

Report on Performance in the First Quarter of Fiscal 2007

(from April 1, 2006 to June 30, 2006)

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

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NIPPON OIL
Your Choice of Energy

Performance in the 1st Quarter of Fiscal 2007

Ordinary income : ¥55.2 billion (¥17.4 billion less than 06FY 1Q)

Ordinary income : ¥28.3 billion (Up ¥ 4.7 billion from 06FY 1Q)
(Excluding inventory valuation factors)

- ◆ The positive effect of inventory valuation factors on profitability greatly decreased.
- ◆ Shrinkage in profit margin of Petroleum products due to in-house fuel cost rise, etc.
- ◆ Augmented production volume, and higher crude oil prices boosted E&P^{*} of oil and natural gas operation profitability.
*Exploration & Production
- ◆ Dividend income and other factors enhanced non-operating income and losses, net.

Highlights of Consolidated Income (FY07 1Q)

<'06/4-6>

(Billions of yen)

		FY06 1Q ('05/4-6)	FY07 1Q ('06/4-6)	Increase/ Decrease
Crude Oil Price	(\$ / Bbl)	48.1	63.7	+ 15.6
Exchange Rate	(Yen / \$)	106.7	115.2	+ 8.5
Sales volume excluding Barter trade & others	(10,000kl)	1,617	1,665	+ 48
Net Sales		1,237.8	1,506.9	+ 269.1
Operating income		70.3	43.4	- 26.9
(Inventory valuation factors)	()	(49.0)	(26.9)	(- 22.1)
(Excluding inventory valuation factors)	()	(21.3)	(16.5)	(- 4.8)
Non-Operating income and loss, net		2.3	11.8	+ 9.5
Ordinary income		72.6	55.2	- 17.4
(Excluding inventory valuation factors)	()	(23.6)	(28.3)	(+ 4.7)
Extraordinary income and loss, net		1.4	1.9	+ 0.5
Net income		39.9	28.7	- 11.2

Changes in Operating Income by Business Segment (YoY) FY07 1Q <'06/4-6>

FY06 1Q FY07 1Q

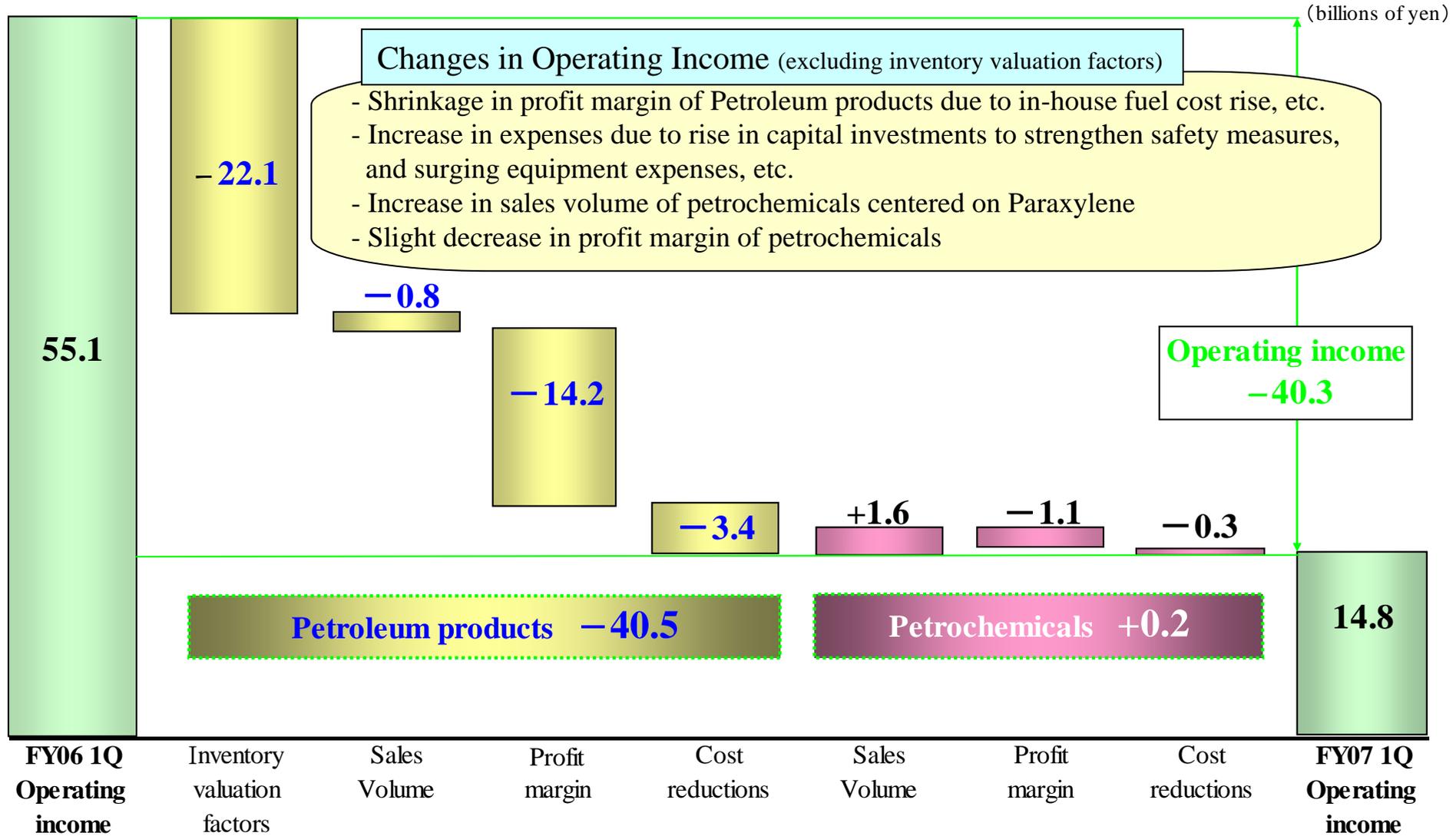
Operating Income -26.9 billion yen (70.3 ⇒ 43.4 billion yen)

