Income (FY05)

'04/4-'05/3

<Reference>

(Yen billion)

	1Q-3Q ('04/4-12)		FY05 Forecast ('04/4-'05/3) <Current>	FY05 Forecast ('04/4-'05/3) <November>
	Actual	3Q ('04/10-12)		
Crude Oil Price (\$ / Bbl)	36.0	37.6	36.3	36.2
Yen/dollar exchange rate (Yen / \$)	108.7	107.3	107.6	109.8
Domestic fuel oil sales, including crude oil (10,000kl)	4,068	1,454	5,570	5,520
Net sales	3,542.1	1,284.4	4780.0	4780.0
Operating income	155.4	65.2	183.0	183.0
Non-operating income and loss, net	7.3	3.5	7.0	7.0
Recurring income (Excluding inventory valuation factors)	162.7 (108.7)	68.7 (69.8)	190.0 (143.0)	190.0 (135.0)
Extraordinary income and loss, net	4.2	1.4	7.0	7.0
Net income	101.9	43.9	115.0	115.0

Highlights of Consolidated Income (1Q-3Q)

	FY04 1Q-3Q ('03/4-12)	FY05 1Q-3Q ('04/4-12)	Increase/decrease
Crude Oil Price (\$ / Bbl)	27.1	36.0	+8.9
Yen/dollar exchange rate (Yen / \$)	115.8	108.7	- 7.1
Domestic fuel oil sales, including crude oil (10,000kl)	3,997	4,068	+71
Net sales	3,083.9	3,542.1	+458.2
Operating income	27.9	155.4	+127.5
Non-operating income and loss, net	-0.1	7.3	+7.4
Recurring income (Excluding inventory valuation factors)	27.8 (54.4)	162.7 (108.7)	+134.9 (+ 54.3)
Extraordinary income and loss, net	3.1	4.2	+1.1
Net income	15.4	101.9	+86.5

FY05 1Q - 3Q of Changes in Recurring Income (YoY)

('04/4-12)

<Recurring Income> ¥54.4 billion ¥108.7 billion (+¥54.3 billion)
 (excluding inventory valuation factors)

(¥ billion)

(1) Sales volume, profit margin, time lag ^{*1}	+ 12.8
(2) Cost reductions and improvements in efficiency	+ 21.9
(3) Operating income in the oil E&P ^{*2} division	+ 2.1
(4) Impact of temporary refinery shutdowns, other	+ 10.1
(5) Improvement in non-operating income	+ 7.4

Recurring income (excluding inventory valuation factors) + 54.3

< Inventory valuation factors + 80.6 >

(-26.6 + 54.0)

*1 Time lag between the cost increase and selling prices

*2 Exploration and Production

Highlights of Consolidated Income (Yearly Forecast)

	FY05 Forecast ('04/4-'05/3) <November>	FY05 Forecast ('04/4-'05/3) <Current>	Increase/decrease
Crude Oil Price (\$ / Bbl)	36.2	36.3 (Jan-Mar '05) 37.0	+0.1
Yen/dollar exchange rate (Yen / \$)	109.8	107.6 (Jan-Mar '05) 104.6	-2.2
Domestic fuel oil sales, including crude oil (10,000kl)	5,520	5,570	+50
Net sales	4,780.0	4,780.0	±0
Operating income	183.0	183.0	±0
Non-operating income and loss, net	7.0	7.0	±0
Recurring income (Excluding inventory valuation factors)	190.0 <u>(135.0)</u>	190.0 <u>(143.0)</u>	±0 (+8.0)
Extraordinary income and loss, net	7.0	7.0	±0
Net income	115.0	115.0	±0

Supplementary Information (1)

Net Sales and Operating Income by Segment (1Q-3Q)

'04/4-12

(1) Net sales

(Yen billions)

Total			
3,542.1 (+458.2)			
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
3,034.6 (+405.6)	253.0 (+74.9)	201.7 (-20.8)	52.8 (-1.5)

→ Figures include 50.5 (+2.4) from oil E&P division

Note: Figures in parentheses are YoY changes.

(2) Operating income

(Yen billions)

Total			
155.4 (+127.5)			
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
132.9 (+118.6)	15.4 (+9.9)	0.6 (-0.3)	6.5 (-0.7)

→ Figures include 21.9 (+2.1) from oil E&P division

Note: Figures in parentheses are YoY changes.

Supplementary Information (2)

Net Sales and Operating Income by Segment (3Q)

'04/10-12

(1) Net sales

(Yen billions)

Total		1,284.4 (+194.6)	
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
1,093.4 (+165.3)	97.5 (+39.5)	75.3 (-8.6)	18.2 (-1.6)

→ Figures include 18.6 (+6.1) from oil E&P division

Note: Figures in parentheses are YoY changes.

