

Flash Report for the first quarter of fiscal 2005 (Consolidated Basis)

Aug 5, 2004

Company name : Nippon Oil Corporation

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

Code number: 5001

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

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1. Items related to the preparation of this summary of quarterly results

- Adoption of simplified accounting standards: Some simplified methods were used in connection with accounting standards for corporate tax. (Use of legal effective tax rate in calculating corporate tax.)
- No change in accounting methods from the most recent consolidated fiscal year
- Changes in the scope of consolidation and equity method application:
 - Number of consolidated companies added: 0
 - Number of consolidated companies removed: 2
 - Number of equity-method affiliates added: 4
 - Number of equity-method affiliates removed: 0

2. Results for the first quarter of fiscal 2005 (from April 1, 2004 to June 30, 2004)
(1) Operating results (Consolidated Basis)

(Figures less than ¥1 million have been omitted)

	Net Sales		Operating income		Recurring income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
First quarter of FY2005	1,036,837	(6.2)	34,619	(231.6)	35,736	(224.0)
First quarter of FY2004	976,656	(-)	10,439	(-)	11,031	(-)
Year ended March 31, 2004	4,279,751		55,918		57,089	

	Net income		Net income per share	Net income per share after dilution
	Millions of yen	(%)	Yen	Yen
First quarter of FY2005	24,502	(366.6)	16.26	15.97
First quarter of FY2004	5,251	(-)	3.50	-
Year ended March 31, 2004	133,526		88.76	-

Note: Percentage figures indicate increases/decreases in net sales, operating income, recurring income, and net income from the same period in the previous fiscal year.

[Commentary on Consolidated Performance to Date]

Regarding sales of petroleum products through the end of the Company's first quarter (the period from April 1, 2004, through June 30, 2004): Sales volume of gasoline rose 6.2% over the same period of the previous year. However, sales of Fuel oil C to power companies declined, along with sales of other petroleum products. Therefore domestic fuel sales, including sales of crude oil, amounted to 12.5 million kiloliters, representing a decrease of 3.8% from the same period of the previous year.

Highlights of consolidated performance for the first quarter of fiscal 2005 were as follows: Net sales for the first quarter amounted to ¥1,036.8 billion, recurring income was ¥35.7 billion, representing an increase of ¥24.7 billion over the same period of the previous year, and net income amounted to ¥24.5 billion.

The increase in recurring income was primarily due to the implementation of cost-cutting measures and the effect of an increase in crude oil prices (US\$33.4/barrel for the quarter under review versus US\$29.4/barrel during the same period of the previous year). More specifically, the rise in oil prices caused a decrease in the cost of sales because of the application of the gross average method for inventory valuation. This offset temporary factors that tended to lower profits, including the time lag between the cost increase and selling prices.

(2) Financial position (Consolidated Basis)

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
First quarter of FY2005	3,200,416	842,135	26.3	558.22
First quarter of FY2004	3,372,976	936,560	27.8	620.63
Year ended March 31, 2004	3,265,503	821,202	25.1	544.04

【Cash flows (Consolidated Basis)】

	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
First quarter of FY2005	39,662	21,945	14,175	127,187
First quarter of FY2004	67,249	20,232	20,610	142,429
Year ended March 31, 2004	279,969	79,060	139,309	174,535

(Reference) Nonconsolidated results for the first quarter of fiscal 2005 (from April 1, 2004 to June 30, 2004)

	Net Sales		Operating income		Recurring income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
First quarter of FY2005	855,707	(7.0)	5,129	(29.7)	8,264	(26.4)
First quarter of FY2004	799,716	(-)	3,954	(-)	6,537	(-)
Year ended March 31, 2004	3,377,665		11,905		18,697	

	Net income		Total assets	Shareholders' equity
	Millions of yen	(%)	Millions of yen	Millions of yen
First quarter of FY2005	12,410	(358.3)	2,249,902	630,388
First quarter of FY2004	2,708	(-)	2,311,861	726,385
Year ended March 31, 2004	125,370		2,361,473	621,213

Note: Percentage figures indicate increases/decreases in net sales, operating income, recurring income, and net income from the same period in the previous fiscal year.