(billions of yen)

I . Refining & Marketing	- 40.3	(55.1 → 14.8)
1. Petroleum products	- 40.5	(44.3 → 3.8)
2. Petrochemicals	+ 0.2	(10.8 → 11.0)
II . E&P of Oil & Natural Gas	+ 13.2	(15.6 → 28.8)
III . Construction & Others	+ 0.2	(-0.4 → -0.2)

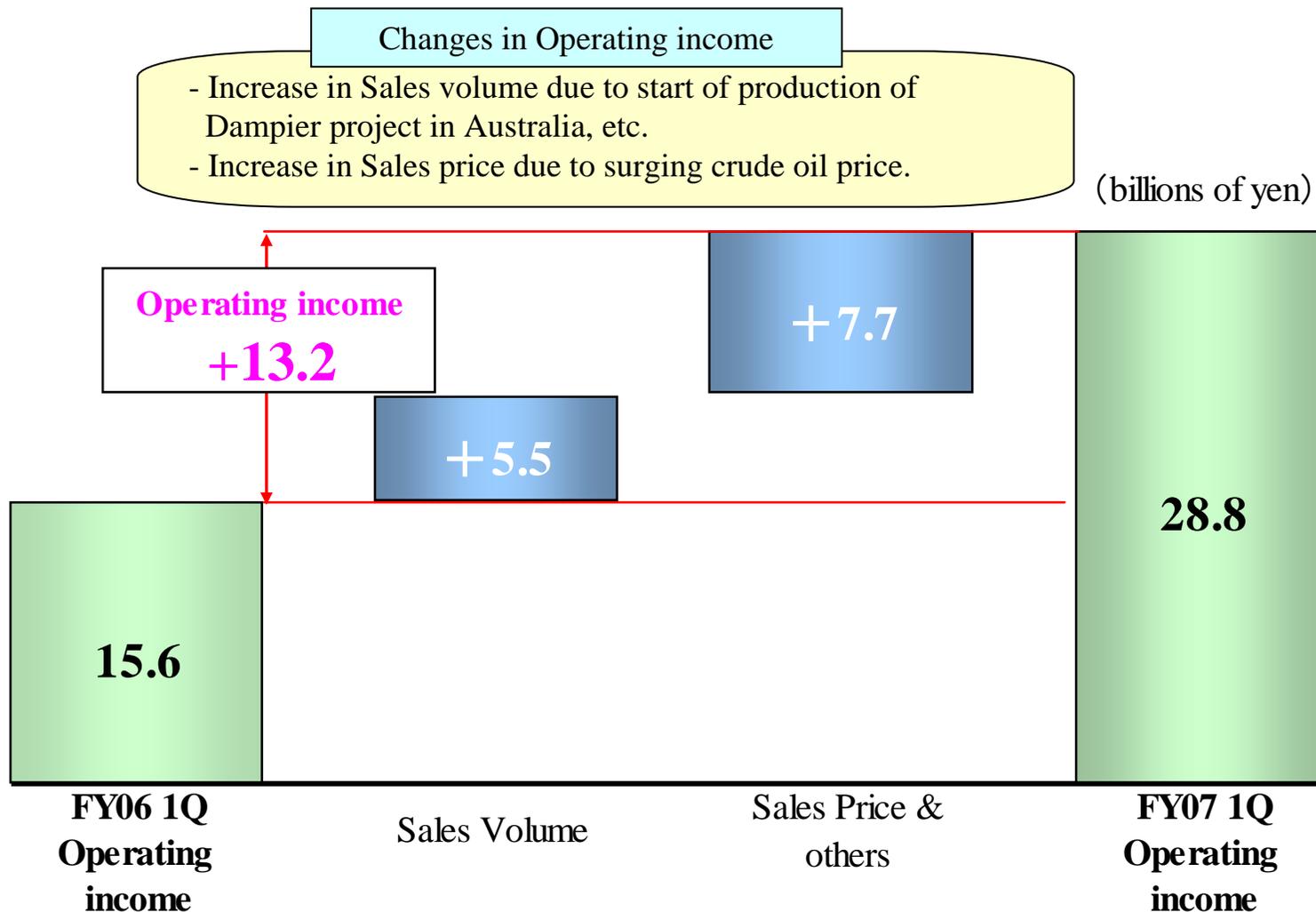
Analysis of Changes in Operating Income

- Refining and Marketing (YoY) FY07 1Q



Analysis of Changes in Operating Income

- E&P of Oil and Natural Gas (YoY) FY07 1Q



Fiscal 2007 Performance Forecast

- revised from previous forecast announced in April

Forecast Ordinary income : ¥206.0 billion

(Up ¥69.0 billion from the previous forecast)

