

**Flash Report for the first quarter of fiscal 2006 (Consolidated Basis)**

Aug 2, 2005

Company name : Nippon Oil Corporation

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

Code number: 5001

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

Representative Director, President: Shinji Nishio

For further information, please contact: Soichiro Tanaka, Group Manager, Investor Relations Group

Telephone: +81-3-3502-1184

**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.)
- 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: 3
  - Number of consolidated companies removed: 0
  - Number of equity-method affiliates added: 1
  - Number of equity-method affiliates removed: 3

**2. Results for the first quarter of fiscal 2006 (from April 1, 2005 to June 30, 2005)**
**(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 FY2006	1,237,828	19.4	70,264	103.0	72,579	103.1
First quarter of FY2005	1,036,837	6.2	34,619	231.6	35,736	224.0
Year ended March 31, 2005	4,924,163		201,470		212,435	

	Net income		Net income per share	Net income per share after dilution
	Millions of yen	(%)	Yen	Yen
First quarter of FY2006	39,930	63.0	27.26	-
First quarter of FY2005	24,502	366.6	16.26	15.97
Year ended March 31, 2005	131,519		86.72	-

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 in the 1st quarter (from April 1, 2005 to June 30, 2005), domestic sales volume, including crude oil sales, was 13.13 million KL, a 3.2% increase over the same period of the previous year, due to an increase in demand for Heavy fuel oil C from power companies.

Consolidated performance consisted of net sales of ¥1,237.8 billion and recurring income of ¥72.6 billion, an increase of ¥36.9 billion over the same period of the previous year.

This increase was due to increased profits from the Exploration and Production of oil and natural gas\* division and the effects of inventory valuation by gross average method pushing down the cost of sales caused by a rise in the price of crude oil (inventory valuation factors) (from \$33.4/barrel in the same period last year to \$48.1/barrel this period)

\*Exploration and Production of oil and natural gas

**(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 FY2006	3,728,792	949,228	25.5	651.27
First quarter of FY2005	3,200,416	842,135	26.3	558.22
Year ended March 31, 2005	3,514,352	953,240	27.1	631.77

[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 FY2006	79,605	34,023	65,722	273,764
First quarter of FY2005	39,662	21,945	14,175	127,187
Year ended March 31, 2005	115,731	99,491	49,984	140,478

(Reference) Nonconsolidated results for the first quarter of fiscal 2006 (from April 1, 2005 to June 30, 2005)

	Net Sales		Operating income		Recurring income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
First quarter of FY2006	1,032,611	20.7	17,442	240.0	21,012	154.2
First quarter of FY2005	855,707	7.0	5,129	29.7	8,264	26.4
Year ended March 31, 2005	3,957,338		50,036		58,411	

	Net income		Total assets	Shareholders' equity
	Millions of yen	(%)	Millions of yen	Millions of yen
First quarter of FY2006	14,286	15.1	2,558,831	634,393
First quarter of FY2005	12,410	358.3	2,249,902	630,388
Year ended March 31, 2005	46,054		2,403,528	666,510

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 2006 (from April 1, 2005 to March 31, 2006)

(1) Forecasts of consolidated performance in the first half of fiscal 2006 (from April 1, 2005 to September 30, 2005)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	2,630,000	134,000	74,000
Original forecast (B)	2,360,000	57,000	34,000
Forecast change (A - B)	270,000	77,000	40,000
Rate of forecast change (%)	11.4%	135.1%	117.6%

(2) Forecasts of consolidated performance in fiscal 2006 (from April 1, 2005 to March 31, 2006)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	5,400,000	192,000	100,000
Original forecast (B)	4,990,000	159,000	88,000
Forecast change (A - B)	410,000	33,000	12,000
Rate of forecast change (%)	8.2%	20.8%	13.6%

[Qualitative Information Relating to the Outlook for Performance]

The company has revised its outlook for the interim period and the full year due to the continuation of high crude oil prices as compared to previous expectations (announced along with results for fiscal year ending March 2005) and the effects of the E&P of oil and natural gas division's newly consolidated company.

This outlook assumes a crude oil price of \$52.4/barrel and an exchange rate of ¥110.3 for the 2nd quarter, and a crude oil price of \$45.6/barrel and an exchange rate of ¥105 for the second half year (as compared to the previously announced assumption of \$40.6/barrel and an exchange rate of ¥105).

The forecast for the interim period is approximately ¥134 billion in consolidated recurring income (an increase of ¥77 billion over the previous estimate), due primarily to positive inventory valuation factors, and consolidated current term profits of approximately ¥74 billion (an increase of ¥40 billion over the previous estimate).

The forecast for the entire fiscal year is approximately ¥192 billion in consolidated recurring income (an increase of ¥33 billion over the previous forecast) and consolidated current net income of approximately ¥100 billion (an increase of ¥12 billion over the previous forecast) due to the effects of the E&P of oil and natural gas division's newly consolidated company.

