

# Report on Performance in the Third Quarter of Fiscal 2006

(from April 1, 2005 to December 31, 2005)

Representative Director, President

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

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**NIPPON OIL**  
Your Choice of Energy

# < Highlights of Consolidated Income (FY06) >

'05/4-'06/3

|   | 1Q-3Q ('05/4-12)       |                        | FY06 <span style="border: 1px solid black; padding: 2px;">Forecast</span><br>( '05/4 - '06/3 )<br>(Current) | <Reference><br>FY06 <span style="border: 1px solid black; padding: 2px;">Forecast</span><br>( '05/4 - '06/3 )<br>(November) |
|---|------------------------|------------------------|---|---|
|   | Actual                 | 3Q ('05/10-12)         |   |   |
| Crude oil price (\$/B bl)                               | 52.7                   | 54.8                   | 53.7  | 52.4  |
| Yen/dollar exchange rate (¥/\$)                         | 111.0                  | 115.5                  | 112.5   | 110   |
| Domestic fuel oil sales, including crude oil (10,000kl) | 4,186                  | 1,487                  | 5,860   | 5,620   |
| Net sales   | (¥ billion)<br>4,310.4 | (¥ billion)<br>1,609.4 | (¥ billion)<br>6,110.0  | (¥ billion)<br>5,760.0  |
| Operating income  | 230.5                  | 85.0                   | 295.0   | 223.0   |
| Non-operating income and loss, net                      | -1.6                   | -6.2                   | 5.0   | 7.0   |
| Recurring income  | 228.9                  | 78.8                   | 300.0   | 230.0   |
| (Inventory valuation factors)                           | (135.6)                | (23.1)                 | (155.0)   | (90.0)  |
| (Excluding inventory valuation factors)                 | (93.3)                 | (55.7)                 | (145.0)   | (140.0)   |
| Extraordinary income and loss, net                      | -3.1                   | -0.3                   | -9.0  | 1.0   |
| Net income  | 121.3                  | 39.4                   | 153.0   | 121.0   |

# **1. Review of Operations for the 1Q-3Q of Fiscal 2006**

<'05/4-12>

# < Highlights of Consolidated Income (1Q-3Q) >

(’05/4-12)

|   |             | FY2005<br>1Q-3Q<br><'04/4-12> | FY2006<br>1Q-3Q<br><'05/4-12> | Increase/<br>decrease |
|---|-------------|-------------------------------|-------------------------------|-----------------------|
| Crude oil price                                 | (\$/Bbl)    | 36.0                          | 52.7                          | +16.7                 |
| Yen/dollar exchange rate                        | (¥/\$)      | 108.7                         | 111.0                         | +2.3                  |
| Domestic fuel oil sales,<br>including crude oil | (10,000kl)  | 4,114                         | 4,186                         | +72                   |
| Net sales                                       | (¥ billion) | 3,542.1                       | 4,310.4                       | +768.3                |
| Operating income                                |             | 155.4                         | 230.5                         | +75.1                 |
| Non-operating income and loss, net              |             | 7.3                           | -1.6                          | -8.9                  |
| Recurring income                                |             | 162.7                         | 228.9                         | +66.2                 |
| (Inventory valuation factors)                   |             | (54.0)                        | (135.6)                       | (+81.6)               |
| (Excluding inventory valuation factors)         |             | (108.7)                       | (93.3)                        | (-15.4)               |
| Extraordinary income and loss, net              |             | 4.2                           | -3.1                          | -7.3                  |
| Net income                                      |             | 101.9                         | 121.3                         | +19.4                 |

# < Analysis of Changes in Operating Income by Operating Segment (YoY) (FY06 1Q - 3Q) >

( '05/4-12)

**< Operating Income > ¥155.4 billion ⇒ ¥230.5 billion (+¥75.1 billion)**

(¥billion)

|   |              |
|---|--------------|
| <b>1. Refining and Marketing</b> (Petroleum fuel and crude oil, petrochemical operations) | <b>+28.6</b> |
| (1) Inventory valuation factors (54.0→135.6)  | +81.6        |
| (2) Increase in sales volume  | +3.0         |
| (3) Higher cost due to in-house fuel use  | -17.6        |
| (4) Time lag <sup>*1</sup>  | -6.2         |
| (5) Cost reductions and increases in efficiency (Increase in expenses)                    | -6.3         |
| (6) Profit margin and others  | -25.9        |
| <b>2. E&amp;P<sup>*2</sup> of Oil and Natural Gas</b>                                     | <b>+44.0</b> |
| (1) Increase in sales volume  | +23.7        |
| (2) Increase in sales price   | +17.6        |
| (3) Others  | +2.7         |
| <b>3. Construction and Other</b>  | <b>+2.5</b>  |
| (1) Cost reductions and increases in efficiency   | +1.3         |
| (2) Profit margin and others  | +1.2         |