Forecast Ordinary income : ¥162.0 billion (¥1.0 billion less than previous forecast)

(Excluding inventory valuation factors)

◆ Revision of crude oil price assumptions

WTI (since July 06)	\$70/Bbl	←	\$60/Bbl
Dubai (loaded since Aug 06)	\$65/Bbl	←	\$55/Bbl
Crude Oil Cost (yearly average)	\$65.7/Bbl	←	\$56.5/Bbl

- ◆ The positive effect of inventory valuation factors greatly increased.
- ◆ Shrinkage in profit margin of Petroleum products due to in-house fuel cost rise, and time lag between the cost increase and selling price, etc.
- ◆ The current strong market for petrochemicals is expanding profit margins.
- ◆ Increased profitability in oil and natural gas E&P operations.

Forecast for Consolidated Income (1st Half / Yearly)

<'06/4-9> <'06/4-'07/3>

(billions of yen)

	1st Half (Forecast)	Changes from Original Forecast	Yearly (Forecast)	Changes from Original Forecast
Crude Oil Price (\$ / Bbl)	65.5	+ 8.2	65.7	+ 9.2
Exchange Rate (Yen / \$)	114.9	- 1.0	115.0	- 0.4
Sales volume excluding Barter trade & others (10,000kl)	3,320	+ 40	6,880	+ 40
Net Sales	2,970.0	+ 160.0	6,560.0	+ 430.0
Operating income	89.0	+ 63.0	182.0	+ 67.0
(Inventory valuation factors)	(49.0)	(+ 67.0)	(44.0)	(+ 70.0)
(Excluding inventory valuation factors)	(40.0)	(- 4.0)	(138.0)	(- 3.0)
Non-Operating income and loss, net	15.0	- 2.0	24.0	+ 2.0
Ordinary income	104.0	+ 61.0	206.0	+ 69.0
(Excluding inventory valuation factors)	(55.0)	(- 6.0)	(162.0)	(- 1.0)
Extraordinary income and loss, net	- 3.0	- 2.0	- 6.0	+ 3.0
Net income	51.0	+ 29.0	98.0	+ 28.0

Changes in Original Forecast for Operating Income by Business Segment FY07

FY07(Original) FY07(Current)

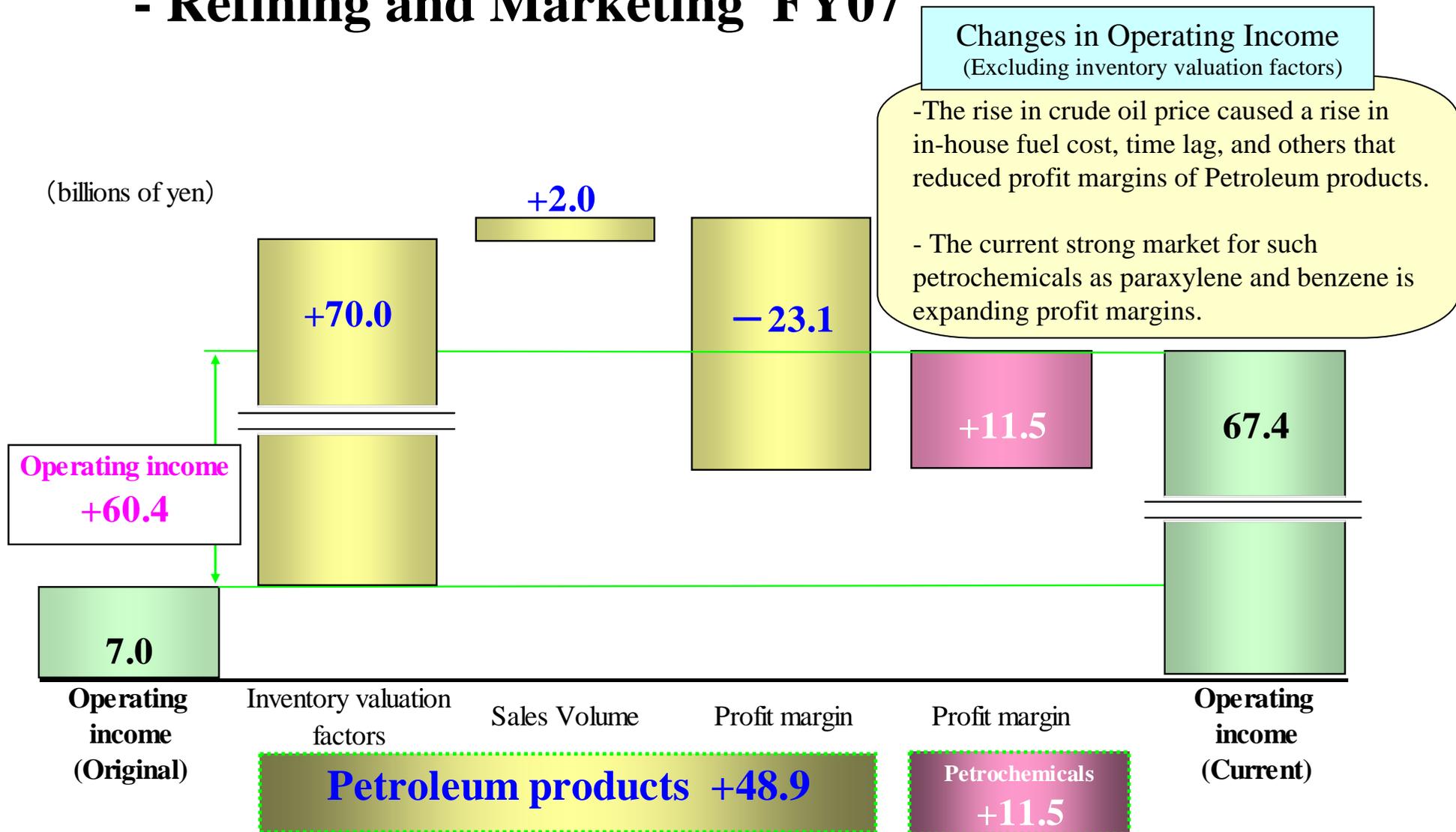
Operating Income +67.0 billion yen (115.0 ⇒ 182.0 billion yen)

