

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

Feb 3, 2005

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: 1
  - Number of consolidated companies removed: 4
  - Number of equity-method affiliates added: 8
  - Number of equity-method affiliates removed: 3

## 2. Results for the third quarter of fiscal 2005 (from April 1, 2004 to December 31, 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	(%)
Third quarter of FY2005	3,542,109	(14.9)	155,365	(456.7)	162,742	(486.4)
Third quarter of FY2004	3,083,949	-	27,907	-	27,751	-
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
Third quarter of FY2005	101,889	(563.7)	67.57	66.26
Third quarter of FY2004	15,352	-	10.19	-
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]

Sales results for petroleum products during the third quarter (April 1, 2004, through December 31, 2004) were as follows. Although there were declines in demands for Heavy fuel oil C to power companies, and for Kerosene due to warmer winter period of October to December, sales volume of gasoline (increase of 5.5% over same period of the previous year) and middle distillate (increase of 6.1% over same) showed continuing steady growth from the first half of fiscal 2005. Domestic fuel sales volume, including that of crude oil, amounted to 40.68 million kiloliters, recording an increase of 1.8% over the same period of the previous year.

Highlights of consolidated performance for the third quarter of fiscal 2005 were: ¥3,542.1 billion in net sales, ¥162.7 billion in recurring income, an increase of ¥134.9 billion over the same period of the previous year.

In addition to the impact of inventory valuation with the gross average method driving down sales costs (inventory valuation factors) following the soaring of crude oil prices, this is the result of improvements in conditions of the chemical market, contributions by the exploration and production division, as well as progress in cost reduction, etc.

## (2) Financial position (Consolidated Basis)

	Total assets	Total shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Third quarter of FY2005	3,549,974	915,671	25.8	607.23
Third quarter of FY2004	3,530,583	961,389	27.2	637.19
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
Third quarter of FY2005	51,126	68,808	28,960	187,417
Third quarter of FY2004	135,182	69,726	20,416	159,375
Year ended March 31, 2004	279,969	79,060	139,309	174,535

(Reference) Nonconsolidated results for the third quarter of fiscal 2005 (from April 1, 2004 to December 31, 2004)

	Net Sales		Operating income		Recurring income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
Third quarter of FY2005	2,893,793	(17.7)	39,705	(432.5)	45,614	(321.4)
Third quarter of FY2004	2,458,186	-	7,456	-	10,825	-
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
Third quarter of FY2005	36,752	-	2,533,448	648,617
Third quarter of FY2004	2,082	-	2,512,435	735,801
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)

Full-year performance forecasts for fiscal 2005 are unchanged from November 11, 2004, projections, which were announced in conjunction with fiscal 2005 interim financial results.

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
Fiscal year	4,780,000	190,000	115,000

(Reference) Net income per share(Fiscal year):75.95Yen

(Reference)Forecasts of nonconsolidated 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
Fiscal year	3,860,000	51,000	38,000