\*1 Time lag between the cost increase and selling prices

\*2 Exploration and production

## **2. Forecast for FY06 ('05/4-'06/3)**

# < Highlights of Consolidated Income (Yearly Forecast) >

|   |             | FY06 <small>Forecast</small><br>( <small>'05/4 - '06/3</small> )<br>(November) | FY06 <small>Forecast</small><br>( <small>'05/4 - '06/3</small> )<br>(Current) | Increase/<br>decrease |
|---|-------------|--|---|-----------------------|
| Crude oil price (\$/Bbl)                                |             | 52.4   | 53.7  | + 1.3                 |
| Yen/dollar exchange rate (¥/\$)                         |             | 110.0  | 112.5   | + 2.5                 |
| Domestic fuel oil sales, including crude oil (10,000kl) |             | 5,620  | 5,860   | + 240                 |
|   | (¥ billion) |  | (¥ billion)   | (¥ billion)           |
| Net sales   |             | 5,760.0  | 6,110.0   | +350.0                |
| Operating income  |             | 223.0  | 295.0   | +72.0                 |
| Non-operating income and loss, net                      |             | 7.0  | 5.0   | -2.0                  |
| Recurring income  |             | 230.0  | 300.0   | +70.0                 |
| (Inventory valuation factors)                           |             | (90.0)   | (155.0)   | (+65.0)               |
| (Excluding inventory valuation factors)                 |             | (140.0)  | (145.0)   | (+5.0)                |
| Extraordinary income and loss, net                      |             | 1.0  | -9.0  | -10.0                 |
| Net income  |             | 121.0  | 153.0   | +32.0                 |

('06/1-3)  
56.1

('06/1-3)  
116.1

# < Forecast Analysis of Changes in Operating Income by Operating Segment (FY06 ) (Change from the November forecast) >

<'05/4-'06/3>

< Operating Income > ¥223.0 billion ⇒ ¥295.0 billion (+ ¥ 72.0 billion)

(¥billion)

|   |              |
|---|--------------|
| <b>1. Refining and Marketing</b> (Petroleum fuel and crude oil, petrochemical operations) | <b>+62.5</b> |
| (1) Inventory valuation factors (90.0→155.0)  | <b>+65.0</b> |
| (2) Increase in sales volume  | <b>+2.1</b>  |
| (3) Higher cost due to in-house fuel use  | <b>-4.4</b>  |
| (4) Cost reductions and increases in efficiency (Increase in expenses)                    | <b>-2.3</b>  |
| (5) Profit margin and others  | <b>+2.1</b>  |
| <b>2. E&amp;P* of Oil and Natural Gas</b>   | <b>+9.7</b>  |
| (1) Increase in sales volume  | <b>+0.2</b>  |
| (2) Increase in sales price   | <b>+2.1</b>  |
| (3) Sales increase due to a weak yen  | <b>+3.7</b>  |
| (4) Others  | <b>+3.7</b>  |
| <b>3. Construction and Other</b>  | <b>-0.2</b>  |

\* Exploration and production

# 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.**

# Report on Performance in the Third Quarter of Fiscal 2006

## Appendix

February 3, 2006



**NIPPON OIL**  
Your Choice of Energy

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## Supplementary Information (1)

# < Net Sales and Operating Income by Operating Segment (1Q-3Q) (YoY) >

'05/4-12

### (1) Net sales

(¥ billion)

| Total 4,310.4 (+768.3)       |                          |                  |                             |               |             |
|------------------------------|--------------------------|------------------|-----------------------------|---------------|-------------|
| Refining and Marketing       |                          |                  | E&P* of Oil and Natural Gas | Construction  | Other       |
| Petroleum fuel and crude oil | Petrochemical operations |                  |                             |               |             |
| 3,585.9 (+609.8)             | 305.4 (+45.0)            | 3,891.3 (+654.8) | 130.1 (+79.0)               | 229.7 (+28.0) | 59.3 (+6.5) |

Note: Figures in parentheses are YoY changes.  
(\* Exploration and production)

### (2) Operating income

(¥ billion)

| Total 230.5 (+75.1)          |                          |                |                            |              |            |
|------------------------------|--------------------------|----------------|----------------------------|--------------|------------|
| Refining and Marketing       |                          |                | E&P of Oil and Natural Gas | Construction | Other      |
| Petroleum fuel and crude oil | Petrochemical operations |                |                            |              |            |
| 127.2 (+ 40.5)               | 29.2 (-11.9)             | 156.4 (+ 28.6) | 65.9 (+44.0)               | 1.6 (+1.0)   | 6.6 (+1.5) |

Note: Figures in parentheses are YoY changes.