(billions of yen)

I . Refining & Marketing	+ 60.4	(7.0 → 67.4)
1. Petroleum products	+ 48.9	(-28.5 → 20.4)
2. Petrochemicals	+ 11.5	(35.5 → 47.0)
II . E&P of Oil & Natural Gas	+ 7.2	(94.0 → 101.2)
III . Construction & Others	- 0.6	(14.0 → 13.4)

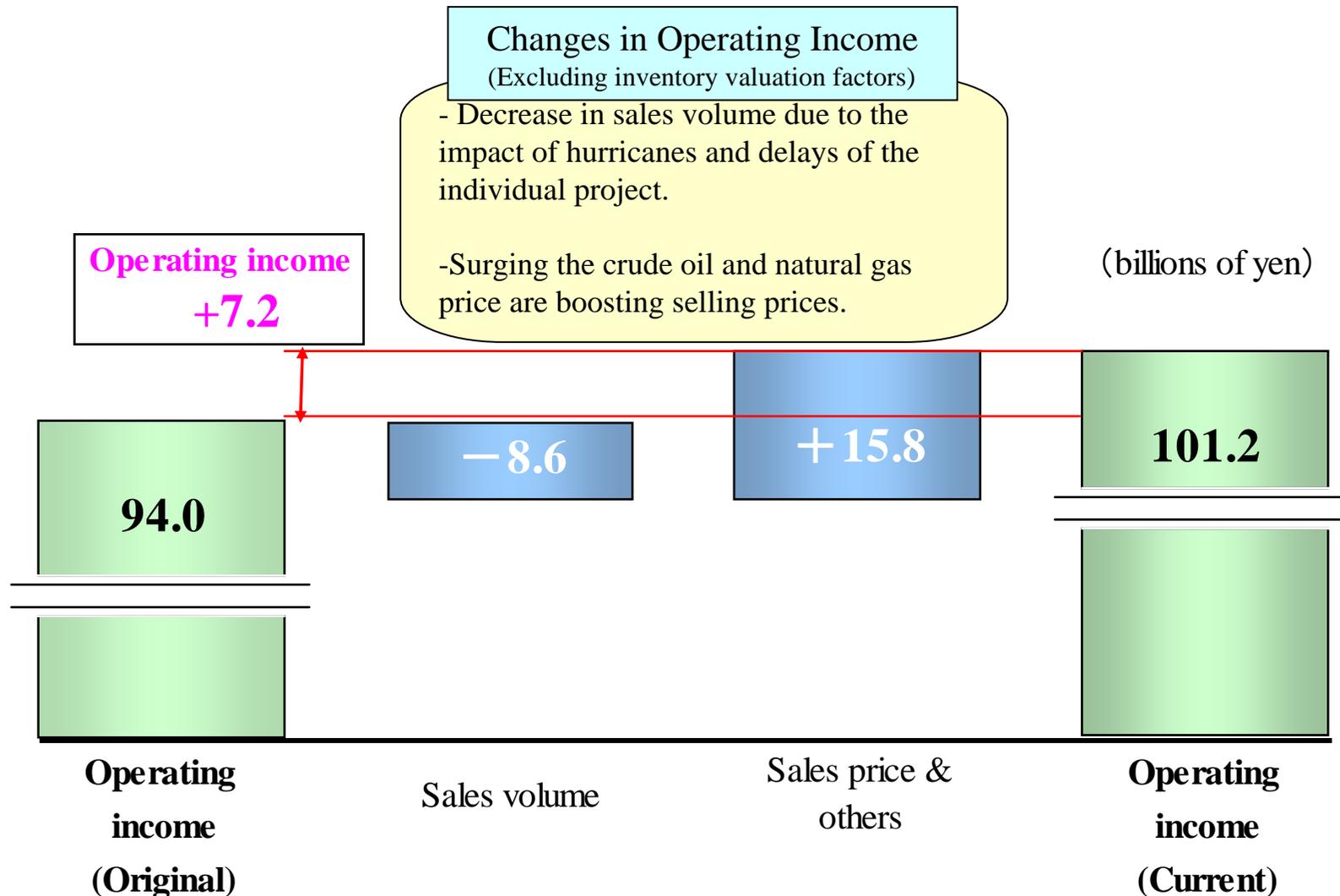
Changes in Original Forecast for Operating Income

- Refining and Marketing FY07



Changes in Original Forecast for Operating Income

- E&P of Oil and Natural Gas FY07



Cautionary Note on Forward-Looking Statements

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.

