

Flash Report for the first quarter of fiscal 2007 (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

- Adoption of simplified accounting standards: Simplified method was used in connection with accounting standards for corporate tax. (Use of legal effective tax rate in calculating corporate tax.)
- 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: 2
 - Number of equity-method affiliates removed: 1

2. Results for the first quarter of fiscal 2007 (from April 1, 2006 to June 30, 2006)

(1) Operating results (Consolidated Basis)

(Figures less than ¥1 million have been omitted)

	Net Sales		Operating income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of FY2007	1,506,903	21.7	43,362	(38.3)	55,229	(23.9)
First quarter of FY2006	1,237,828	19.4	70,264	103.0	72,579	103.1
Year ended March 31, 2006	6,117,988		303,930		309,088	

	Net income		Net income per share	Net income per share after dilution
	Millions of yen	%	Yen	Yen
First quarter of FY2007	28,692	(28.1)	19.71	—
First quarter of FY2006	39,930	63.0	27.26	—
Year ended March 31, 2006	166,510		114.08	—

Note: Percentage figures indicate increases/decreases in Net Sales, Operating income, Ordinary 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, 2006 to June 30, 2006), sales volume, excluding barter trade between oil companies, was 16.65 million KL, a 2.9% increase over the same period of the previous year, due to an increase in demand for Heavy fuel oil C from power companies and strong overseas market for exports.

Consolidated performance consisted of net sales of ¥1,506.9 billion and ordinary income of ¥55.2 billion, decrease of ¥17.4 billion over the same period of the previous year.

This was due to decrease of 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), while the Exploration and Production of oil and natural gas division profits increased.

(2) Financial position (Consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First quarter of FY2007	4,196,970	1,273,899	27.8	800.24
First quarter of FY2006	3,728,792	949,228	25.5	651.27
Year ended March 31, 2006	4,231,814	1,130,328	26.7	775.62

【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 FY2007	93,299	(24,506)	49,000	332,046
First quarter of FY2006	79,605	(34,023)	65,722	273,764
Year ended March 31, 2006	34,021	(115,073)	125,969	214,476

(Reference) Nonconsolidated results for the first quarter of fiscal 2007 (from April 1, 2006 to June 30, 2006)

	Net Sales		Operating income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
First quarter of FY2007	1,368,126	32.5	9,680	(44.5)	16,266	(22.6)
First quarter of FY2006	1,032,611	20.7	17,442	240.0	21,012	154.2
Year ended March 31, 2006	5,177,713		84,519		93,639	

	Net income		Total assets	Shareholders' equity
	Millions of yen	%	Millions of yen	Millions of yen
First quarter of FY2007	27,200	90.4	2,932,370	800,562
First quarter of FY2006	14,286	15.1	2,558,831	634,393
Year ended March 31, 2006	74,504		3,310,965	753,813

3. Forecasts of consolidated performance in fiscal 2007 (from April 1, 2006 to March 31, 2007)

(1) Forecasts of consolidated performance in the first half of fiscal 2007 (from April 1, 2006 to September 30, 2006)

	Net Sales	Ordinary Income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	2,970,000	104,000	51,000
Original forecast (B)	2,810,000	43,000	22,000
Forecast change (A-B)	160,000	61,000	29,000
Rate of forecast change (%)	5.7%	141.9%	131.8%

(2) Forecasts of consolidated performance in fiscal 2007 (from April 1, 2006 to March 31, 2007)

	Net Sales	Ordinary Income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	6,560,000	206,000	98,000
Original forecast (B)	6,130,000	137,000	70,000
Forecast change (A-B)	430,000	69,000	28,000
Rate of forecast change (%)	7.0%	50.4%	40.0%

【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 2006).

This outlook assumes a crude oil price of \$65.7/barrel and an exchange rate of ¥115.0 for the full year, and a crude oil price of \$65.5/barrel and an exchange rate of ¥114.9 for the half year (as compared to the previously announced assumption of \$56.5/barrel and an exchange rate of ¥115.40).

The forecast for the interim period is approximately ¥104 billion in consolidated Ordinary income (an increase of ¥61 billion over the previous estimate), due primarily to positive inventory valuation factors, and consolidated Net income of approximately ¥51 billion (an increase of ¥29 billion over the previous estimate).