## Supplementary Information (1)

# < Net Sales and Operating Income by Operating Segment (3Q) (YoY) >

### (1) Net sales

(¥ billion)

| Total 1,609.4 (+325.0)       |                          |                            |              |              |             |
|------------------------------|--------------------------|----------------------------|--------------|--------------|-------------|
| Refining and Marketing       |                          | E&P of Oil and Natural Gas | Construction | Other        |             |
| Petroleum fuel and crude oil | Petrochemical operations |                            |              |              |             |
| 1,332.0 (+261.4)             | 110.2 (+9.1)             | 1,442.2 (+270.5)           | 54.0 (+34.8) | 89.2 (+13.9) | 24.0 (+5.8) |

Note: Figures in parentheses are YoY changes.

### (2) Operating income (loss)

(¥ billion)

| Total 85.0 (+19.8)           |                          |                            |              |            |            |
|------------------------------|--------------------------|----------------------------|--------------|------------|------------|
| Refining and Marketing       |                          | E&P of Oil and Natural Gas | Construction | Other      |            |
| Petroleum fuel and crude oil | Petrochemical operations |                            |              |            |            |
| 40.1 (+5.5)                  | 10.2 (-8.9)              | 50.3 (-3.4)                | 30.1 (+21.5) | 2.0 (+1.3) | 2.6 (+0.4) |

Note: Figures in parentheses are YoY changes.

## Supplementary Information (1)

# < Forecast Net Sales and Operating Income by Operating Segment (FY06) >

(Changes from the November forecast)

### (1) Net sales

(¥ billion)

| Total 6,110.0 (+350.0)       |                          |                  |                            |              |              |
|------------------------------|--------------------------|------------------|----------------------------|--------------|--------------|
| Refining and Marketing       |                          |                  | E&P of Oil and Natural Gas | Construction | Other        |
| Petroleum fuel and crude oil | Petrochemical operations |                  |                            |              |              |
| 5,065.0 (+325.0)             | 415.0 (+5.0)             | 5,480.0 (+330.0) | 180.0 (+10.0)              | 370.0 (±0)   | 80.0 (+10.0) |

Note: Figures in parentheses are the change from the November forecast.

### (2) Operating income (loss)

(¥ billion)

| Total 295.0 (+72.0)          |                          |               |                            |              |            |
|------------------------------|--------------------------|---------------|----------------------------|--------------|------------|
| Refining and Marketing       |                          |               | E&P of Oil and Natural Gas | Construction | Other      |
| Petroleum fuel and crude oil | Petrochemical operations |               |                            |              |            |
| 150.5 (+62.5)                | 38.8 (±0)                | 189.3 (+62.5) | 92.2 (+ 9.7)               | 7.0 (±0)     | 6.5 (-0.2) |

Note: Figures in parentheses are the change from the November forecast.