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Report on Performance in the First Quarter of Fiscal 2007

(from April 1,2006 to June 30, 2006)

Supplementary Information

July 31, 2006

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Supplementary Information (1)

Net Sales by Business Segment (YoY) FY07 1Q and Forecast for FY07

(1) FY 07 1Q (YoY)

(billions of yen)

Total						1,506.9 (+269.1)
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other	
Petroleum products	Petrochemicals					
1,273.9 (+228.2)	107.6 (+14.2)	1,381.5 (+242.4)	49.4 (+17.4)	57.2 (+6.7)	18.8 (+2.6)	

*Exploration & Production

(2) Forecast for 07 FY (Changes from original forecast)

(billions of yen)

Total						6,560.0 (+430.0)
Refining and Marketing			E&P of Oil and Natural Gas	Construction	Other	
Petroleum products	Petrochemicals					
5,480.0 (+420.0)	450.0 (+30.0)	5,930 (+450.0)	190.0 (±0)	380.0 (±0)	60.0 (-20.0)	

Supplementary Information (2)

Sales Volume by Petroleum Product Type

Unit : 10,000KL

Products	FY06 1Q (05/4-6)	FY07 1Q (06/4-6)	Change %	FY07 Original Forecast	FY07 Current Forecast	Change %
Gasoline	353	355	+ 0.3	1,480	1,477	- 0.2
High Octane	70	64	- 9.0	288	282	- 2.3
Regular	280	287	+ 2.6	1,178	1,181	+ 0.3
Naphtha	47	48	+ 1.7	193	193	- 0.2
JET	27	28	+ 4.2	109	111	+ 2.1
Kerosine	121	123	+ 1.4	737	749	+ 1.7
Diesel Fuel	207	207	+ 0.2	834	838	+ 0.6
Heavy fuel oil A	187	178	- 5.2	773	777	+ 0.5
Heavy fuel oil C	205	195	- 4.8	639	665	+ 3.9
For Electric Power	96	101	+ 5.2	262	286	+ 9.1
For General Use	109	94	- 13.7	377	379	+ 0.3
Total - Domestic Fuel Oil	1,147	1,134	- 1.3	4,765	4,810	+ 0.9
Crude Oil	53	61	+ 15.0	155	160	+ 3.4
Lubricants,Petrochemicals & others	417	470	+ 12.7	1,920	1,910	- 0.5
Total - Excluding Barter trade & others	1,617	1,665	+ 2.9	6,840	6,880	+ 0.6
Barter trade & others	456	479	+ 5.2	2,110	2,090	- 1.1
Total	2,073	2,144	+ 3.4	8,950	8,970	+ 0.2

Supplementary Information (3)

Fuel Oil Demand, Nippon Oil Sales, Share of Sales

Unit: %

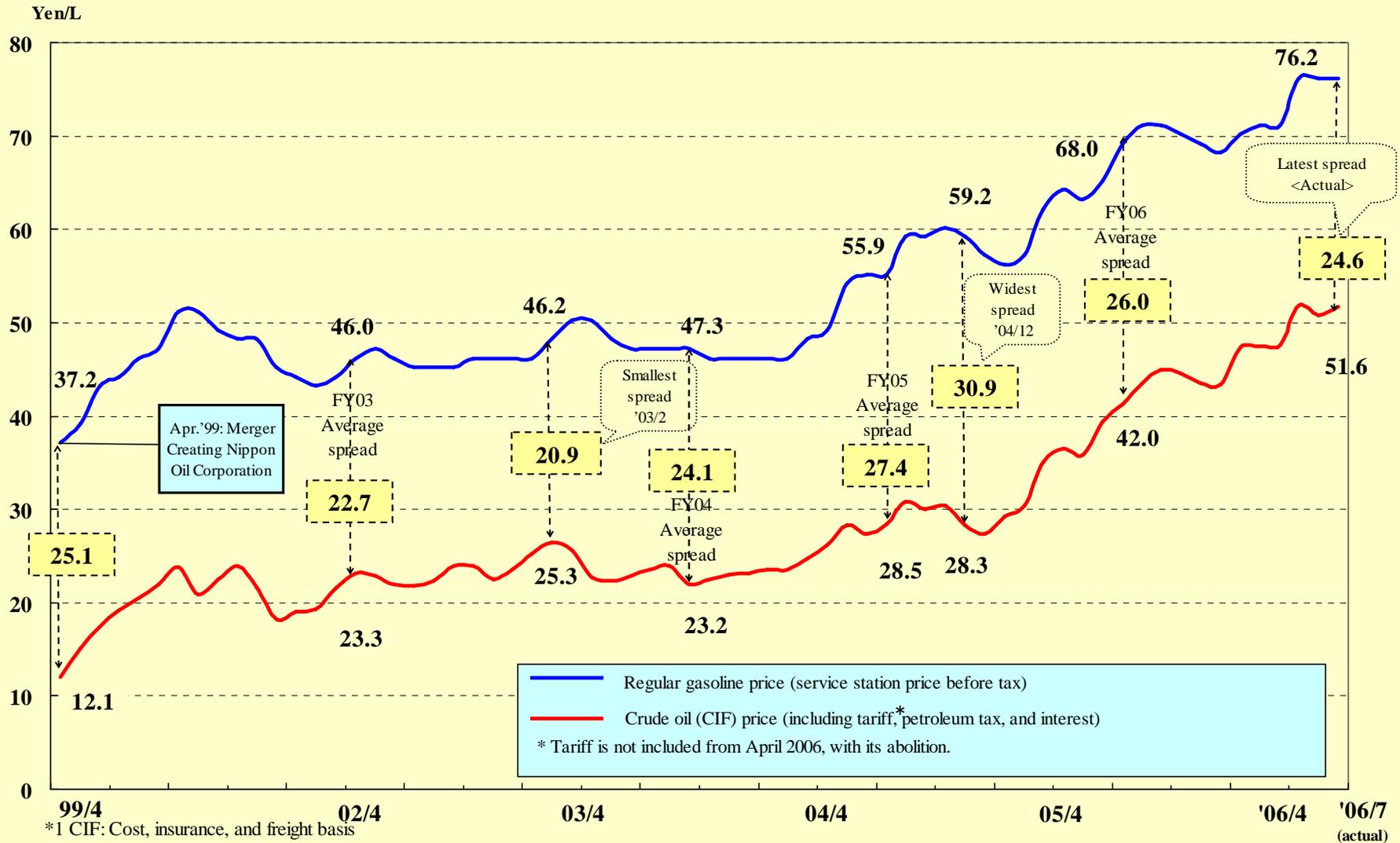
Type	Fuel Oil Demand (FY07 1Q/YoY) *	Nippon Oil Sales (FY07 1Q/YoY)	Share of Sales (Consumption Basis)		
			FY05 (^{'04/4} - ^{'05/3})	FY06 (^{'05/4} - ^{'06/3})	FY07 1Q (^{'06/4} - ^{'06/6})
Total	- 2.7	- 1.3	23.4	23.5	23.9
Gasoline	- 0.7	+ 0.3	23.9	23.6	23.8
Kerosine	- 2.5	+ 1.4	27.6	27.7	31.4
Diesel Fuel	- 2.0	+ 0.2	23.0	23.2	23.3
Heavy Fuel Oil A	- 9.2	- 5.2	30.4	29.1	30.1
Heavy Fuel Oil C	- 1.4	- 4.8	29.9	32.6	31.8