There is no change from previous dividend estimates (announced along with results for the fiscal year ending March 2005) of ¥12/share annually (interim dividends of ¥6/share and fiscal year-end dividends of ¥6/share).

(Reference) Forecasts of nonconsolidated performance in fiscal 2006 (from April 1, 2005 to March 31, 2006)

(1) Forecasts of nonconsolidated performance in the first half of fiscal 2006 (from April 1, 2005 to September 30, 2005)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	2,220,000	37,000	24,000
Original forecast (B)	1,980,000	20,000	11,500
Forecast change (A - B)	240,000	17,000	12,500
Rate of forecast change (%)	12.1%	85.0%	108.7%

(2) Forecasts of nonconsolidated performance in fiscal 2006 (from April 1, 2005 to March 31, 2006)

	Net Sales	Recurring income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	4,540,000	61,000	37,000
Original forecast (B)	4,180,000	53,000	30,000
Forecast change (A - B)	360,000	8,000	7,000
Rate of forecast change (%)	8.6%	15.1%	23.3%

\* 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, 2005		Current first quarter June 30, 2005		Change from the end of the previous fiscal year	Previous first quarter June 30, 2004	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
<b>Assets</b>							
<u>Current assets</u>	<u>1,569,328</u>	44.7%	<u>1,757,083</u>	47.1%	<u>187,754</u>	<u>1,324,252</u>	41.4%
Cash and cash time deposits	143,729		277,015		133,286	130,930	
Trade notes and accounts receivable	611,258		541,087		70,171	473,789	
Short-term investments in securities	19,384		17,616		1,767	2,330	
Inventories	636,704		770,821		134,116	576,792	
Other current assets	158,252		150,542		7,710	140,408	
<u>Fixed assets</u>	<u>1,945,023</u>	55.3%	<u>1,971,709</u>	52.9%	<u>26,685</u>	<u>1,876,163</u>	58.6%
Property, plant and equipment	1,361,389		1,368,553		7,163	1,382,928	
Intangible fixed assets	49,293		47,115		2,178	54,116	
Other fixed assets	534,340		556,039		21,699	439,119	
<b>Total assets</b>	<b>3,514,352</b>	<b>100.0%</b>	<b>3,728,792</b>	<b>100.0%</b>	<b>214,440</b>	<b>3,200,416</b>	<b>100.0%</b>
<b>Liabilities</b>							
<u>Current liabilities</u>	<u>1,536,810</u>	43.7%	<u>1,698,735</u>	45.6%	<u>161,925</u>	<u>1,355,685</u>	42.4%
Trade notes and accounts payable	434,704		435,808		1,104	344,034	
Short-term loans	244,150		252,950		8,800	187,706	
Commercial paper	97,000		191,000		94,000	128,000	
Other current liabilities	760,955		818,976		58,020	695,944	
<u>Long-term liabilities</u>	<u>927,431</u>	26.4%	<u>974,683</u>	26.1%	<u>47,251</u>	<u>901,079</u>	28.1%
Bonds and Long-term loans	612,511		650,089		37,578	626,909	
Other long-term liabilities	314,920		324,593		9,673	274,170	
<b>Total liabilities</b>	<b>2,464,241</b>	<b>70.1%</b>	<b>2,673,419</b>	<b>71.7%</b>	<b>209,177</b>	<b>2,256,765</b>	<b>70.5%</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>96,870</b>	<b>2.8%</b>	<b>106,144</b>	<b>2.8%</b>	<b>9,274</b>	<b>101,515</b>	<b>3.2%</b>
<b>Shareholders' equity</b>							
Common stock	139,437	4.0%	139,437	3.7%	-	139,436	4.3%
Capital surplus	274,852	7.8%	274,852	7.4%	0	274,840	8.6%
Retained earnings	489,729	13.9%	482,314	12.9%	7,414	389,504	12.2%
Net unrealized gain on securities	60,743	1.7%	62,160	1.7%	1,417	50,416	1.6%
Other	11,521	0.3%	9,536	0.2%	1,985	12,062	0.4%
<b>Total shareholders' equity</b>	<b>953,240</b>	<b>27.1%</b>	<b>949,228</b>	<b>25.5%</b>	<b>4,011</b>	<b>842,135</b>	<b>26.3%</b>
<b>Total liabilities, minority interest, and shareholders' equity</b>	<b>3,514,352</b>	<b>100.0%</b>	<b>3,728,792</b>	<b>100.0%</b>	<b>214,440</b>	<b>3,200,416</b>	<b>100.0%</b>