## Supplementary Information (2)

## &lt; Sales Volume by Petroleum Product Type (Unconsolidated) &gt;

| Type of Petroleum Product                             | 1Q-3Q<br>( '05/4-12) |                    | Y oY<br>( '05/4-12) | FY06<br>( '05/4-'06/3)<br>(Forecast) |                                   |
|---|----------------------|--------------------|---------------------|--------------------------------------|-----------------------------------|
|   | 10,000 kl            | 3Q<br>( '05/10-12) |                     | 10,000 kl                            | Changes from<br>November Forecast |
| Gasoline  | 1,109                | 363                | -1.4                | 1,465                                | -1.0                              |
| ( Premium )   | (212)                | (66)               | (+0.5)              | (282)                                | (-2.7)                            |
| ( Regular )   | (885)                | (293)              | (-1.9)              | (1,168)                              | (-0.6)                            |
| Naphtha   | 487                  | 163                | +5.5                | 656                                  | -0.3                              |
| Jet fuel  | 84                   | 27                 | -4.4                | 113                                  | -1.2                              |
| Kerosene  | 485                  | 250                | +16.2               | 815                                  | +2.8                              |
| Diesel fuel   | 655                  | 224                | -1.0                | 865                                  | -0.1                              |
| Heavy fuel oil A                                      | 579                  | 203                | -7.1                | 817                                  | -1.4                              |
| Heavy fuel oil C                                      | 638                  | 211                | +10.5               | 877                                  | +15.7                             |
| ( For electric power )                                | (322)                | (108)              | (+25.4)             | (459)                                | (+34.7)                           |
| ( For general use )                                   | (316)                | (103)              | (-1.5)              | (418)                                | (+0.1)                            |
| Total domestic fuel oil sales                         | 4,037                | 1,441              | +2.1                | 5,608                                | +2.0                              |
| Crude oil   | 149                  | 46                 | -6.7                | 252                                  | +94.2                             |
| Total domestic fuel oil sales,<br>including crude oil | 4,186                | 1,487              | +1.8                | 5,860                                | +4.2                              |
| Barter joint, other                                   | 2,567                | 945                | +14.7               | 3,560                                | +0.3                              |
| Total   | 6,753                | 2,432              | +6.3                | 9,420                                | +2.7                              |

Supplementary Information (3)

< Fuel Oil Demand, NOC Sales, Share of Sales >

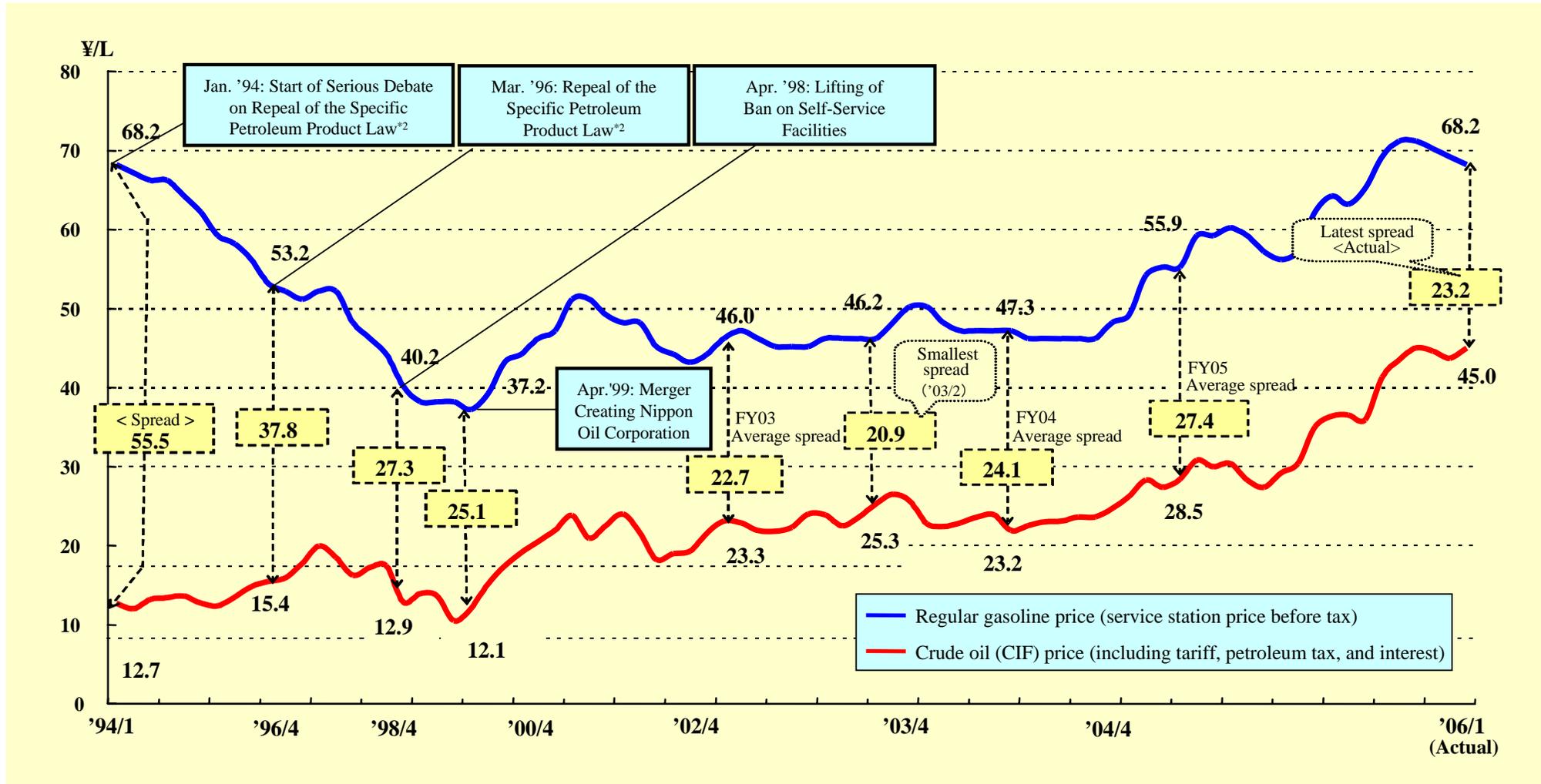
(%)