3. Forecasts of consolidated performance in fiscal 2005 (from April 1, 2004 to March 31, 2005)

(1) Forecasts of consolidated performance in the first half of fiscal 2005 (from April 1, 2004 to September 30, 2004)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	2,160,000	67,000	43,000
Original forecast (B)	1,970,000	44,000	30,000
Forecast change (A - B)	190,000	23,000	13,000
Rate of forecast change (%)	9.6%	52.3%	43.3%

(2) Forecasts of consolidated performance in fiscal 2005 (from April 1, 2004 to March 31, 2005)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	4,410,000	139,000	84,000
Original forecast (B)	4,190,000	125,000	76,000
Forecast change (A - B)	220,000	14,000	8,000
Rate of forecast change (%)	5.3%	11.2%	10.5%

[Qualitative Information Relating to the Outlook for Performance]

The Company has revised its outlook for the interim period and the full year ending March 31, 2005 (issued at the time of the announcement of accounting results for the fiscal year ended March 31, 2004) to take account of the continuation of high crude oil prices and trends in the markets for petroleum and petrochemical products.

This revised outlook assumes a crude oil price of US\$33.5/barrel and a yen/dollar exchange rate of ¥108.1 for the second and subsequent quarters of the fiscal year (versus assumptions of US\$29.7/barrel and an exchange rate of ¥105 for the previously announced outlook).

The revised forecast for the interim period calls for consolidated recurring income of approximately ¥67.0 billion (an improvement of ¥23.0 billion from the previous outlook) and consolidated net income of about ¥43.0 billion (an improvement of ¥13.0 billion from the previous outlook), mainly because of the positive inventory valuation factors.

For the fiscal year ending March 31, 2005, as a whole, margins are expected to improve and earnings of petroleum exploration and development are forecast to increase. As a result, consolidated recurring income is expected to amount to approximately ¥139.0 billion (an improvement of ¥14.0 billion from the previous outlook) and consolidated net income is forecast to be about ¥84.0 billion (an improvement of ¥8.0 billion).

The outlook for cash dividends remains unchanged from the previous outlook (issued at the time of the announcement of accounting results for the fiscal year ended March 31, 2004) and calls for a dividend of ¥3 per share for the interim period and ¥7 per share for the full fiscal year.

(Reference) Forecasts of nonconsolidated performance in fiscal 2005

(1) Forecasts of nonconsolidated performance in the first half of fiscal 2005 (from April 1, 2004 to September 30, 2004)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	1,740,000	17,500	19,000
Original forecast (B)	1,560,000	16,000	18,000
Forecast change (A - B)	180,000	1,500	1,000
Rate of forecast change (%)	11.5%	9.4%	5.6%

(2) Forecasts of nonconsolidated performance in fiscal 2005 (from April 1, 2004 to March 31, 2004)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	3,460,000	39,000	30,000
Original forecast (B)	3,270,000	41,000	31,000
Forecast change (A - B)	190,000	2,000	1,000
Rate of forecast change (%)	5.8%	4.9%	3.2%

* The aforementioned forecasts are forward-looking statements based on all information available to the management at the time of this document's release. Factors including, but not limited to, economic conditions, oil prices, demand trends for petroleum products, market trends, currency exchange rates, and interest rates, may cause actual results to differ substantially from the anticipated results.