(2) Operating income

(Yen billions)

Total		65.2 (+55.8)	
Petroleum fuel and crude oil	Petrochemical operations	Construction	Other
54.2 (+51.0)	7.5 (+5.6)	0.7 (-0.6)	2.8 (-0.2)

→ Figures include 8.6 (+3.8) from oil E&P division

Note: Figures in parentheses are YoY changes.

Supplementary Information (3)

Net Sales and Operating Income by Segment (Yearly Forecast)

(1) Net sales

(Yen billions)

Total		4,780 (± 0)	
Petroleum fuel and crude oil 4,032.0 (± 0)	Petrochemical operations 310.0 (± 0)	Construction 365.0 (± 0)	Other 73.0 (± 0)

→ Figures include 67.3 (-0.9) from oil E&P division

Note: Figures in parentheses are changes from November forecasts.

(2) Operating income

(Yen billions)

Total		183 (± 0)	
Petroleum fuel and crude oil 151.0 (± 0)	Petrochemical operations 18.4 (± 0)	Construction 7.0 (± 0)	Other 6.6 (± 0)

→ Figures include 29.0 (± 0) from oil E&P division

Note: Figures in parentheses are changes from November forecasts.

Supplementary Information (4)

Sales Volume by Petroleum Product Type (Unconsolidated)

Type of Petroleum Product	1Q-3Q ('04/4-12)		YoY Changes
	10,000 KL	3Q('04/10-12)	
	10,000 KL	10,000 KL	%
Gasoline	1,125	365	+5.5
(Premium)	(211)	(67)	(+0.2)
(Regular)	(902)	(294)	(+6.9)
Naphtha	461	171	+4.9
Jet fuel	88	31	-3.7
Kerosene	410	210	+6.5
Diesel fuel	656	226	+2.8
Heavy fuel oil A	595	229	+9.8
Heavy fuel oil C	574	181	-14.4
(For electric power)	(257)	(70)	(-21.8)
(For general use)	(317)	(111)	(-7.2)
Total domestic fuel oil sales	3,909	1,413	+2.0
Crude oil	159	41	-2.6
Total domestic fuel oil sales, including crude oil	4,068	1,454	+1.8
Barter joint, other	2,284	721	+6.5
Total	6,352	2,175	+3.4

Yearly Forecast	Changes from November Forecast	
	10,000 KL	%
	10,000 KL	%
	1,471	-0.3
	(282)	(-3.7)
	(1,173)	(+0.6)
	639	±0.0
	117	+2.2
	723	-1.4
	863	+0.5
	851	+0.7
	731	+3.2
	(302)	(+7.2)
	(429)	(+0.5)
	5,395	+0.4
	175	+19.9
	5,570	+0.9
	3,070	-1.6
	8,640	± 0.0

Supplementary Information (5)

Fuel Oil Demand, NOC Sales, Share of Sales

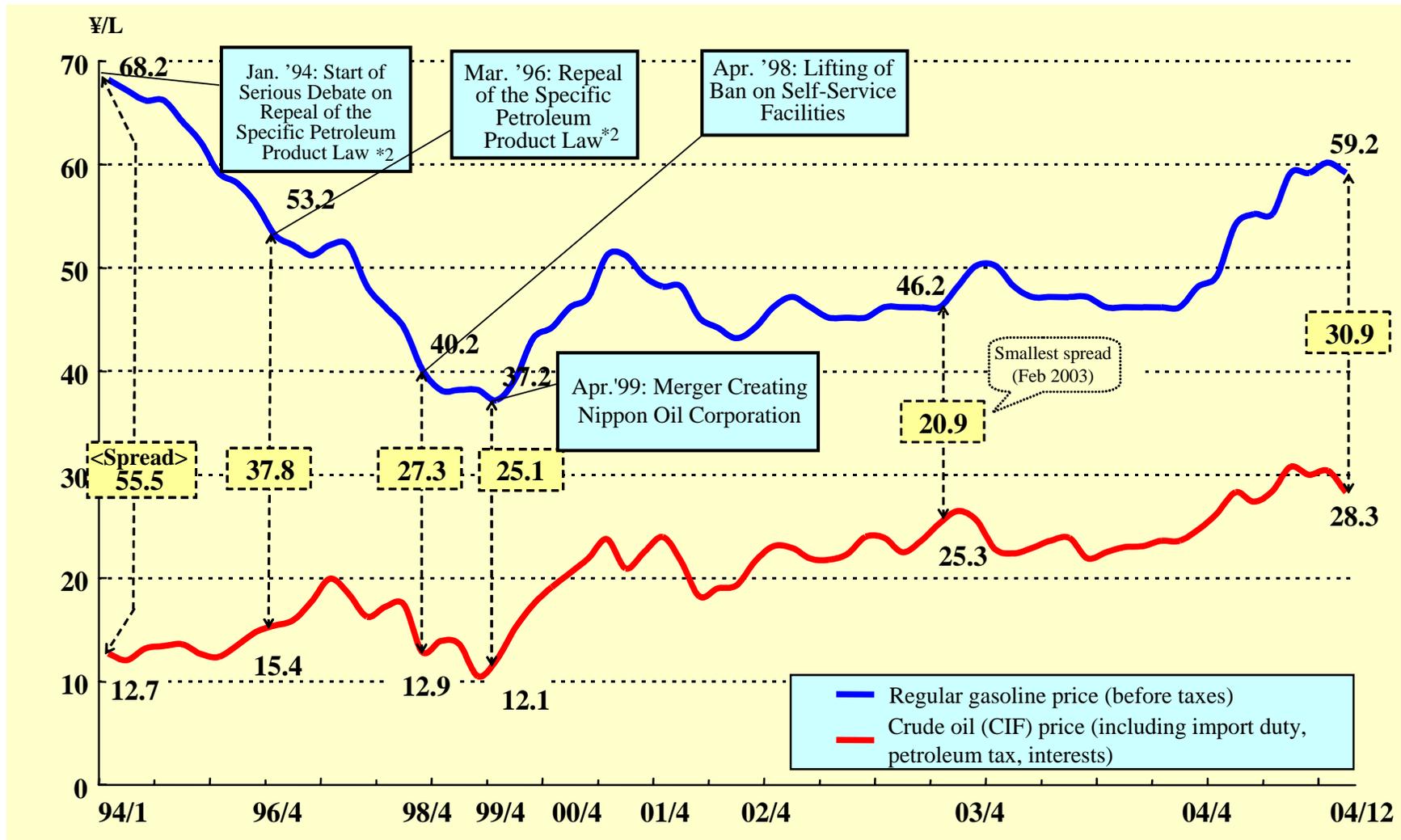
(Unit: %)

