

Report on Performance in the Third Quarter of Fiscal 2006

(from April 1,2006 to December 31,2006)

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February 2, 2007



NIPPON OIL
Your Choice of Energy

Performance in the 1Q-3Q of Fiscal 2006

<'06/4~'06/12>

Ordinary income : ¥155.3 billion (¥73.6 billion less than FY05 1Q-3Q)

<'05/4~'05/12>

Ordinary income : ¥143.7 billion (Up ¥ 50.4 billion from FY05 1Q-3Q)

(Excluding inventory valuation factors)

<'05/4~'05/9>

- ◆ The operating income of Refining & Marketing decreased, due to the decrease of positive effect of inventory valuation factors. Excluding the inventory valuation factor, the operating income of Refining & Marketing increased slightly because expanded profit margins for petrochemicals covered the negative effect of the decrease in sales volume of petroleum products.
- ◆ Higher crude oil prices boosted E&P^{*} of oil and natural gas operation profitability.
- ◆ Dividend income and other factors enhanced non-operating income and losses, net.

*Exploration & Production

Highlights of Consolidated Income (1Q-3Q)

<'06/4~'06/12>

	05FY 1Q-3Q ('05/4-'05/12)	06FY 1Q-3Q (06/4-12)		Increase/ Decrease
			06/10 - 12	
Crude Oil Price (\$ / Bbl)	52.7	63.5	58.3	+ 10.8
Exchange Rate (Yen / \$)	111.0	116.1	117.5	+ 5.1
Sales volume excluding Barter trade & others (10,000kl)	5,294	5,016	1,718	- 278
Net Sales	(Yen billion) 4,310.4	(Yen billion) 4,881.2	(Yen billion) 1,682.9	(Yen billion) +570.8
Operating income	230.5	130.1	15.3	- 100.4
(Inventory valuation factors)	(135.6)	(11.6)	(-50.3)	(-124.0)
(Excluding inventory valuation factor)	(94.9)	(118.5)	(65.6)	(+23.6)
Non-Operating income and loss, net	- 1.6	25.2	8.0	+ 26.8
Ordinary income	228.9	155.3	23.3	- 73.6
(Excluding inventory valuation factor)	(93.3)	(143.7)	(73.6)	(+50.4)
Extraordinary income and loss, net	- 3.1	- 0.9	- 0.2	+ 2.2
Net income	121.3	71.6	7.5	- 49.7

Changes in Operating Income

by Business Segment (YoY) FY06 1Q-3Q

<'06/4~'06/12>

FY05 1Q-3Q
<'05/4 - '05/12>

FY06 1Q-3Q
<'06/4 - '06/12>

Operating Income -100.4 billion yen (230.5 ⇒ 130.1 billion yen)

(Operating Income
Excluding inventory valuation factors +23.6 billion yen)

	(billions of yen)		(billions of yen)
	Operating income		Ordinary income
I . Refining & Marketing	-122.4	(156.4 → 34.0)	48.8
Excluding Inventory valuation factors	+1.6	(20.8 → 22.4)	37.2
Petrochemicals	+15.1	(29.2 → 44.3)	44.3
II . E&P of Oil & Natural Gas	+23.1	(65.9 → 89.0)	99.6
III . Construction & Others	-1.1	(8.2 → 7.1)	6.9