| Type of Petroleum Product | Fuel Oil Demand<br>(FY06 1Q-3Q/YoY Change) | NOC Sales | Share of Sales (Consumption basis) |                        |                   |                 |
|---------------------------|--|-----------|------------------------------------|------------------------|-------------------|-----------------|
|                           |  |           | FY04<br>(‘03/4 -‘04/3)             | FY05<br>(‘04/4 -‘05/3) | FY06              |                 |
|                           |  |           |                                    |                        | 1Q-3Q (‘05/4 -12) | 3Q (‘05/10 -12) |
| Total                     | +0.5                                       | +2.1      | 22.6                               | 23.4                   | 23.6              | 23.5            |
| ( Gasoline )              | (+0.3)                                     | (-1.4)    | (23.3)                             | (23.9)                 | (23.7)            | (23.5)          |
| ( Kerosene )              | (+10.0)                                    | (+16.2)   | (24.3)                             | (27.6)                 | (29.1)            | (27.9)          |
| ( Diesel fuel )           | (-3.0)                                     | (-1.0)    | (22.6)                             | (23.0)                 | (23.5)            | (23.6)          |
| ( Heavy fuel oil A )      | (-2.3)                                     | (-7.1)    | (28.1)                             | (30.4)                 | (29.1)            | (28.5)          |
| ( Heavy fue oil C )       | (+0.3)                                     | (+10.5)   | (29.6)                             | (29.9)                 | (32.4)            | (31.9)          |

Source: Agency of Natural Resources and Energy

# Supplementary Information (4)

## < Spread (Retail Gasoline Price – Crude Oil CIF Price<sup>\*1</sup>) >



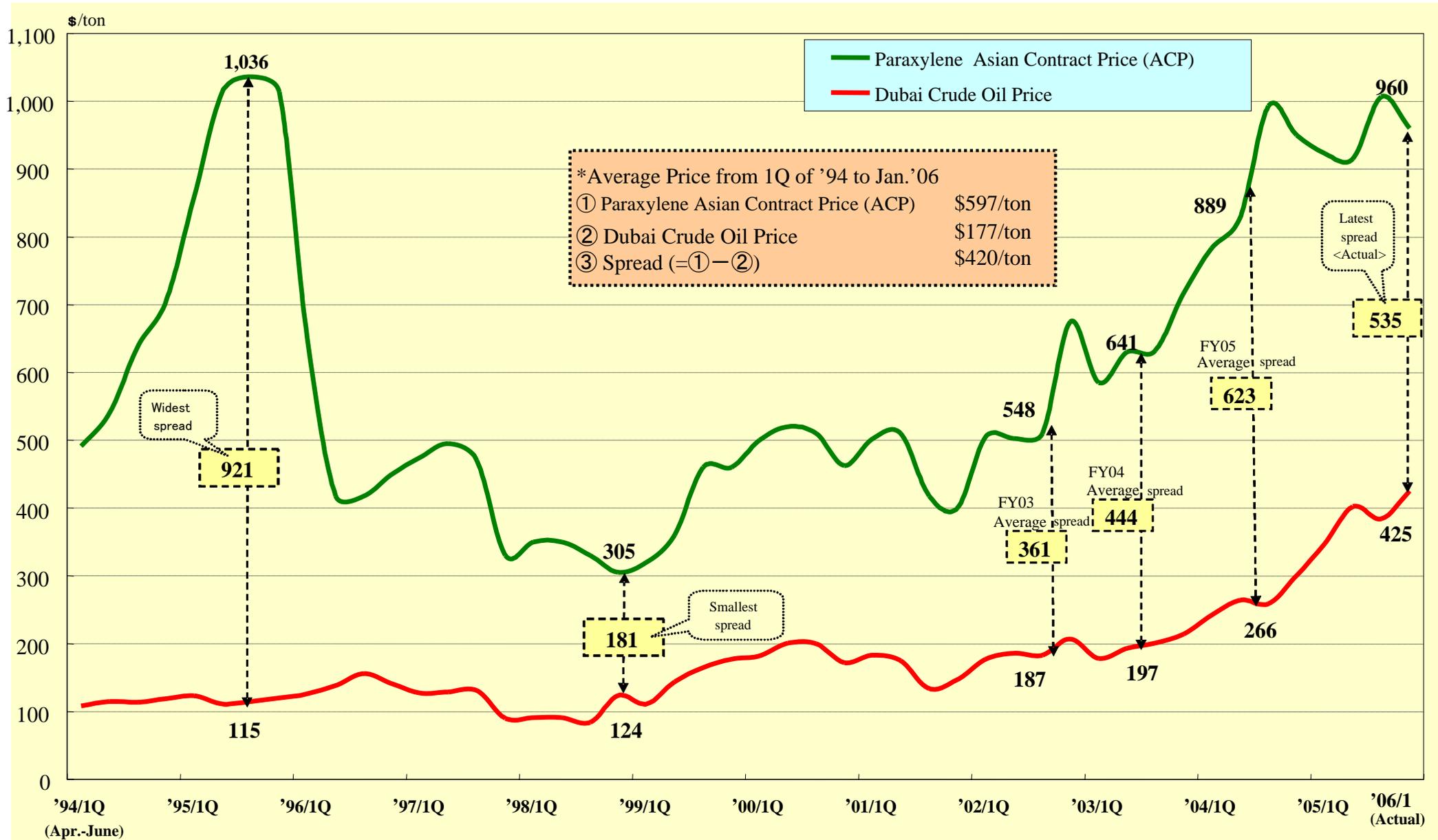
\*1 CIF: Cost, insurance, and freight basis

