

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

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 (see appendix for more information)

- Adoption of simplified accounting standards: A simplified method is 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: 5
  - Number of consolidated companies removed: 4
  - Number of equity-method affiliates added: 2
  - Number of equity-method affiliates removed: 3

2.Results for the third quarter of fiscal 2006 (from April 1, 2005 to December 31,2005)

(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	(%)
Third quarter of FY2006	4,310,415	21.7	230,543	48.4	228,898	40.7
Third quarter of FY2005	3,542,109	14.9	155,365	456.7	162,742	486.4
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
Third quarter of FY2006	121,325	19.1	83.11	—
Third quarter of FY2005	101,889	563.7	67.57	66.26
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.

[Qualitative Information Relating to Consolidated Performance to Date]

Sales results for petroleum products during the third quarter (April 1, 2005, through December 31, 2005) were as follows. Because of increased demand for Heavy fuel oil C from power companies and for kerosene due to the cold wave and other reasons, domestic fuel sales volume, including that of crude oil, amounted to 41.86 million kiloliters, an increase of 1.8% over the same period of the previous year.

Highlights of consolidated performance for the third quarter of fiscal 2006 were: ¥4,310.4 billion in net sales, an increase of 21.7% over the same period of the previous year, and ¥228.9 billion in recurring income, an increase of ¥66.2 billion over the same period of the previous year.

This is the result of the impact of inventory valuation with the gross average method driving down sales costs (inventory valuation factors) following the substantial rise of crude oil prices (from \$36.00/barrel in the same period of the previous year to \$52.70/barrel in this quarter), as well as the increase in Exploration and Production Division profits.

(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 FY2006	4,169,781	1,077,128	25.8	739.22
Third quarter of FY2005	3,549,974	915,671	25.8	607.23
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
Third quarter of FY2006	6,506	△119,395	138,103	193,137
Third quarter of FY2005	51,126	△68,808	28,960	187,417
Year ended March 31, 2005	115,731	△99,491	△49,984	140,478

(Reference) Nonconsolidated results for the third quarter of fiscal 2006 (from April 1, 2005 to December 31, 2005)

	Net Sales		Operating income		Recurring income	
	Millions of yen	(%)	Millions of yen	(%)	Millions of yen	(%)
Third quarter of FY2006	3,693,484	27.6	63,691	60.4	70,122	53.7
Third quarter of FY2005	2,893,793	17.7	39,705	432.5	45,614	321.4
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
Third quarter of FY2006	48,378	31.6	3,064,347	723,474
Third quarter of FY2005	36,752	—	2,533,448	648,617
Year ended March 31, 2005	46,054		2,403,528	666,510

**3. 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)	6,110,000	300,000	153,000
Original forecast (B)	5,760,000	230,000	121,000
Forecast change (A—B)	350,000	70,000	32,000
Rate of forecast change (%)	6.1%	30.4%	26.4%

**[Qualitative Information Relating to the Performance Outlook]**

Due to factors such as rising crude oil prices, forecasts for the fiscal year, announced along with the results for the interim period ending September 2006, will be revised as follows.

The forecast for the fiscal year is approximately ¥300 billion in consolidated recurring income (an increase of ¥70 billion over the previous forecast) due to an increase in inventory valuation factors, as well as the profit increase of the Exploration and Production Division, and consolidated current net income is expected to total approximately ¥153 billion (an increase of ¥32 billion over the previous forecast).

There are no plans to change the previous dividend estimate of ¥12/share annually (interim dividends of ¥6/share and fiscal year-end dividends of ¥6/share).

Please note that these revised forecasts assume Dubai oil prices of \$55/barrel and an exchange rate of ¥115 = \$1 after February 2006.