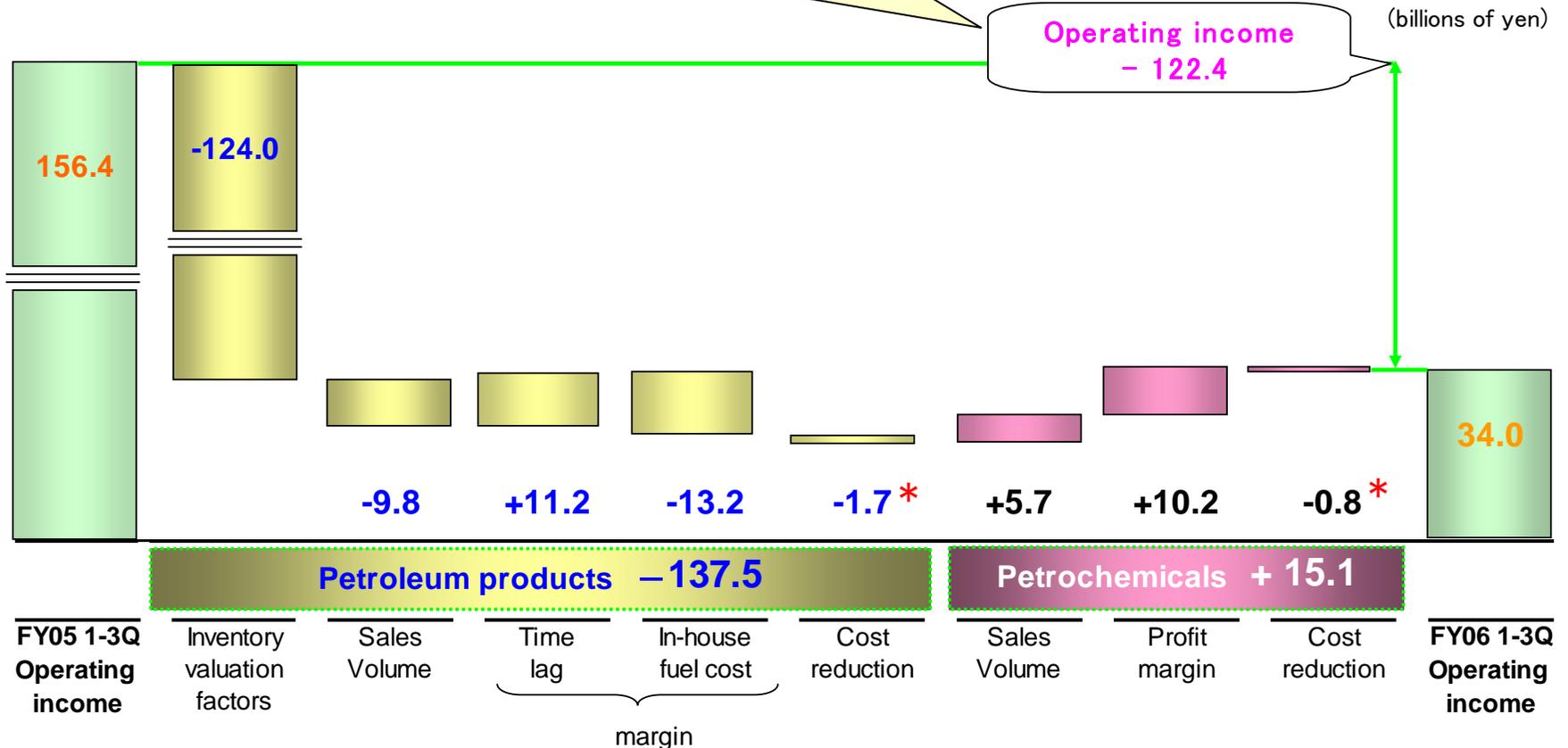
Analysis of Changes in Operating Income

- Refining and Marketing (YoY) FY06 1Q-3Q

<'06/4~'06/12>

- The positive effect of inventory valuation factors on profitability greatly decreased.
- Decrease in sales volume of most petroleum products
- Increase in profit margin of petrochemicals centered on Paraxylene and Propylene

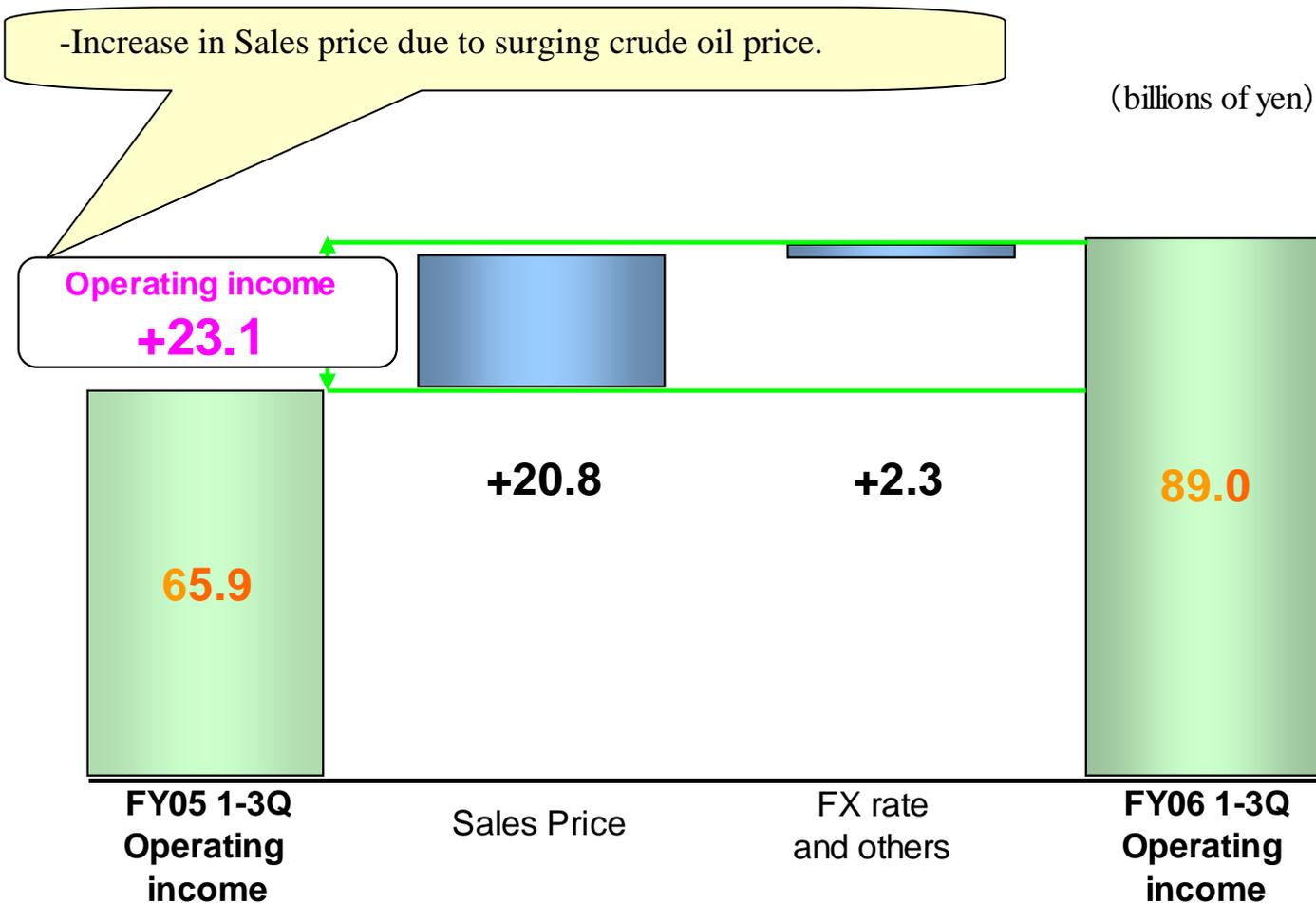
- * Cost reductions & Improvements in Efficiency → - 1.4 (Cost Up)
- Petroleum Products - 1.7
- Petrochemicals - 0.8
- Construction & others + 1.1