1. [SUMMARY] CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2004		Current first quarter June 30, 2004		Change from the end of the previous fiscal year	Previous first quarter June 30, 2003	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Assets							
<u>Current assets</u>	<u>1,395,336</u>	42.7%	<u>1,324,252</u>	41.4%	<u>71,084</u>	<u>1,343,527</u>	39.8%
Cash and cash time deposits	178,846		130,930		47,915	149,136	
Trade notes and accounts receivable	578,850		473,789		105,060	489,549	
Short-term investments in securities	3,009		2,330		679	13,059	
Inventories	498,857		576,792		77,934	561,191	
Other current assets	135,771		140,408		4,636	130,589	
<u>Fixed assets</u>	<u>1,870,166</u>	57.3%	<u>1,876,163</u>	58.6%	<u>5,997</u>	<u>2,029,448</u>	60.2%
Property, plant and equipment	1,385,774		1,382,928		2,845	1,549,262	
Intangible fixed assets	56,396		54,116		2,279	57,448	
Other fixed assets	427,996		439,119		11,122	422,737	
Total assets	3,265,503	100.0%	3,200,416	100.0%	65,087	3,372,976	100.0%
Liabilities							
<u>Current liabilities</u>	<u>1,433,424</u>	43.9%	<u>1,355,685</u>	42.4%	<u>77,738</u>	<u>1,364,538</u>	40.4%
Trade notes and accounts payable	347,401		344,034		3,367	331,328	
Short-term loans	175,119		187,706		12,586	244,752	
Commercial paper	121,000		128,000		7,000	157,000	
Other current liabilities	789,902		695,944		93,957	631,457	
<u>Long-term liabilities</u>	<u>909,763</u>	27.9%	<u>901,079</u>	28.1%	<u>8,683</u>	<u>961,166</u>	28.5%
Bonds and Long-term loans	630,525		626,909		3,615	672,134	
Other long-term liabilities	279,237		274,170		5,067	289,031	
Total liabilities	2,343,187	71.8%	2,256,765	70.5%	86,421	2,325,704	68.9%
Minority interests in consolidated subsidiaries	101,113	3.1%	101,515	3.2%	402	110,710	3.3%
Shareholders' equity							
Common stock	139,436	4.3%	139,436	4.3%	-	139,436	4.1%
Capital surplus	274,838	8.4%	274,840	8.6%	2	274,829	8.2%
Retained earnings	371,471	11.4%	389,504	12.2%	18,032	514,996	15.3%
Net unrealized gain on securities	46,766	1.4%	50,416	1.6%	3,649	16,239	0.5%
Other	11,309	0.4%	12,062	0.4%	752	8,940	0.3%
Total shareholders' equity	821,202	25.1%	842,135	26.3%	20,932	936,560	27.8%
Total liabilities, minority interest, and shareholders' equity	3,265,503	100.0%	3,200,416	100.0%	65,087	3,372,976	100.0%

2. [SUMMARY] CONSOLIDATED STATEMENTS OF INCOME

	Previous first quarter April 1, 2003 ~ June 30, 2003	Current first quarter April 1, 2004 ~ June 30, 2004	Change from the previous first quarter	Previous fiscal year April 1, 2003 ~ March 31, 2004
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	976,656	1,036,837	60,181	4,279,751
Cost of sales	893,398	935,395	41,997	3,928,505
Selling, general and administrative expenses	72,818	66,822	5,995	295,328
Operating income	10,439	34,619	24,180	55,918
Non-operating profits and expenses				
Non-operating profits	8,234	7,681	553	28,991
Interest and dividend income	(1,432)	(1,720)	(288)	(5,380)
Foreign exchange gains	(543)	(-)	(543)	(635)
Equity in earnings of unconsolidated subsidiaries and affiliates	(878)	(1,196)	(318)	(2,357)
Other	(5,380)	(4,763)	(617)	(20,618)
Non-operating expenses	7,643	6,564	1,078	27,820
Interest	(5,738)	(4,469)	(1,268)	(20,829)
Foreign exchange losses	(-)	(300)	(300)	(-)
Other	(1,904)	(1,794)	(110)	(6,990)
Recurring income	11,031	35,736	24,705	57,089
Special gains	6,023	12,556	6,533	19,399
Gain on sales of fixed assets	(4,368)	(8,543)	(4,174)	(16,175)
Gain from return of the substitutional portion of employee pension fund liabilities to the government	(-)	(3,462)	(3,462)	(-)
Other	(1,654)	(550)	(1,104)	(3,224)
Special losses	5,175	4,539	635	226,162
Loss on disposal and sales of fixed assets	(4,017)	(3,619)	(398)	(19,368)
Impairment losses	(-)	(-)	(-)	(171,482)
Special allowances for early retirement plans	(-)	(-)	(-)	(12,100)
Other	(1,157)	(919)	(237)	(23,211)
Income before income taxes and minority interests	11,879	43,753	31,874	149,672
Income taxes and others	5,539	18,492	12,953	7,854
Minority interests in earnings of consolidated subsidiaries	1,088	759	329	8,291
Net income	5,251	24,502	19,250	133,526