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

Sources: Agency of Natural Resources and Energy and other publications

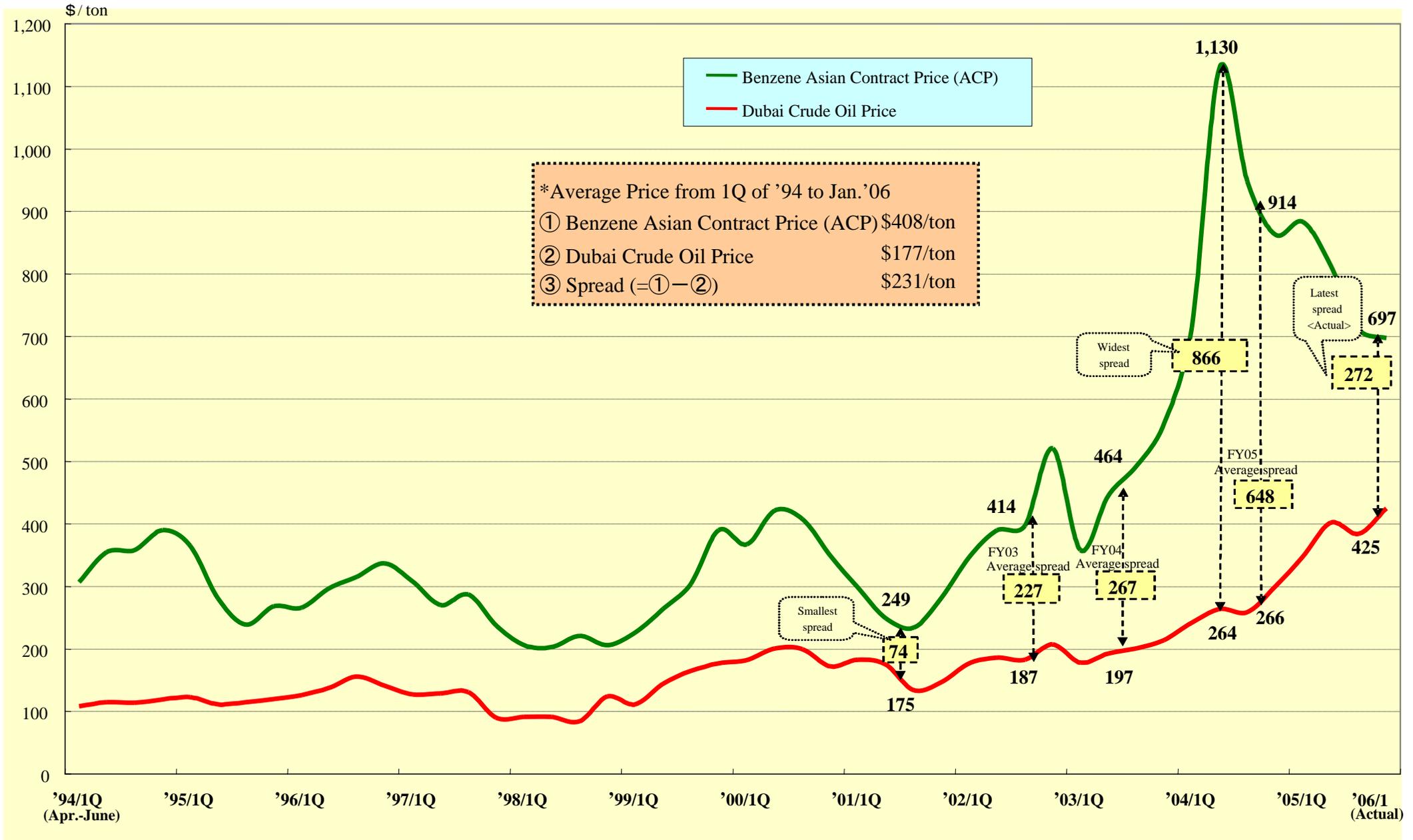
# Supplementary Information (4)