Source: Agency of Natural Resources and Energy

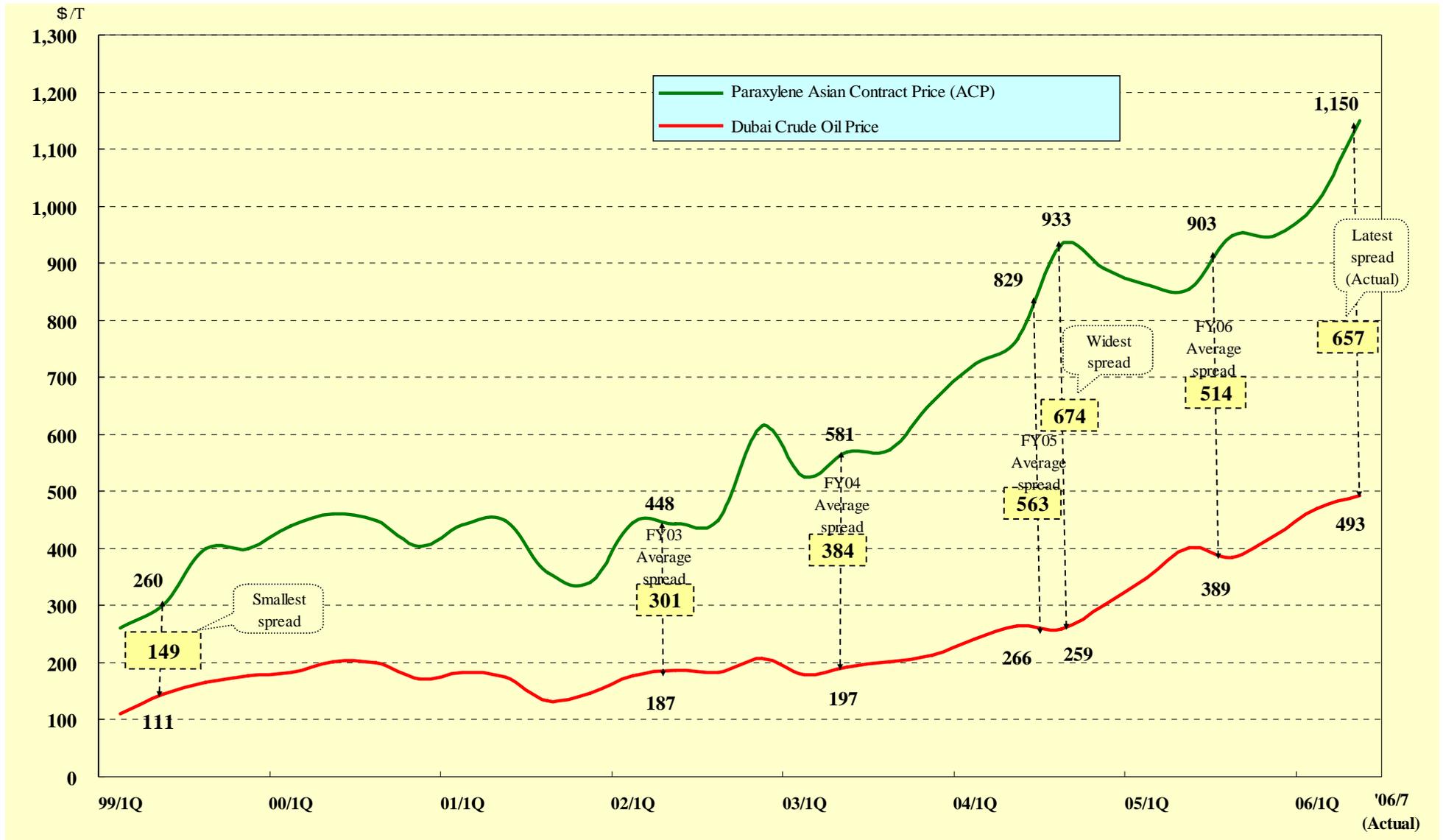
* The demand of June is the company's estimated basis.