Analysis of Changes in Operating Income

- E&P of Oil and Natural Gas (YoY) FY06 1Q-3Q

<'06/4~'06/12>



Fiscal 2006 Performance Forecast

<'06/4~'07/3>

- revised from previous forecast announced in Oct

Forecast Ordinary income : ¥185.0 billion

(Up ¥1.0 billion from the previous forecast)

Forecast Ordinary income : ¥190.0 billion (Up ¥10 billion from the previous forecast)

(Excluding inventory valuation factors)

◆ Revision of crude oil price and FX rate assumptions

	2006 Yearly average	
	(Revised forecast)	(Previous forecast)
WTI	\$66.3/Bbl	← \$66.2/Bbl
Crude Oil Cost (After Feb'07:Dubai Crude Oil Price=55\$/B)	\$61.4/Bbl	← \$61.1/Bbl
FX rate (After Feb'07:120Yen/\$)	119 Yen/\$	← 120 Yen/\$

◆ The positive effect of inventory valuation factors greatly decreased and sales volume of petroleum products centered on Middle Distillates decreased.

⇒ Operating income of Refining & Marketing decreased.

◆ The increase in sales volume and cost reductions boosted profitability in oil and natural gas E&P operations.

◆ Cost reductions & Improvements in Efficiency are expected to be ¥-4.0 billion less than previous forecast. (¥-2.0 billion(announced in Oct) ⇒ ¥-6.0 billion)

Forecast for Consolidated Income (Yearly)

<'06/4-'07/3>

	05FY ('05/4-'06/3)	Changes	06FY ('06/4-'07/3)	Changes	06FY ('06/4-'07/3) (Announced in Oct)
Crude Oil Price (\$ / Bbl)	54.0	+7.4	61.4	+0.3	61.1
Exchange Rate (Yen / \$)	112.7	+4.2	116.9	-0.6	117.5
Sales volume excluding Barter trade & others (10,000kl)	7,285	-505	6,780	-90	6,870
					(JPY billion)
Net Sales	6,118.0	+522.0	6,640.0	-90.0	6,730.0
Operating income	303.9	-143.9	160.0	±0.0	160.0
(Inventory valuation factors)	(166.4)	(-171.4)	(-5.0)	(-9.0)	(4.0)
(Excluding inventory valuation factors)	(137.5)	(+27.5)	(165.0)	(+9.0)	(156.0)
Non-Operating income and loss, net	5.2	+19.8	25.0	+1.0	24.0
Ordinary income	309.1	-124.1	185.0	+1.0	184.0
(Excluding inventory valuation factors)	(142.7)	(+47.3)	(190.0)	(+10.0)	(180.0)
Extraordinary income and loss, net	-10.8	+0.8	-10.0	±0.0	-10.0
Net income	166.5	-88.5	78.0	+1.0	77.0
ROE	16.0%	-9.4%	6.6%	±0.0%	6.6%

(07/1-3)
55.6

(07/1-3)
119.3

Changes in Original Forecast for Operating Income by Business Segment FY06

<'06/4~'07/3>

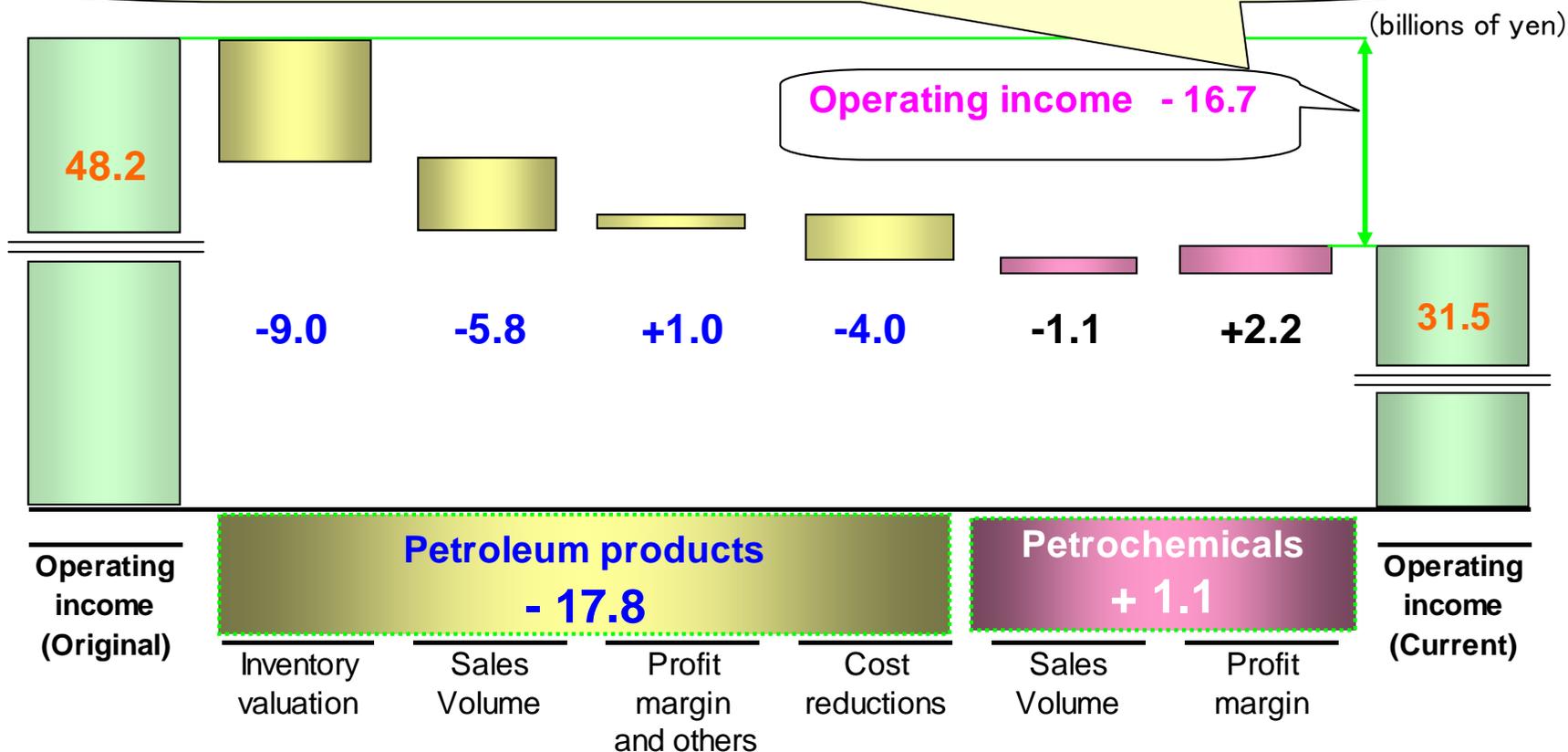
FY06(Announced in Oct) FY06(Current)
Operating Income ± 0 (160.0 \Rightarrow 160.0 billion yen)
 (Operating Income
 Excluding inventory valuation factors **+9.0 billion yen**)