(Reference) 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)	5,180,000	98,000	66,000
Original forecast (B)	4,900,000	74,000	54,000
Forecast change (A—B)	280,000	24,000	12,000
Rate of forecast change (%)	5.7%	32.4%	22.2%

\* 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, 2005		Current third quarter December 31, 2005		Change from the end of the previous fiscal year	Previous third quarter December 31, 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>2,071,212</u>	49.7%	<u>501,883</u>	<u>1,671,071</u>	47.1%
Cash and time deposits	143,729		193,446		49,717	190,140	
Trade notes and accounts receivable	611,258		828,034		216,775	626,831	
Short-term investments in securities	19,384		28,776		9,392	1,814	
Inventories	636,704		890,133		253,429	708,328	
Other current assets	158,252		130,821		△ 27,431	143,957	
<u>Fixed assets</u>	<u>1,945,023</u>	55.3%	<u>2,098,569</u>	50.3%	<u>153,545</u>	<u>1,878,902</u>	52.9%
Property, plant and equipment	1,361,389		1,369,228		7,838	1,380,924	
Intangible fixed assets	49,293		43,828		△ 5,465	50,292	
Other fixed assets	534,340		685,512		151,172	447,685	
<b>Total assets</b>	<b>3,514,352</b>	<b>100.0%</b>	<b>4,169,781</b>	<b>100.0%</b>	<b>655,429</b>	<b>3,549,974</b>	<b>100.0%</b>
<b>Liabilities</b>							
<u>Current liabilities</u>	<u>1,536,810</u>	43.7%	<u>1,947,884</u>	46.7%	<u>411,073</u>	<u>1,653,688</u>	46.6%
Trade notes and accounts payable	434,704		535,592		100,888	408,714	
Short-term loans	244,150		203,736		△ 40,414	231,554	
Commercial paper	97,000		306,000		209,000	140,000	
Other current liabilities	760,955		902,555		141,599	873,419	
<u>Long-term liabilities</u>	<u>927,431</u>	26.4%	<u>1,041,157</u>	25.0%	<u>113,725</u>	<u>877,389</u>	24.7%
Bonds and Long-term loans	612,511		662,560		50,048	594,931	
Other long-term liabilities	314,920		378,597		63,677	282,457	
<b>Total liabilities</b>	<b>2,464,241</b>	<b>70.1%</b>	<b>2,989,041</b>	<b>71.7%</b>	<b>524,799</b>	<b>2,531,077</b>	<b>71.3%</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>96,870</b>	<b>2.8%</b>	<b>103,611</b>	<b>2.5%</b>	<b>6,741</b>	<b>103,225</b>	<b>2.9%</b>
<b>Shareholders' equity</b>							
Common stock	139,437	4.0%	139,437	3.3%	—	139,436	3.9%
Capital surplus	274,852	7.8%	274,868	6.6%	16	274,849	7.8%
Retained earnings	489,729	13.9%	553,911	13.3%	64,182	460,657	13.0%
Net unrealized gain on securities	60,743	1.7%	117,008	2.8%	56,265	50,438	1.4%
Other	△ 11,521	△0.3%	△ 8,097	△0.2%	3,424	△ 9,710	△0.3%
<b>Total shareholders' equity</b>	<b>953,240</b>	<b>27.1%</b>	<b>1,077,128</b>	<b>25.8%</b>	<b>123,888</b>	<b>915,671</b>	<b>25.8%</b>
<b>Total liabilities, minority interest, and shareholders' equity</b>	<b>3,514,352</b>	<b>100.0%</b>	<b>4,169,781</b>	<b>100.0%</b>	<b>655,429</b>	<b>3,549,974</b>	<b>100.0%</b>