Type of Petroleum Product	Fuel Oil Demand (FY05 1Q-3Q/YoY Changes)	NOC Sales	Share of Sales (Consumption basis)			
			FY03 ('02/4-'03/3)	FY04 ('03/4-'04/3)	FY05	
					1Q-3Q ('04/4-12)	3Q ('04/10-12)
Total	-2.5	+2.0	21.9	22.1	22.9	23.3
(Gasoline)	(+1.4)	(+5.5)	(23.2)	(23.3)	(24.1)	(23.7)
(Kerosene)	(-10.0)	(+6.5)	(23.6)	(23.5)	(27.1)	(27.1)
(Diesel fuel)	(-0.2)	(+2.8)	(22.4)	(22.3)	(22.8)	(22.8)
(Fuel oil A)	(-2.7)	(+9.8)	(24.1)	(26.1)	(29.2)	(31.3)
(Fuel oil C)	(-13.5)	(-14.4)	(29.9)	(29.4)	(29.2)	(28.5)

Source: Agency of Natural Resources and Energy

Supplementary Information (6)

Spread (Retail Gasoline Price - Crude Oil CIF Price)^{*1}

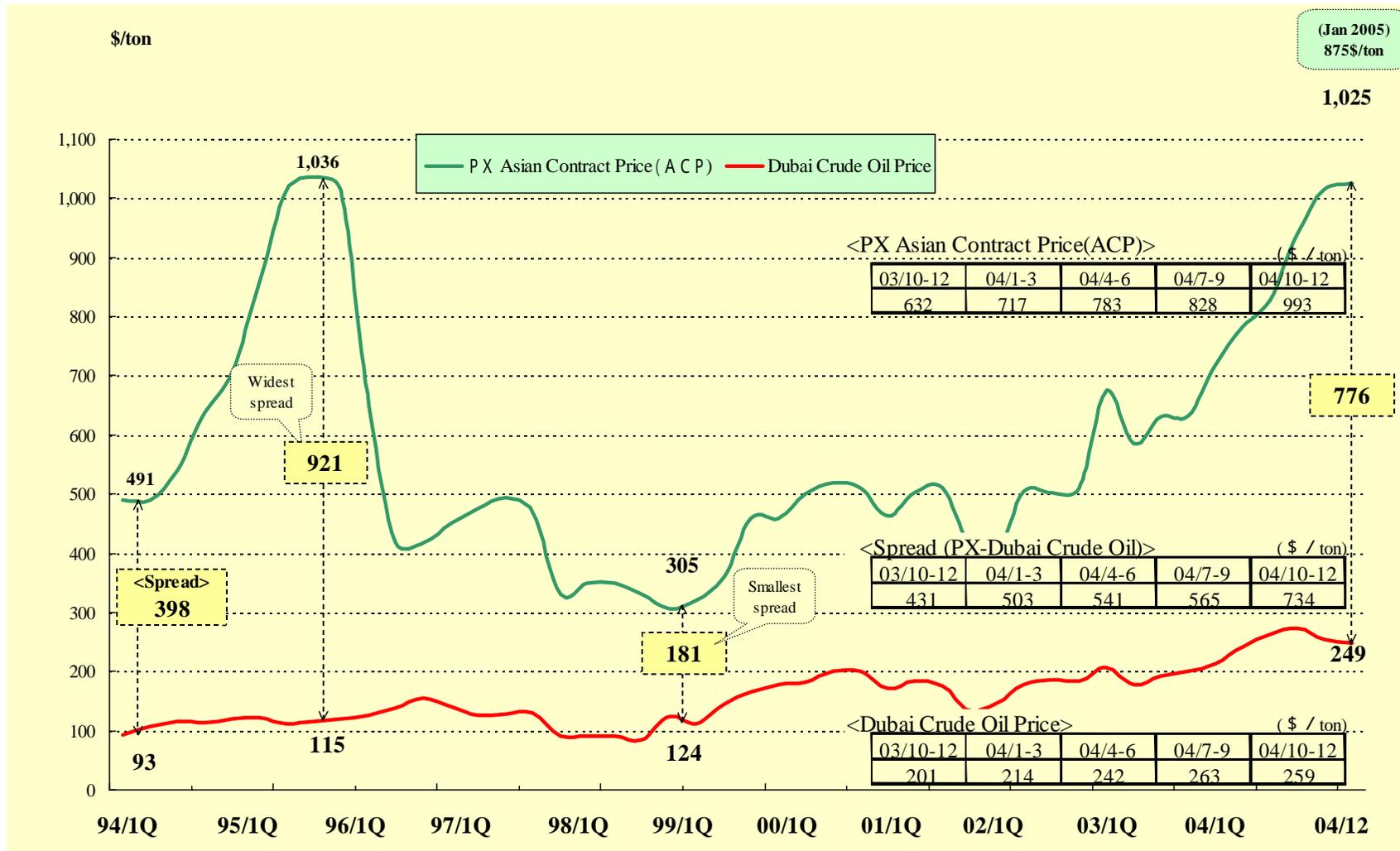


*1CIF: Cost, insurance, and freight basis

*2The Repeal of the Specific Petroleum Product Law is officially known as the Provisions Measures Law on the Importation of Specific Petroleum Refined Products.

Supplementary Information (7)

Spread (PX Price - Dubai Crude Oil Price)



Supplementary Information (8)

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-Sep.-04</u>	<u>Change</u>	<u>31-Dec.-04</u>
Service Stations	11,987	-293	11,694	-361	11,333	-162	11,171	-48	11,123
(NOC-owned)	(2,857)	(-111)	(2,746)	(-139)	(2,607)	(-56)	(2,551)	(-13)	(2,538)

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-Sep.-04</u>	<u>Change</u>	<u>31-Dec.-04</u>
NOC	142	+ 200	342	+ 178	520	+ 83	603	+ 34	637