Supplementary Information (4)

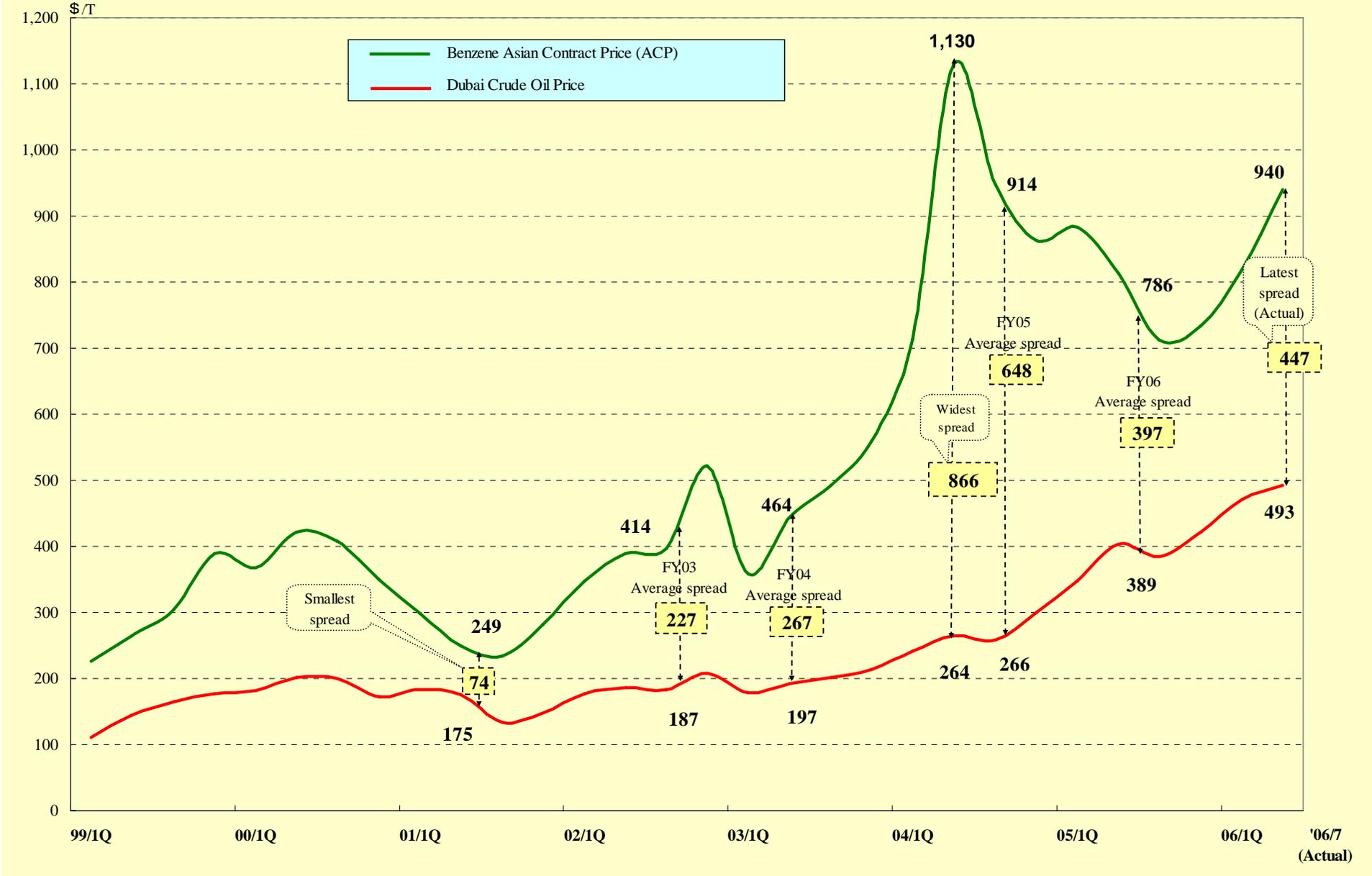
< Spread (Retail Gasoline Price – Crude Oil CIF Price) >