	(billions of yen)		(billions of yen)
	Operating income		Ordinary income
I . Refining & Marketing	-16.7	(48.2 \rightarrow 31.5)	45.9
Excluding Inventory valuation factors	-7.7	(44.2 \rightarrow 36.5)	50.9
Petrochemicals	+1.1	(62.8 \rightarrow 63.9)	63.6
II . E&P of Oil & Natural Gas	+16.8	(97.9 \rightarrow 114.7)	125.6
III . Construction & Others	-0.1	(13.9 \rightarrow 13.8)	13.5

Changes in Original Forecast for Operating Income

- Refining and Marketing FY06 <'06/4-'07/3>

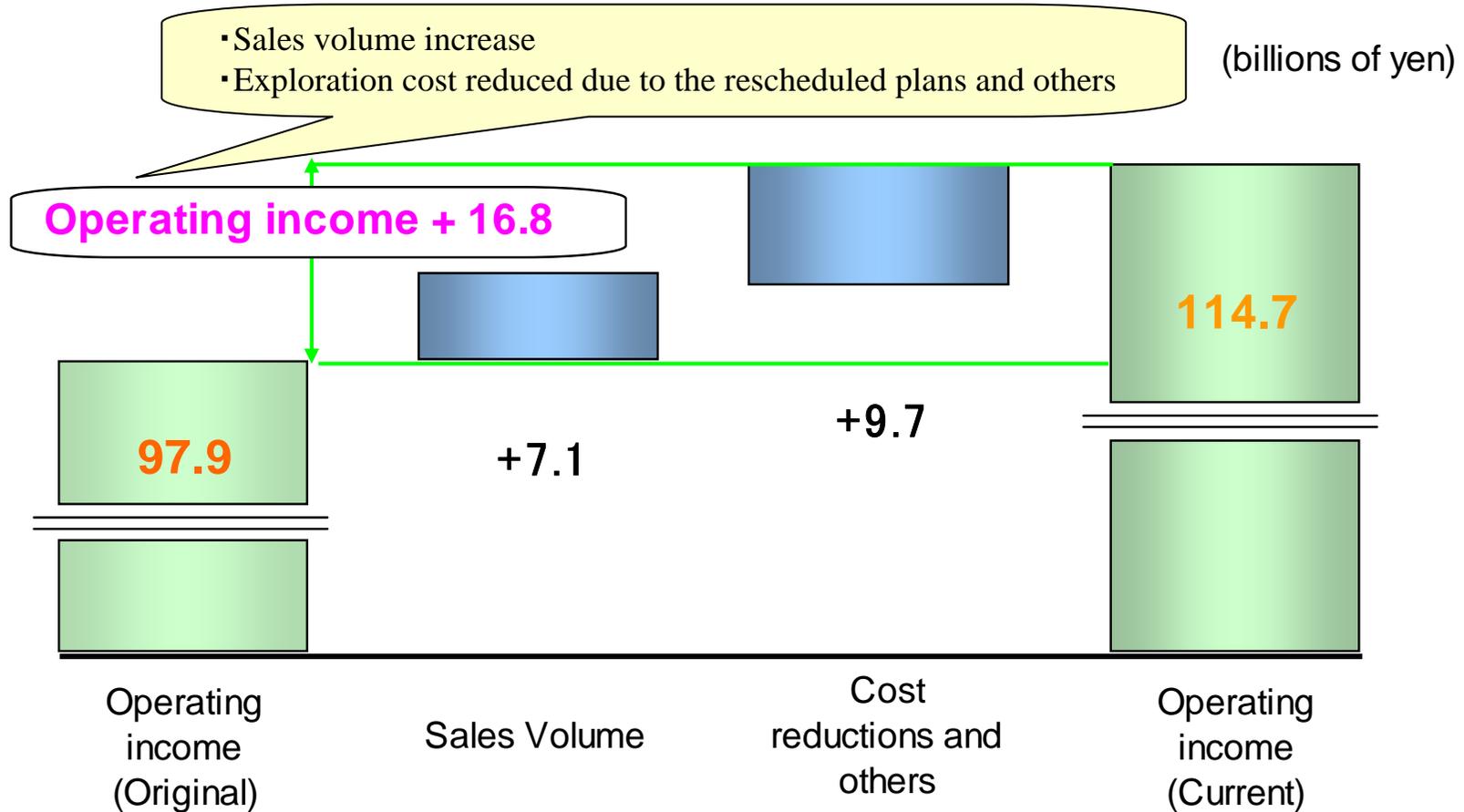
- The effect of inventory valuation factors turn to be negative on profitability from positive effect
- Sales volume of petroleum products centered on Middle Distillates decrease
- To strengthen safety measures, costs such as maintenance for refineries increase