The forecast for the entire fiscal year is approximately ¥206 billion in consolidated Ordinary income (an increase of ¥69 billion over the previous forecast) and consolidated Net income of approximately ¥98 billion (an increase of ¥28 billion over from previous forecast).

There is no change from previous dividend estimates (announced along with results for the fiscal year ending March 2006) of ¥12/share annually (interim dividends of ¥6/share and fiscal year-end dividends of ¥6/share).

(Reference) Forecasts of nonconsolidated performance in fiscal 2007 (from April 1, 2006 to March 31, 2007)

(1) Forecasts of nonconsolidated performance in the first half of fiscal 2007 (from April 1, 2006 to September 30, 2006)

	Net Sales	Ordinary Income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	2,800,000	39,000	39,000
Original forecast (B)	2,600,000	(21,000)	(14,000)
Forecast change (A – B)	200,000	60,000	53,000
Rate of forecast change (%)	7.7%	—	—

(2) Forecasts of nonconsolidated performance in fiscal 2007 (from April 1, 2006 to March 31, 2007)

	Net Sales	Ordinary Income	Net income
	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	5,800,000	69,000	56,000
Original forecast (B)	5,320,000	3,000	(2,000)
Forecast change (A – B)	480,000	66,000	58,000
Rate of forecast change (%)	9.0%	—	—

* 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, 2006		Current first quarter June 30, 2006		Change from the end of the previous fiscal year	Previous first quarter June 30, 2005	
	Millions of yen	%	Millions of yen	%		Millions of yen	Millions of yen
Assets							
<u>Current assets</u>	<u>2,140,951</u>	50.6%	<u>2,132,958</u>	50.8%	(7,992)	<u>1,757,083</u>	47.1%
Cash and time deposits	214,720		332,342		117,622	277,015	
Trade notes and accounts receivable	773,589		663,675		(109,914)	541,087	
Short-term investments in securities	24,292		26,893		2,600	17,616	
Inventories	951,046		981,885		30,838	770,821	
Other current assets	177,301		128,160		(49,140)	150,542	
<u>Fixed assets</u>	<u>2,090,863</u>	49.4%	<u>2,064,011</u>	49.2%	(26,851)	<u>1,971,709</u>	52.9%
Property, plant and equipment	1,370,235		1,367,561		(2,673)	1,368,553	
Intangible fixed assets	43,153		40,859		(2,293)	47,115	
Other fixed assets	677,474		655,590		(21,883)	556,039	
Total assets	4,231,814	100.0%	4,196,970	100.0%	(34,844)	3,728,792	100.0%

	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Liabilities							
<u>Current liabilities</u>	<u>1,941,846</u>	45.9%	<u>1,863,042</u>	44.4%	(78,804)	<u>1,698,735</u>	45.6%
Trade notes and accounts payable	580,081		481,425		(98,656)	435,808	
Short-term loans	262,056		267,442		5,385	252,950	
Commercial paper	299,000		306,000		7,000	191,000	
Other current liabilities	800,708		808,174		7,466	818,976	
<u>Long-term liabilities</u>	<u>1,050,400</u>	24.8%	<u>1,060,028</u>	25.2%	<u>9,627</u>	<u>974,683</u>	26.1%
Bonds and Long-term loans	652,075		694,400		42,324	650,089	
Other long-term liabilities	398,325		365,627		(32,697)	324,593	
Total liabilities	2,992,247	70.7%	2,923,070	69.6%	(69,176)	2,673,419	71.7%
Minority interests in consolidated subsidiaries	109,238	2.6%	—	—	—	106,144	2.8%
Net assets							
<u>Shareholder's equity</u>	—	—	<u>1,027,024</u>	24.5%	—	—	—
Common stock	—	—	139,437		—	—	—
Capital surplus	—	—	275,018		—	—	—
Retained earnings	—	—	618,550		—	—	—
Less treasury common stock, at cost	—	—	(5,981)		—	—	—
<u>Valuation and translation adjustment</u>	—	—	<u>139,108</u>	3.3%	—	—	—
Net unrealized gain on securities	—	—	118,000		—	—	—
Deferred gain and loss on hedges	—	—	20,345		—	—	—
Translation adjustments	—	—	762		—	—	—
<u>Minority interests in consolidated subsidiaries</u>	—	—	<u>107,765</u>	2.6%	—	—	—
Total Net assets	—	—	1,273,899	30.4%	—	—	—
Total liabilities, and net assets	—	—	4,196,970	100.0%	—	—	—