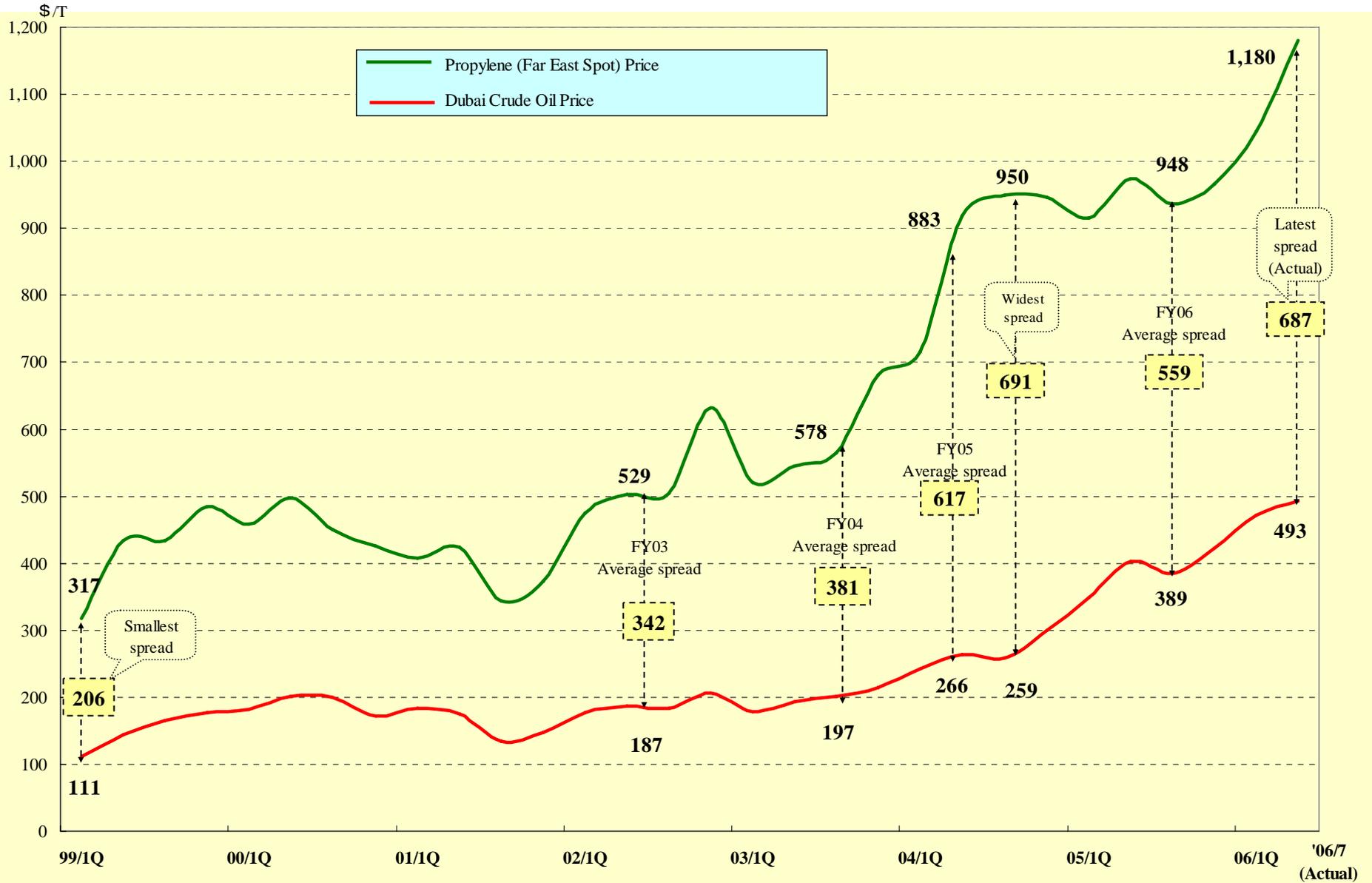
< Spread (PX Price – Dubai Crude Oil Price) >



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



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



Supplementary Information (5)

< Number of Service Stations (Fixed-Type) >

	FY04 (’03/4 – ’04/3)	FY05 (’04/4 – ’05/3)	FY06 (’05/4 – ’06/3)	FY07 1Q (’06/4 – ’06/6)
Nippon Oil	11,333	11,059	10,807	10,700
Company-Owned Service Stations	2,607	2,518	2,436	2,410

< Number of Self Service Stations >

	FY04 (’03/4 – ’04/3)	FY05 (’04/4 – ’05/3)	FY06 (’05/4 – ’06/3)	FY07 1Q (’06/4 – ’06/6)
Nippon Oil	520	651	794	853
Total for Japan	3,423	3,493 *	4,257 *	4,530 *

*This figure includes only self-service stations that are affiliated to oil wholesale companies

Sources : Agency of National Resources and Energy, *The Daily Nenryo Yushi*

< Number of Dr. Drive Service Stations >

	FY04 (’03/4 – ’04/3)	FY05 (’04/4 – ’05/3)	FY06 (’05/4 – ’06/3)	FY07 1Q (’06/4 – ’06/6)
Nippon Oil	1,871	1,963	2,505	2,504

Supplementary Information (6)

< Refinery Utilization Rates >

Unit: %

	FY04 ('03/4 - '04/3)	FY05 ('04/4 - '05/3)	FY06 ('05/4 - '06/3)	FY07 1Q ('06/4 - '06/6)
Nippon Oil Group	83	87	88	85

< Number of Depots >

	'04/4	'05/4	'06/4	FY07 1Q
Nippon Oil	51	50	50	49

< E&P of Oil and Natural Gas - Production Volume >

Unit: Thousand BD

	'03/1-12	'04/1-12	'05/1-12	'06/1-3
Nippon Oil Group	66	111	156	164

* PC Basis

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