Changes in Original Forecast for Operating Income

- E&P of Oil and Natural Gas FY06

<'06/4-'07/3>



Cautions with Respect to Forward-Looking Statement

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Report on Performance in the Third Quarter of Fiscal 2006

(from April 1,2006 to December 31, 2006)

Supplementary Information

February 2, 2007

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Supplementary Information (1)

Net Sales and Operating Income by Business Segment (YoY) FY06 1-3Q

(1) Net Sales (YoY)

(billions of yen)

Total						4,881.2 (+570.8)
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other	
Petroleum products	Petrochemicals					
4,099.4 (+513.5)	349.0 (+43.6)	4,448.4 (+557.1)	152.7 (+22.6)	235.1 (+5.4)	45.0 (-14.3)	

*Exploration & Production

(2) Operating Income(YoY)

Total						130.1 (-100.4)
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other	
Petroleum products	Petrochemicals					
-10.3 (-137.5)	44.3 (+15.1)	34.0 (-122.4)	89.0 (+23.1)	2.1 (+0.5)	5.0 (-1.6)	

Supplementary Information (1)

Net Sales and Operating Income by Business Segment (YoY) FY06 3Q

(1) Net Sales(YoY)

(billions of yen)

Total					
1,682.9 (+73.5)					
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other
Petroleum products	Petrochemicals				
1,403.4 (+71.4)	119.0 (+8.8)	1,522.4 (+80.2)	56.1 (+2.1)	90.3 (+1.1)	14.1 (-9.9)

*Exploration & Production

(2) Operating Income(YoY)

Total					
15.3 (-69.7)					
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other
Petroleum products	Petrochemicals				
-39.3 (-79.4)	15.7 (+5.5)	-23.6 (-73.9)	34.0 (+3.9)	2.7 (+0.7)	2.2 (-0.4)

Supplementary Information (1)

Net Sales and Operating Income by Business Segment

– Forecast for **FY06**
(billions of yen)

(1) Net Sales(Changes from previous forecast)

Total						6,640.0 (-90.0)
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other	
Petroleum products	Petrochemicals					
5,530.0 (-110.0)	460.0 (±0.0)	5,990.0 (-110.0)	200.0 (+10.0)	390.0 (+10.0)	60.0 (±0.0)	

*Exploration & Production

(2) Operating Income(Changes from previous forecast)

Total						160.0 (±0.0)
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other	
Petroleum products	Petrochemicals					
-32.4 (-17.8)	63.9 (+1.1)	31.5 (-16.7)	114.7 (+16.8)	8.1 (-0.5)	5.7 (+0.4)	

Supplementary Information (2)