\* 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		Current third quarter		Change from the end of the previous fiscal year	Previous third quarter	
	March 31, 2004		December 31, 2004			December 31, 2003	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
<b>Assets</b>							
<u>Current assets</u>	<u>1,395,336</u>	42.7%	<u>1,671,071</u>	47.1%	<u>275,735</u>	<u>1,482,463</u>	42.0%
Cash and time deposits	178,846		190,140		11,293	155,566	
Trade notes and accounts receivable	578,850		626,831		47,981	608,634	
Short-term investments in securities	3,009		1,814		1,195	9,455	
Inventories	498,857		708,328		209,470	567,813	
Other current assets	135,771		143,957		8,185	140,994	
<u>Fixed assets</u>	<u>1,870,166</u>	57.3%	<u>1,878,902</u>	52.9%	<u>8,735</u>	<u>2,048,119</u>	58.0%
Property, plant and equipment	1,385,774		1,380,924		4,849	1,552,958	
Intangible fixed assets	56,396		50,292		6,104	55,788	
Other fixed assets	427,996		447,685		19,689	439,372	
<b>Total assets</b>	<b>3,265,503</b>	<b>100.0%</b>	<b>3,549,974</b>	<b>100.0%</b>	<b>284,471</b>	<b>3,530,583</b>	<b>100.0%</b>
<b>Liabilities</b>							
<u>Current liabilities</u>	<u>1,433,424</u>	43.9%	<u>1,653,688</u>	46.6%	<u>220,264</u>	<u>1,472,672</u>	41.7%
Trade notes and accounts payable	347,401		408,714		61,312	373,186	
Short-term loans	175,119		231,554		56,434	199,642	
Commercial paper	121,000		140,000		19,000	217,000	
Other current liabilities	789,902		873,419		83,517	682,843	
<u>Long-term liabilities</u>	<u>909,763</u>	27.9%	<u>877,389</u>	24.7%	<u>32,373</u>	<u>983,205</u>	27.9%
Bonds and Long-term loans	630,525		594,931		35,594	700,329	
Other long-term liabilities	279,237		282,457		3,220	282,876	
<b>Total liabilities</b>	<b>2,343,187</b>	<b>71.8%</b>	<b>2,531,077</b>	<b>71.3%</b>	<b>187,890</b>	<b>2,455,878</b>	<b>69.6%</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>101,113</b>	<b>3.1%</b>	<b>103,225</b>	<b>2.9%</b>	<b>2,112</b>	<b>113,314</b>	<b>3.2%</b>
<b>Shareholders' equity</b>							
Common stock	139,436	4.3%	139,436	3.9%	-	139,436	3.9%
Capital surplus	274,838	8.4%	274,849	7.8%	11	274,838	7.8%
Retained earnings	371,471	11.4%	460,657	13.0%	89,186	520,458	14.7%
Net unrealized gain on securities	46,766	1.4%	50,438	1.4%	3,671	37,558	1.1%
Other	11,309	0.4%	9,710	0.3%	1,598	10,901	0.3%
<b>Total shareholders' equity</b>	<b>821,202</b>	<b>25.1%</b>	<b>915,671</b>	<b>25.8%</b>	<b>94,468</b>	<b>961,389</b>	<b>27.2%</b>
<b>Total liabilities, minority interest, and shareholders' equity</b>	<b>3,265,503</b>	<b>100.0%</b>	<b>3,549,974</b>	<b>100.0%</b>	<b>284,471</b>	<b>3,530,583</b>	<b>100.0%</b>

## 2. [SUMMARY] CONSOLIDATED STATEMENTS OF INCOME

	Previous third quarter April 1, 2003 ~ December 31, 2003	Current third quarter April 1, 2004 ~ December 31, 2004	Change from the previous third quarter	Previous fiscal year April 1, 2003 ~ March 31, 2004
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	3,083,949	3,542,109	458,160	4,279,751
Cost of sales	2,834,753	3,178,361	343,608	3,928,505
Selling, general and administrative expenses	221,289	208,383	12,905	295,328
Operating income	27,907	155,365	127,457	55,918
Non-operating profits and expenses				
Non-operating profits	20,603	25,745	5,142	28,991
Interest and dividend income	( 4,241 )	( 4,321 )	( 80 )	( 5,380 )
Foreign exchange gains	( 206 )	( 2,435 )	( 2,228 )	( 635 )
Equity in earnings of unconsolidated subsidiaries and affiliates	( 1,784 )	( 4,447 )	( 2,662 )	( 2,357 )
Other	( 14,370 )	( 14,540 )	( 170 )	( 20,618 )
Non-operating expenses	20,758	18,367	2,390	27,820
Interest	( 15,938 )	( 13,910 )	( 2,027 )	( 20,829 )
Other	( 4,819 )	( 4,457 )	( 362 )	( 6,990 )
Recurring income	27,751	162,742	134,990	57,089
Special gains	16,260	21,141	4,880	19,399
Gain on sales of fixed assets	( 9,750 )	( 13,650 )	( 3,899 )	( 12,045 )
Gain on sales of investments in securities	( 3,959 )	( 2,157 )	( 1,801 )	( 4,130 )
Gain from return of the substantial portion of employee pension fund liabilities to the government	( - )	( 3,483 )	( 3,483 )	( - )
Other	( 2,550 )	( 1,849 )	( 700 )	( 3,224 )
Special losses	13,077	16,974	3,896	226,162
Loss on disposal and sales of fixed assets	( 7,932 )	( 9,155 )	( 1,223 )	( 17,732 )
Impairment losses	( - )	( 2,877 )	( 2,877 )	( 171,482 )
Loss from wind storm and flood	( - )	( 1,784 )	( 1,784 )	( - )
Other	( 5,145 )	( 3,157 )	( 1,988 )	( 36,947 )
Income before income taxes and minority interests	30,934	166,909	135,974	149,672
Income taxes and others	11,367	60,708	49,340	7,854
Minority interests in earnings of consolidated subsidiaries	4,214	4,311	97	8,291
Net income	15,352	101,889	86,537	133,526