## < Spread (PX Price – Dubai Crude Oil Price) >



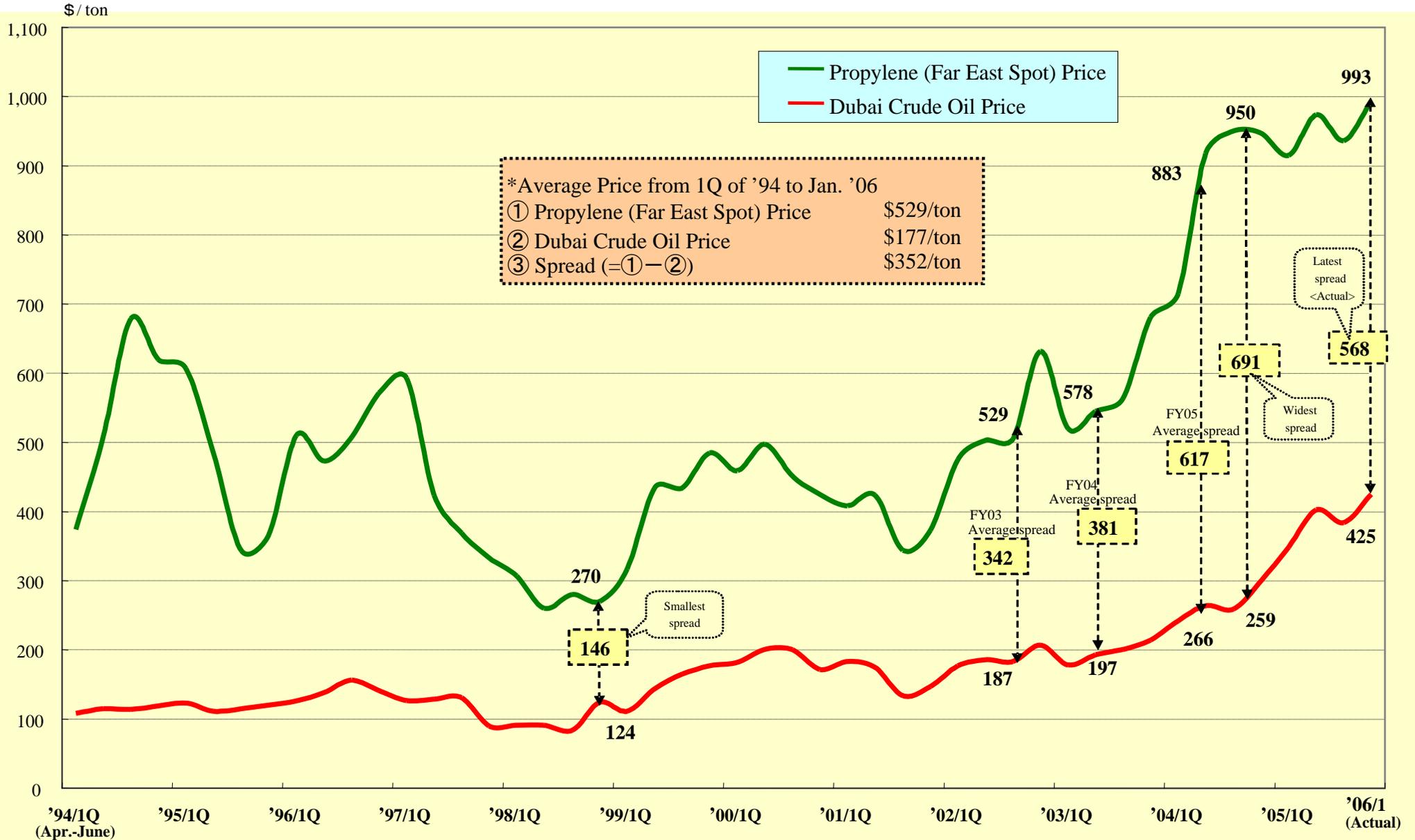
# Supplementary Information (4)