## 2. [SUMMARY] CONSOLIDATED STATEMENTS OF INCOME

	Previous third quarter April 1, 2004 ~ December 31, 2004	Current third quarter April 1, 2005 ~ December 31, 2005	Change from the previous third quarter	Previous fiscal year April 1, 2004 ~ March 31, 2005
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	3,542,109	4,310,415	768,305	4,924,163
Cost of sales	△ 3,178,361	△ 3,865,781	△ 687,420	△ 4,437,411
Selling, general and administrative expenses	△ 208,383	△ 214,089	△ 5,706	△ 285,281
Operating income	155,365	230,543	75,178	201,470
Non-operating profits and expenses				
Non-operating profits	25,745	29,991	4,246	36,736
Interest and dividend income	( 4,321 )	( 7,591 )	( 3,269 )	( 5,751 )
Asset rental income	( 9,386 )	( 8,004 )	( △ 1,382 )	( 11,486 )
Equity in earnings of unconsolidated subsidiaries and affiliates	( 4,447 )	( 3,509 )	( △ 937 )	( 6,550 )
Foreign exchange gains	( 2,435 )	( 4,791 )	( 2,356 )	( 3,686 )
Other	( 5,154 )	( 6,093 )	( 939 )	( 9,261 )
Non-operating expenses	△ 18,367	△ 31,637	△ 13,269	△ 25,771
Interest	( △ 13,910 )	( △ 16,996 )	( △ 3,085 )	( △ 18,748 )
Other	( △ 4,457 )	( △ 14,640 )	( △ 10,183 )	( △ 7,022 )
Recurring income	162,742	228,898	66,155	212,435
Special gains	21,141	9,480	△ 11,660	32,679
Gain on sales of fixed assets	( 13,650 )	( 5,736 )	( △ 7,913 )	( 24,263 )
Gain from return of the substitutional portion of employee pension fund liabilities to the government	( 3,483 )	( — )	( △ 3,483 )	( 3,483 )
Other	( 4,007 )	( 3,744 )	( △ 263 )	( 4,931 )
Special losses	△ 16,974	△ 12,539	4,435	△ 24,156
Loss on disposal and sales of fixed assets	( △ 9,155 )	( △ 6,243 )	( 2,912 )	( △ 13,239 )
Impairment losses	( △ 2,877 )	( △ 2,371 )	( 505 )	( △ 4,211 )
Other	( △ 4,941 )	( △ 3,923 )	( 1,017 )	( △ 6,705 )
Income before income taxes and minority interests	166,909	225,838	58,929	220,958
Income taxes and others	△ 60,708	△ 97,247	△ 36,539	△ 82,580
Minority interests in earnings of consolidated subsidiaries	△ 4,311	△ 7,265	△ 2,953	△ 6,858
Net income	101,889	121,325	19,435	131,519

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

	Previous third quarter April 1 ,2004 ~ December 31, 2004	Current third quarter April 1 ,2005~ December 31, 2005	Previous fiscal year April 1 ,2004 ~ March 31, 2005
	Millions of yen	Millions of yen	Millions of yen
<b>I . Cash flows from operating activities</b>			
Income before income taxes and minority interests	166,909	225,838	220,958
Depreciation and amortization	80,456	101,378	110,031
(Increase) decrease in notes and accounts receivable	△ 40,429	△ 204,798	△ 27,877
(Increase) decrease in inventories	△ 209,461	△ 256,354	△ 137,814
Decrease (increase) in notes and accounts payable and excise taxes payable	53,653	140,442	△ 49,566
Net cash provided by (used in) operating activities	<u>51,126</u>	<u>6,506</u>	<u>115,731</u>
<b>II . Cash flows from investing activities</b>			
Decrease (increase) in time deposits	1,548	496	1,060
Additions to property, plant and equipment	△ 80,281	△ 69,104	△ 108,812
Proceeds from sales of property, plant and equipment	21,147	12,148	41,680
Net decrease (increase) in marketable and investment securities	2,451	△ 15,416	△ 17,524
Other	△ 13,674	△ 47,520	△ 15,895
Net cash (used in) provided by investing activities	<u>△ 68,808</u>	<u>△ 119,395</u>	<u>△ 99,491</u>
<b>III . Cash flows from financing activities</b>			
Increase (decrease) in short-term loans	28,402	200,231	△ 17,525
(Decrease) increase in long-term loans and bonds	16,928	△ 3,093	△ 15,854
Other	△ 16,370	△ 59,034	△ 16,603
Net cash provided by (used in) financing activities	<u>28,960</u>	<u>138,103</u>	<u>△ 49,984</u>
<b>IV . Effect of exchange rate changes on cash and cash equivalents</b>	<u>1,732</u>	<u>8,030</u>	<u>△ 197</u>
<b>V . Decrease (increase) in cash and cash equivalents</b>	<u>13,011</u>	<u>33,244</u>	<u>△ 33,941</u>
<b>VI . Cash and cash equivalents at beginning of period</b>	174,535	140,478	174,535
<b>VII . Increase in cash and cash equivalents due to inclusion in consolidation</b>	—	19,409	14
<b>VIII . Increase in cash and cash equivalents due to merger of consolidated subsidiaries</b>	—	4	—
<b>IX . Decrease in cash and cash equivalents due to exclusion from consolidation</b>	△ 128	—	△ 128
<b>X . Cash and cash equivalents at end of the period</b>	<u><u>187,417</u></u>	<u><u>193,137</u></u>	<u><u>140,478</u></u>