## 2. [SUMMARY] CONSOLIDATED STATEMENTS OF INCOME

	Previous first quarter April 1 ,2004 ~ June 30, 2004	Current first quarter April 1 ,2005 ~ June 30, 2005	Change from the previous first quarter	Previous fiscal year April 1 ,2004 ~ March 31, 2005
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	1,036,837	1,237,828	200,990	4,924,163
Cost of sales	935,395	1,097,506	162,111	4,437,411
Selling, general and administrative expenses	66,822	70,057	3,235	285,281
Operating income	34,619	70,264	35,644	201,470
Non-operating profits and expenses				
Non-operating profits	7,681	9,378	1,697	36,736
Interest and dividend income	( 1,720 )	( 2,353 )	( 633 )	( 5,751 )
Foreign exchange gains	( - )	( 1,091 )	( 1,091 )	( 3,686 )
Equity in earnings of unconsolidated subsidiaries and affiliates	( 1,196 )	( 1,144 )	( 52 )	( 6,550 )
Other	( 4,763 )	( 4,789 )	( 25 )	( 20,748 )
Non-operating expenses	6,564	7,063	499	25,771
Interest	( 4,469 )	( 5,123 )	( 654 )	( 18,748 )
Foreign exchange losses	( 300 )	( - )	( 300 )	( - )
Other	( 1,794 )	( 1,940 )	( 145 )	( 7,022 )
Recurring income	35,736	72,579	36,842	212,435
Special gains	12,556	3,339	9,216	32,679
Gain on sales of fixed assets	( 8,543 )	( 1,876 )	( 6,666 )	( 26,820 )
Gain from return of the substitutional portion of employee pension fund liabilities to the government	( 3,462 )	( - )	( 3,462 )	( 3,483 )
Other	( 550 )	( 1,463 )	( 912 )	( 2,374 )
Special losses	4,539	1,971	2,567	24,156
Loss on disposal and sales of fixed assets	( 3,619 )	( 1,715 )	( 1,904 )	( 13,662 )
Impairment losses	( - )	( - )	( - )	( 4,211 )
Other	( 919 )	( 256 )	( 662 )	( 6,282 )
Income before income taxes and minority interests	43,753	73,946	30,192	220,958
Income taxes and others	18,492	32,447	13,954	82,580
Minority interests in earnings of consolidated subsidiaries	759	1,568	809	6,858
Net income	24,502	39,930	15,428	131,519

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

	Previous first quarter April 1 ,2004 ~ June 30, 2004	Current first quarter April 1 ,2005 ~ June 30, 2005	Previous fiscal year April 1 ,2004 ~ March 31, 2005
. Cash flows from operating activities			
Income before income taxes and minority interests	43,753	73,946	220,958
Depreciation and amortization	25,616	29,800	110,031
Decrease (increase) in notes and accounts receivable	105,286	76,166	27,877
(Increase) decrease in inventories	77,936	133,890	137,814
Decrease (increase) in notes and accounts payable and excise taxes payable	136,383	33,582	49,566
Net cash (used in) provided by operating activities	<u>39,662</u>	<u>79,605</u>	<u>115,731</u>
. Cash flows from investing activities			
(Increase) decrease in time deposits	549	0	1,060
Additions to property, plant and equipment	28,617	21,458	108,812
Proceeds from sales of property, plant and equipment	11,699	3,055	41,680
Net decrease (increase) in marketable and investment securities	1,790	1,489	17,524
Other	7,367	17,109	15,895
Net cash (used in) provided by investing activities	<u>21,945</u>	<u>34,023</u>	<u>99,491</u>
. Cash flows from financing activities			
Increase (decrease) in short-term loans	21,249	98,516	17,525
Increase (decrease) in long-term loans and bonds	2,733	16,948	15,854
Other	9,807	49,742	16,603
Net cash provided (used in) by financing activities	<u>14,175</u>	<u>65,722</u>	<u>49,984</u>
. Effect of exchange rate changes on cash and cash equivalents	212	2,571	197
. Decrease (increase) in cash and cash equivalents	<u>47,219</u>	<u>113,876</u>	<u>33,941</u>
. Cash and cash equivalents at beginning of period	174,535	140,478	174,535
. Increase in cash and cash equivalents due to inclusion in consolidation	-	19,409	14
. Decrease in cash and cash equivalents due to exclusion from consolidation	128	-	128
IX . Cash and cash equivalents at end of the period	<u><u>127,187</u></u>	<u><u>273,764</u></u>	<u><u>140,478</u></u>

## 4. Segment Information

[ Business Segment ]

(1) Previous 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

(2) Current first quarter (April 1, 2005 ~ June 30, 2005)