(Total for Japan)	(1,353)	(+ 1,169)	(2,522)	(+ 901)	(3,423)	(+ 363)	(3,786)	(-)	(3,425) [*]

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

Source: Oil Information Service Center, The Daily Nenryo Yushi Japan.

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-Sep.-04</u>	<u>Change</u>	<u>31-Dec.-04</u>
Service stations	1,283	+ 327	1,610	+ 261	1,871	+ 41	1,912	+ 26	1,938

Supplementary Information (9)

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-Oct.-04</u>	<u>Change</u>	<u>1-Jan.-05</u>
	62	-7	55	-4	51	-1	50	±0	50
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>FY2004</u>	<u>First half of FY2005</u>	<u>Oct.-Dec 2004</u>	
	%	%	%	%	%	%	%	%	
	77	91	84	79	88	83	83	89	

Production Volume of Oil/Natural Gas

	Average for Jan.-Dec. 2002	Change	Average for Jan.-Dec. 2003	Change	Average for Jan.-Dec. 2004 (Forecast)
Project Companies' entitlement basis (Converted to a daily basis)	1,000 BOED 50	1,000 BOED + 16	1,000 BOED 66	1,000 BOED + 45	1,000 BOED 111
(Consolidated Subsidiaries)	(35)	(+ 10)	(45)	(+ 4)	(49)
(Companies accounted for by the Equity Method)	(15)	(+ 6)	(21)	(+ 41)	(62)

<Reference>

	Average for Jan.-Dec. 2002	Change	Average for Jan.-Dec. 2003	Change	Average for Jan.-Dec. 2004 (Forecast)
NOC Group ownership basis (Converted to a daily basis)	1,000 BOED 37	1,000 BOED + 11	1,000 BOED 48	1,000 BOED + 18	1,000 BOED 66

Cautionary Note on Forward-Looking Statements

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.