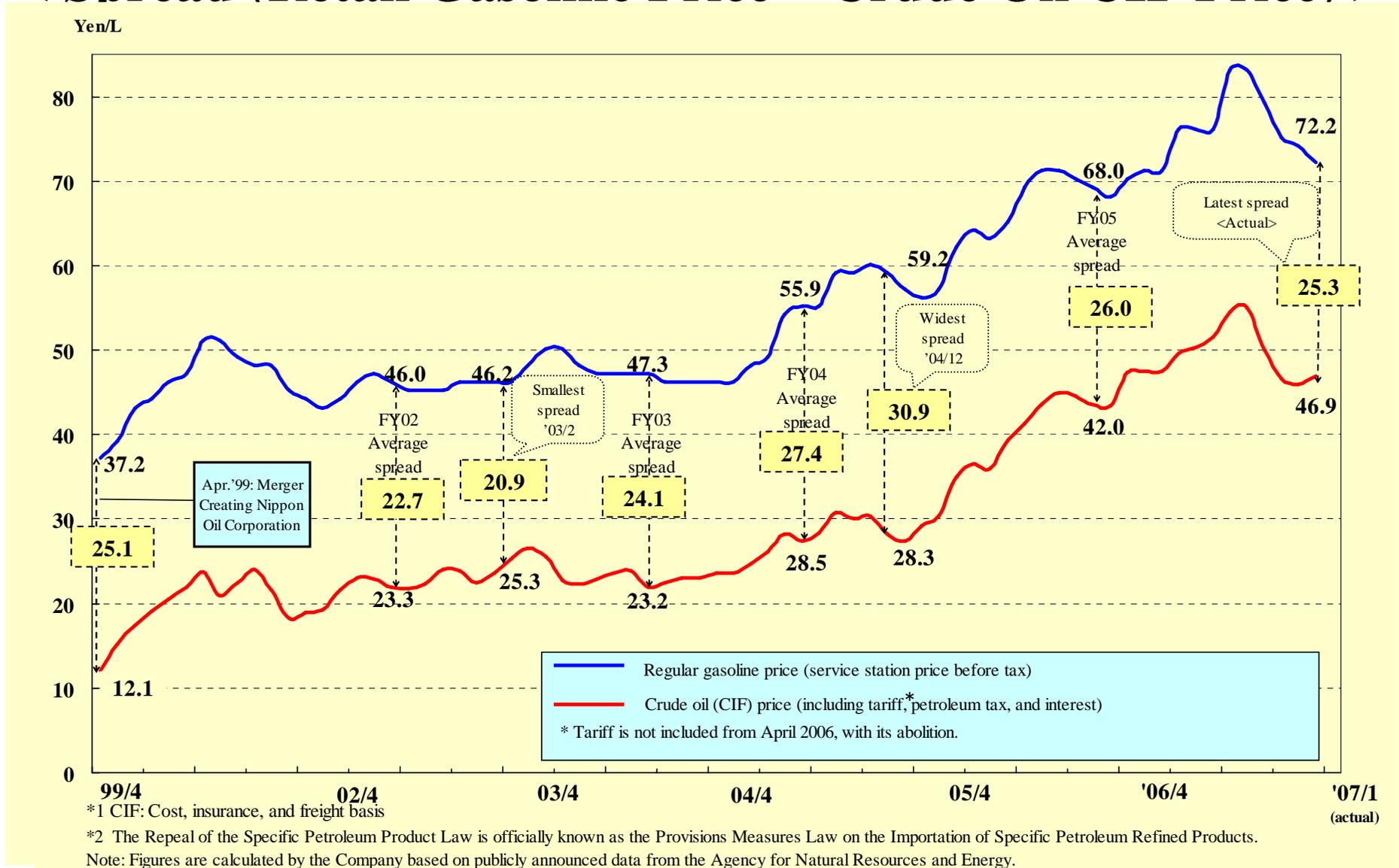
Sales Volume by Petroleum Product Type

Unit : 10,000KL

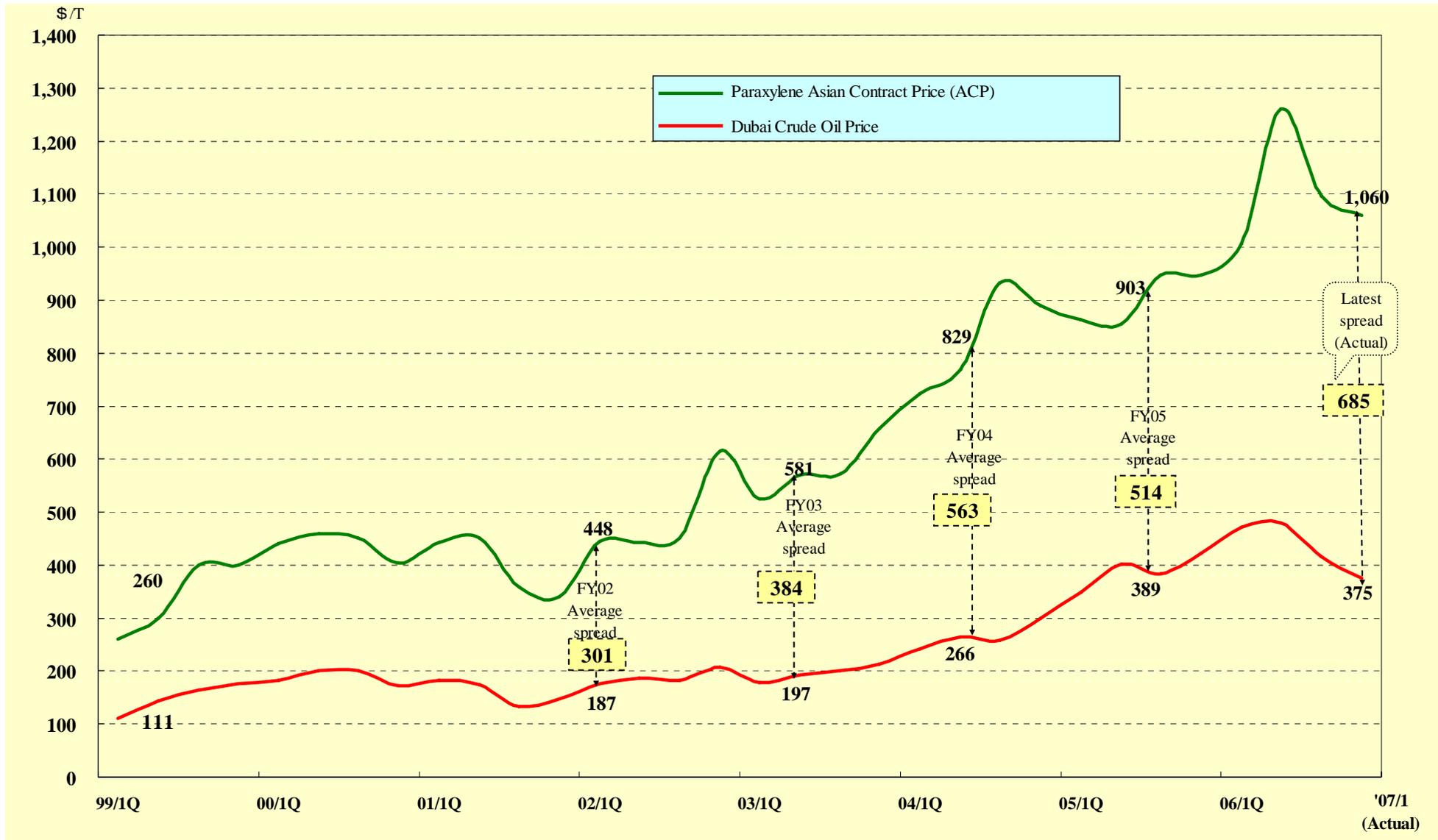
Products	FY06		Change (1-3Q)YoY %	FY07 Revised	
	1-3Q ('06/4-12)	3Q('06/10-12)		Forecast	Change from previous forecast %
Gasoline	1,082	348	-2.3	1,413	-1.4
High Octane	191	62	-10.1	249	-2.7
Regular	881	283	-0.5	1,149	-1.2
Naphtha	128	42	-18.7	185	-2.6
JET	91	30	+7.0	123	+1.7
Kerosine	380	188	-17.3	631	-9.5
Diesel Fuel	634	215	-3.3	839	-0.4
Heavy fuel oil A	517	177	-10.6	701	-5.9
Heavy fuel oil C	530	174	-17.0	694	+2.2
For Electric Power	266	85	-17.4	345	+3.6
For General Use	264	89	-16.6	349	+0.9
Total - Domestic Fuel Oil	3,362	1,174	-8.7	4,586	-2.6
Crude Oil	186	64	+24.5	234	+9.3
Lubricants & Specialities	201	70	-4.5	274	-1.1
Petrochemicals	285	98	-0.1	391	-1.3
Exported Fuel Oil & Others	982	312	+1.9	1,295	+1.5
Total - Excluding Barter trade & others	5,016	1,718	-5.2	6,780	-1.3
Barter trade & others	1,495	528	+5.7	2,050	-1.0
Total	6,511	2,246	-2.9	8,830	-1.2