## **Items related to the preparation of this summary of quarterly results**

### 1. Adoption of simplified accounting standards

In accordance with the standards for preparation of consolidated financial statements for the interim period, some simplified methods are used, as outlined below and restricted so as to not greatly mislead investors and other interested parties when making their own judgments.

-A simplified method is used in connection with accounting standards for corporate tax. (Use of legal effective tax rate in calculating corporate tax.)

### 2. Change in accounting methods from the most recent consolidated fiscal year

The method for classifying business segments has been changed from this consolidated fiscal year. The details are given in "4. Segment Information".

### 3. Changes in the scope of consolidation and equity method application

Number of consolidated companies added: 5

Nippon Oil LC Film(Suzhou)Corporation, IDOMCO Communications Corporation, Takanawa Energy Corporation, MOC Exploration (U.K.)Ltd., Nippon Oil Exploration (Myanmar) Ltd.

Number of consolidated companies removed: 4

Nippon Petroleum Gas Company, Ltd., Kadoya Sesame Mills Incorporated, Ryoyu Hanbai Kabushikigaisha, Ozawa & Company, Ltd.

Number of equity-method affiliates added: 2

Frontier Energy Niigata Co., Ltd., ENEOS Frontier Gunma Company, Ltd.

Number of equity-method affiliates removed: 3

Mitsubishi Liquefied Petroleum Gas Company, Ltd., MOC Exploration (U.K.)Ltd., Nippon Oil Exploration (Myanmar) Ltd.

## 4. Segment Information

[ Business Segment ]

(1) Previous 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 transfer	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

(2) Current third quarter (April 1, 2005 ~December 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	3,891,256	130,103	229,745	59,309	4,310,415	—	4,310,415
(2) Intergroup sales and transfer	6,368	—	566	11,227	18,162	(18,162)	—
Total sales	3,897,625	130,103	230,311	70,537	4,328,577	(18,162)	4,310,415
Operating expenses	3,741,256	64,238	228,709	65,305	4,099,509	(19,637)	4,079,871
Operating income (loss)	156,369	65,865	1,602	5,231	229,068	1,474	230,543

\*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, and financial services.

### 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 third quarter (April 1, 2004 ~December 31, 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	3,236,485	51,123	201,729	52,771	3,542,109	—	3,542,109
(2) Intergroup sales and transfers	6,153	—	1,695	11,221	19,069	(19,069)	—
Total sales	3,242,638	51,123	203,424	63,992	3,561,179	(19,069)	3,542,109
Operating expenses	3,114,793	29,232	202,864	60,150	3,407,041	(20,296)	3,386,744
Operating income (loss)	127,844	21,890	560	3,842	154,137	1,227	155,365

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 transfers	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 transfer	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