	Refining and Marketing	E&P of Oil and Natural Gas*	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	1,139,139	32,017	50,486	16,185	1,237,828	-	1,237,828
( 2 ) Intergroup sales and transfers	1,737	-	196	4,366	6,300	(6,300)	-
Total sales	1,140,877	32,017	50,682	20,551	1,244,129	(6,300)	1,237,828
Operating expenses	1,085,766	16,453	53,097	18,986	1,174,304	(6,740)	1,167,564
Operating income (loss)	55,110	15,564	2,415	1,564	69,824	439	70,264

\*Exploration and Production of Oil and Natural Gas

### Notes:

- Business segments are based on the classifications used by the Company internally for management of its businesses.
- Principal products by business segment are as follows:
  - Refining and Marketing: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and heavy fuel oil, as well as Petrochemical products, including benzene, paraxylene, and other products
  - E&P of Oil and Natural Gas: Exploration, development and Production of oil and natural gas
  - Construction: Asphalt paving, civil engineering construction, building construction
  - Other: Activities include sales of automotive products, such as tires, lease financing, insurance agency business, real estate rentals, travel agency business, computer-related operations, financial services, and food product business

### 3.Changes in the method for classifying business segments

The Company's business segments have heretofore been divided into the 4 classifications of [Petroleum Fuel and Crude Oil], [Petrochemical], [Construction] and [Other], based on characteristics and types of business. However, the 4 classifications were changed as of this consolidated accounting year to [Refining and Marketing], [E&P of Oil and Natural Gas], [Construction] and [Other].

[E&P of Oil and Natural Gas] has heretofore been included in [Petroleum Fuel and Crude Oil], but in consideration of its position as a strategic field in our company ground, and from the viewpoint of growth and profitability, as outlined in the third Med-Term Consolidated Management Plan, it now has its own new classification. Accordingly, to clearly distinguish it from the E&P of Oil and Natural Gas division, [Petroleum Fuel and Crude Oil] has been renamed [Refining and Marketing].

[Petrochemical] has heretofore been displayed as its own classification. Adding to the propulsion of CRI (Chemical Refinery Integration for refining and petrochemical operations), the phased unification plans for the headquarters of Nippon Petrochemicals Company, Limited, a consolidated subsidiary of the Company, to be completed by April 2006, and in consideration of the fact that the petroleum refining and marketing division and the petrochemical division will become even more inseparable than in the past, [Petrochemical] will be displayed together with [Refining and Marketing].

Segment information from the previous 1st quarter and the previous consolidated accounting year, classified according to the method used in this consolidated accounting year, are as follows.

Previous first quarter (April 1, 2004 ~ June 30, 2004)

	Refining and Marketing	E&P of Oil and Natural Gas	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	951,751	16,603	50,240	18,241	1,036,837	-	1,036,837
( 2 ) Intergroup sales and transfer	1,544	-	160	4,461	6,166	(6,166)	-
Total sales	953,296	16,603	50,401	22,702	1,043,003	(6,166)	1,036,837
Operating expenses	924,925	9,576	52,919	21,361	1,008,783	(6,565)	1,002,217
Operating income (loss)	28,370	7,027	2,517	1,340	34,220	399	34,619

Year ended March 31, 2005 (April 1, 2004 ~ March 31, 2005)

	Refining and Marketing	E&P of Oil and Natural Gas	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	4,420,962	67,649	359,456	76,095	4,924,163	-	4,924,163
( 2 ) Intergroup sales and transfer	9,869	-	1,665	14,857	26,392	(26,392)	-
Total sales	4,430,831	67,649	361,122	90,952	4,950,556	(26,392)	4,924,163
Operating expenses	4,269,852	40,557	354,375	85,968	4,750,755	(28,061)	4,722,693
Operating income (loss)	160,978	27,091	6,746	4,984	199,801	1,668	201,470

(3) Year ended March 31, 2005 (April 1, 2004 ~ March 31, 2005)

	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	4,139,639	348,972	359,456	76,095	4,924,163	-	4,924,163
( 2 ) Intergroup sales and transfers	240,357	16,110	1,665	14,857	272,991	(272,991)	-
Total sales	4,379,996	365,082	361,122	90,952	5,197,154	(272,991)	4,924,163
Operating expenses	4,216,695	341,737	354,375	85,968	4,998,777	(276,083)	4,722,693
Operating income	163,301	23,344	6,746	4,984	198,377	3,092	201,470

Notes:

1. Business segments are based on the classifications used by the Company internally for management of its businesses.
2. Principal products by business segment are as follows:
  - (1) Petroleum fuel and crude oil: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and heavy fuel oil, as well as oil E&P and others
  - (2) Petrochemical operations: Petrochemical products, including ethylene, paraxylene, and other products
  - (3) Construction: Asphalt paving, civil engineering construction, building construction
  - (4) Other: Activities include sales of automotive products, such as tires, lease financing, insurance agency business, real estate rentals, travel agency business, computer-related operations, financial services, and food product business