Supplementary Information (3)

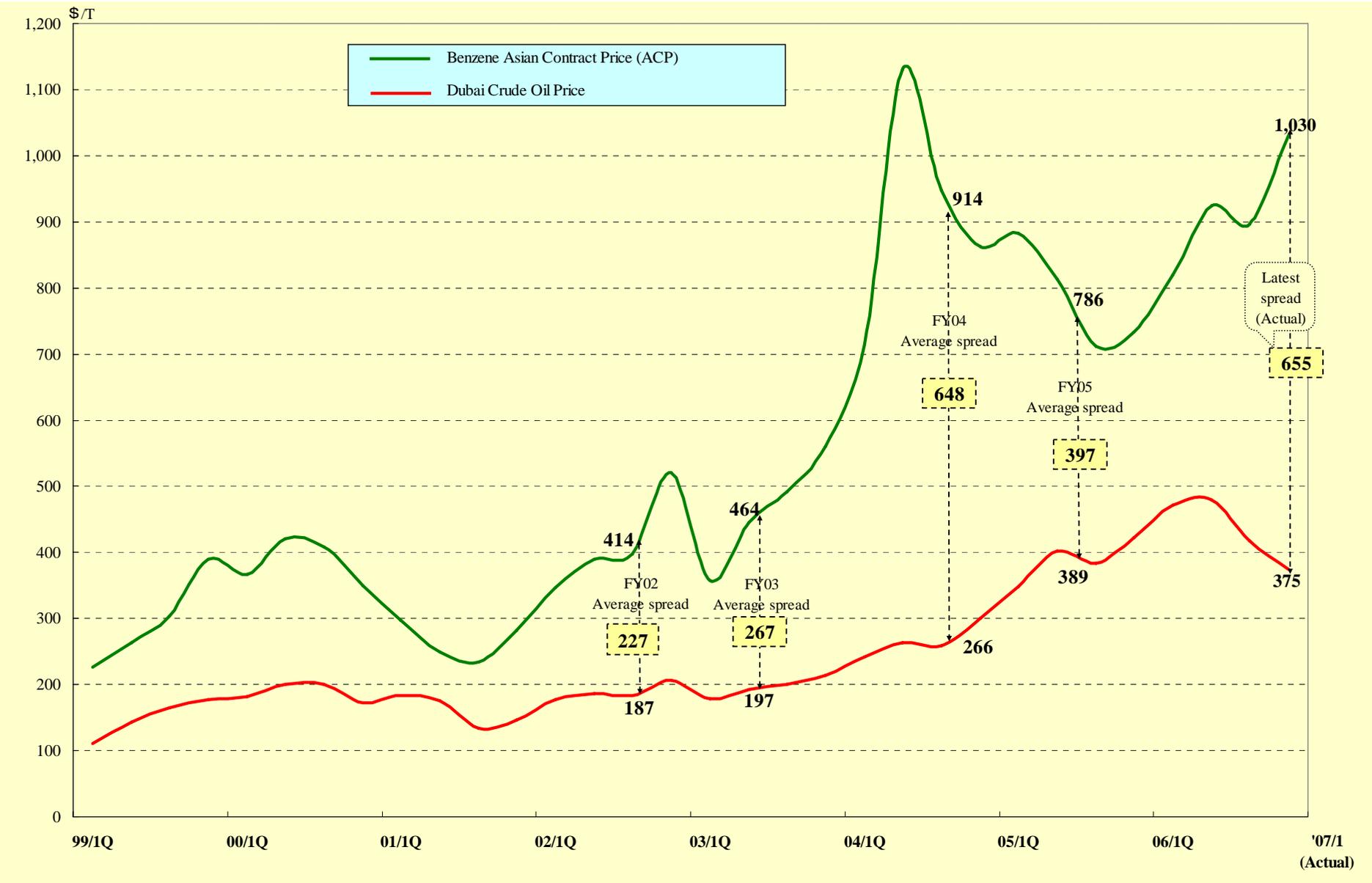
< Spread (Retail Gasoline Price — Crude Oil CIF Price) >