3. [SUMMARY] CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous first quarter April 1 ,2003 ~ June 30, 2003	Current first quarter April 1 ,2004~ June 30, 2004	Previous fiscal year April 1 ,2003 ~ March 31, 2004
I . Cash flows from operating activities			
Income before income taxes and minority interests	11,879	43,753	149,672
Depreciation and amortization	23,941	25,616	107,045
Decrease (increase) in notes and accounts receivable	129,022	105,286	28,610
(Increase) decrease in inventories	50,620	77,936	11,101
(Increase) decrease in notes and accounts payable and excise taxes payable	46,973	136,383	282,885
Net cash (used in) provided by operating activities	<u>67,249</u>	<u>39,662</u>	<u>279,969</u>
II . Cash flows from investing activities			
Decrease (increase) in time deposits	269	549	7,680
Additions to property, plant and equipment	26,399	28,617	119,507
Proceeds from sales of property, plant and equipment	6,164	11,699	15,640
Net decrease (increase) in marketable and investment securities	210	1,790	21,081
Other	477	7,367	3,955
Net cash (used in) provided by investing activities	<u>20,232</u>	<u>21,945</u>	<u>79,060</u>
III . Cash flows from financing activities			
Increase (decrease) in short-term loans	24,658	21,249	7,038
Increase (decrease) in long-term loans and bonds	35,254	2,733	117,484
Other	10,014	9,807	14,786
Net cash provided (used in) by financing activities	<u>20,610</u>	<u>14,175</u>	<u>139,309</u>
IV . Effect of exchange rate changes on cash and cash equivalents	<u>131</u>	<u>212</u>	<u>2,955</u>
V . (Increase) decrease in cash and cash equivalents	<u>26,538</u>	<u>47,219</u>	<u>58,644</u>
VI . Cash and cash equivalents at beginning of period	109,638	174,535	109,638
VII . Increase in cash and cash equivalents due to inclusion in consolidation	6,252	-	6,252
VIII . Decrease in cash and cash equivalents due to exclusion from consolidation	-	128	-
IX . Cash and cash equivalents at end of the period	<u><u>142,429</u></u>	<u><u>127,187</u></u>	<u><u>174,535</u></u>

4. Segment Information

[Business Segment]

1. Previous first quarter (April 1, 2003 ~ June 30, 2003)

	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	853,528	58,797	45,182	19,147	976,656		976,656
(2) Intergroup sales and transfers	40,707	5,001	82	2,675	48,466	(48,466)	
Total sales	894,236	63,798	45,265	21,822	1,025,122	(48,466)	976,656
Operating expenses	884,074	62,443	48,694	20,510	1,015,722	(49,506)	966,216
Operating income (loss)	10,162	1,355	3,429	1,311	9,400	1,039	10,439

2. Current first quarter (April 1, 2004 ~ June 30, 2004)

	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	892,340	76,014	50,240	18,241	1,036,837		1,036,837
(2) Intergroup sales and transfers	51,922	3,984	160	4,461	60,528	(60,528)	
Total sales	944,263	79,998	50,401	22,702	1,097,366	(60,528)	1,036,837
Operating expenses	914,204	75,371	52,919	21,361	1,063,857	(61,639)	1,002,217
Operating income (loss)	30,058	4,627	2,517	1,340	33,508	1,111	34,619

3. Year ended March 31, 2004 (April 1, 2003 ~ March 31, 2004)

	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	3,606,365	247,927	353,636	71,822	4,279,751		4,279,751
(2) Intergroup sales and transfers	170,345	19,842	741	13,840	204,769	(204,769)	
Total sales	3,776,710	267,769	354,378	85,662	4,484,521	(204,769)	4,279,751
Operating expenses	3,743,048	259,089	348,905	80,792	4,431,835	(208,002)	4,223,833
Operating income	33,662	8,680	5,472	4,870	52,686	3,232	55,918