## < Spread (Benzene Price – Dubai Crude Oil Price) >



# Supplementary Information (4)

## < Spread (Propylene Price – Dubai Crude Oil Price) >



## Supplementary Information (5)

### <Number of Service Stations (Fixed-Type) >

|                                       | <b>FY03</b><br>( '02/4 - '03/3) | <b>FY04</b><br>( '03/4 - '04/3) | <b>FY05</b><br>( '04/4 - '05/3) | <b>Sept. '05</b> | <b>Dec. '05</b> |
|---------------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------|-----------------|
| <b>NOC</b>                            | <b>11,694</b>                   | <b>11,333</b>                   | <b>11,059</b>                   | <b>10,936</b>    | <b>10,889</b>   |
| <b>Company-Owned Service Stations</b> | <b>2,746</b>                    | <b>2,607</b>                    | <b>2,518</b>                    | <b>2,473</b>     | <b>2,463</b>    |

### <Number of Self-Service Facilities >

|                        | <b>FY03</b><br>( '02/4 - '03/3) | <b>FY04</b><br>( '03/4 - '04/3) | <b>FY05</b><br>( '04/4 - '05/3) | <b>Sept. '05</b> | <b>Dec. '05</b> |
|------------------------|---------------------------------|---------------------------------|---------------------------------|------------------|-----------------|
| <b>NOC</b>             | <b>342</b>                      | <b>520</b>                      | <b>651</b>                      | <b>698</b>       | <b>760</b>      |
| <b>Total for Japan</b> | <b>2,522</b>                    | <b>3,423</b>                    | <b>4,103</b>                    | <b>4,449</b>     | <b>—</b>        |

Sources: Agency of Natural Resources and Energy; *The Daily Nenryo Yushi*

### <Number of Dr. Drive Service Stations >

|            | <b>FY03</b><br>( '02/4 - '03/3) | <b>FY04</b><br>( '03/4 - '04/3) | <b>FY05</b><br>( '04/4 - '05/3) | <b>Sept. '05</b> | <b>Dec. '05</b> |
|------------|---------------------------------|---------------------------------|---------------------------------|------------------|-----------------|
| <b>NOC</b> | <b>1,610</b>                    | <b>1,871</b>                    | <b>1,963</b>                    | <b>2,136</b>     | <b>2,366</b>    |

## Supplementary Information (6)

### < Utilization Rates >

(%)

|                  | <b>FY03</b><br>( '02/4 - '03/3) | <b>FY04</b><br>( '03/4 - '04/3) | <b>FY05</b><br>( '04/4 - '05/3) | <b>FY06 4-9</b><br>( '05/4 - '05/9) | <b>'05/10-12</b> |
|------------------|---------------------------------|---------------------------------|---------------------------------|-------------------------------------|------------------|
| <b>NOC Group</b> | <b>84</b>                       | <b>83</b>                       | <b>87</b>                       | <b>84</b>                           | <b>91</b>        |

### < Number of Depots >

|            | <b>'03/4</b> | <b>'04/4</b> | <b>'05/4</b> | <b>'05/9</b> | <b>'05/12</b> |
|------------|--------------|--------------|--------------|--------------|---------------|
| <b>NOC</b> | <b>55</b>    | <b>51</b>    | <b>50</b>    | <b>50</b>    | <b>50</b>     |

### < Production of Crude Oil and Natural Gas (Daily Production) >

(Thousand BOED)

|                  | <b>'02/1-12</b><br>Average | <b>'03/1-12</b><br>Average | <b>'04/1-12</b><br>Average | <b>'05/1-12</b><br>Average |
|------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>NOC Group</b> | <b>50</b>                  | <b>66</b>                  | <b>111</b>                 | <b>155</b>                 |

\*Project companies' entitlement

## **Cautions with Respect to Forward-Looking Statements**

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