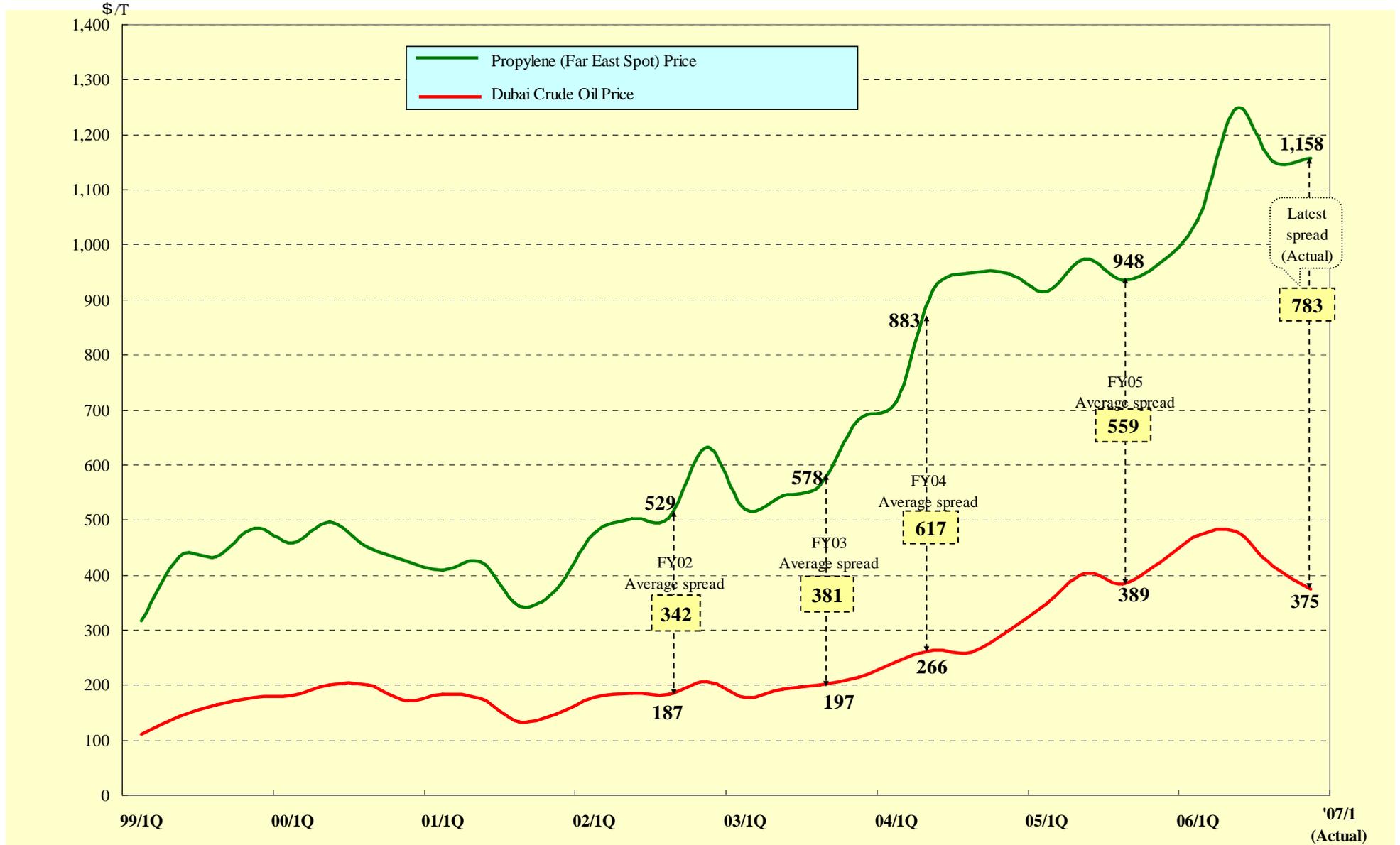
< Spread (PX Price – Dubai Crude Oil Price) >



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



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



Supplementary Information (4)

< Number of Service Stations (Fixed-Type) >

	FY03 ('04/3)	FY04 ('05/3)	FY05 ('06/3)	'06/9	'06/12
Nippon Oil	11,333	11,059	10,807	10,592	10,493
Company-Owned Service Stations	2,607	2,518	2,436	2,379	2,347

< Number of Self Service Stations >

	FY03 ('04/3)	FY04 ('05/3)	FY05 ('06/3)	'06/9	'06/12
Nippon Oil	520	651	794	917	1,025
Total for Japan *	3,423	3,493	4,257	4,798	5,203

*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 >

	FY03 ('04/3)	FY04 ('05/3)	FY05 ('06/3)	'06/9	'06/12
Nippon Oil	1,871	1,963	2,505	2,480	2,435

Supplementary Information (5)

< Refinery Utilization Rates >

Unit: %

	FY03 (^{'03/4} - ^{'04/3})	FY04 (^{'04/4} - ^{'05/3})	FY05 (^{'05/4} - ^{'06/3})	FY06 1H (^{'06/4} - ^{'06/9})	FY06 3Q (^{'06/10} - ^{'06/12})
Nippon Oil Group	83	87	88	83	81

< Number of Depots >

	'04/4	'05/4	'06/4	'06/9	'06/12
Nippon Oil	51	50	50	49	49

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

Unit: Thousand BD

	'03/1-12	'04/1-12	'05/1-12	'06/1-12
Nippon Oil Group	66	111	156	153

Cautionary Note on Forward-Looking Statements

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