### 3. [SUMMARY] CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous third quarter April 1 ,2003 ~ December 31, 2003	Current third quarter April 1 ,2004 ~ December 31, 2004	Previous fiscal year April 1 ,2003 ~ March 31, 2004
I . Cash flows from operating activities			
Income before income taxes and minority interests	30,934	166,909	149,672
Depreciation and amortization	76,962	80,456	107,045
(Increase) decrease in notes and accounts receivable	293	40,429	28,610
(Increase) decrease in inventories	57,790	209,461	11,101
Decrease (increase) in notes and accounts payable and excise taxes payable	85,369	53,653	282,885
Net cash provided by (used in) operating activities	<u>135,182</u>	<u>51,126</u>	<u>279,969</u>
II . Cash flows from investing activities			
Decrease (increase) in time deposits	1,113	1,548	7,680
Additions to property, plant and equipment	85,142	80,281	119,507
Proceeds from sales of property, plant and equipment	13,964	21,147	15,640
Net decrease (increase) in marketable and investment securities	10,237	2,451	21,081
Other	7,672	13,674	3,955
Net cash (used in) provided by investing activities	<u>69,726</u>	<u>68,808</u>	<u>79,060</u>
III . Cash flows from financing activities			
Increase (decrease) in short-term loans	91,720	28,402	7,038
Increase (decrease) in long-term loans and bonds	97,464	16,928	117,484
Other	14,672	16,370	14,786
Net cash provided by (used in) financing activities	<u>20,416</u>	<u>28,960</u>	<u>139,309</u>
IV . Effect of exchange rate changes on cash and cash equivalents	<u>1,555</u>	<u>1,732</u>	<u>2,955</u>
V . Decrease (increase) in cash and cash equivalents	43,485	13,011	58,644
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>159,375</u></u>	<u><u>187,417</u></u>	<u><u>174,535</u></u>

## 4. Segment Information

[ Business Segment ]

1. Previous third quarter (April 1, 2003 ~ December 31, 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	2,629,021	178,115	222,516	54,296	3,083,949		3,083,949
( 2 ) Intergroup sales and transfers	117,653	14,601	519	10,300	143,073	(143,073)	
Total sales	2,746,674	192,716	223,035	64,596	3,227,023	(143,073)	3,083,949
Operating expenses	2,732,387	187,208	222,176	59,985	3,201,758	(145,716)	3,056,042
Operating income (loss)	14,287	5,507	858	4,610	25,264	2,642	27,907

2. Current third quarter (April 1, 2004 ~ December 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	3,034,624	252,984	201,729	52,771	3,542,109		3,542,109
( 2 ) Intergroup sales and transfers	173,942	12,185	1,695	11,221	199,044	(199,044)	
Total sales	3,208,566	265,170	203,424	63,992	3,741,154	(199,044)	3,542,109
Operating expenses	3,075,630	249,807	202,864	60,150	3,588,451	(201,707)	3,386,744
Operating income (loss)	132,936	15,363	560	3,842	152,702	2,662	155,365

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