Shareholders' equity							
Common stock	139,437	3.3%	—	—	—	139,437	3.7%
Capital surplus	275,015	6.5%	—	—	—	274,852	7.4%
Retained earnings	599,517	14.2%	—	—	—	482,314	12.9%
Net unrealized gain on securities	122,456	2.9%	—	—	—	62,160	1.7%
Other	(6,097)	(0.2%)	—	—	—	(9,536)	(0.2%)
Total shareholders' equity	1,130,328	26.7%	—	—	—	949,228	25.5%
Total liabilities, minority interest, and shareholders' equity	4,231,814	100.0%	—	—	—	3,728,792	100.0%

2. [SUMMARY] CONSOLIDATED STATEMENTS OF INCOME

	Previous first quarter April 1 ,2005 ~ June 30, 2005	Current first quarter April 1 ,2006~ June 30, 2006	Change from the previous first quarter	Previous fiscal year April 1 ,2005 ~ March 31, 2006
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	1,237,828	1,506,903	269,075	6,117,988
Cost of sales	(1,097,506)	(1,389,703)	(292,196)	(5,521,192)
Selling, general and administrative expenses	(70,057)	(73,838)	(3,781)	(292,866)
Operating income	70,264	43,362	(26,901)	303,930
<u>Non-operating profits</u>	<u>9,378</u>	<u>19,976</u>	<u>10,598</u>	<u>43,833</u>
Interest and dividend income	2,353	8,060	5,706	11,262
Income from asset lease	2,996	2,743	(253)	10,657
Equity in earnings of unconsolidated subsidiaries and affiliates	1,144	1,001	(142)	4,929
Foreign exchange gains	1,091	2,434	1,342	8,426
Other	1,792	5,736	3,944	8,557
<u>Non-operating expenses</u>	<u>(7,063)</u>	<u>(8,109)</u>	<u>(1,046)</u>	<u>(38,675)</u>
Interest	(5,123)	(5,908)	(785)	(23,160)
Other	(1,940)	(2,200)	(260)	(15,514)
Ordinary income	72,579	55,229	(17,349)	309,088
<u>Special gains</u>	<u>3,339</u>	<u>3,828</u>	<u>488</u>	<u>15,889</u>
Gain on sales of fixed assets	1,776	2,765	988	8,213
Other	1,562	1,063	(499)	7,675
<u>Special losses</u>	<u>(1,971)</u>	<u>(1,983)</u>	<u>(11)</u>	<u>(26,645)</u>
Loss on disposal and sales of fixed assets	(1,707)	(1,164)	542	(12,462)
Impairment losses	(—)	(—)	(—)	(3,868)
Other	(264)	(818)	(554)	(10,314)
Income before income taxes and minority interests	73,946	57,074	(16,872)	298,332
Income taxes and others	(32,447)	(25,399)	7,048	(120,416)
Minority interests in earnings of consolidated subsidiaries	(1,568)	(2,982)	(1,413)	(11,404)
Net income	39,930	28,692	(11,237)	166,510

3. [SUMMARY] CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous first quarter April 1 ,2005 ~ June 30, 2005	Current first quarter April 1 ,2006~ June 30, 2006	Previous fiscal year April 1 ,2005 ~ March 31, 2006
	Millions of yen	Millions of yen	Millions of yen
I . Cash flows from operating activities			
Income before income taxes and minority interests	73,946	57,074	298,332
Depreciation and amortization	29,800	31,476	135,133
Increase (decrease) in notes and accounts receivable	76,166	112,549	(138,466)
(Increase) decrease in inventories	(133,890)	(30,863)	(317,203)
(Increase) decrease in notes and accounts payable and excise taxes payable	33,582	(76,938)	56,225
Net cash provided (used in) by operating activities	79,605	93,299	34,021
II . Cash flows from investing activities			
Increase (decrease) in time deposits	(0)	9	561
Additions to property, plant and equipment	(21,458)	(31,352)	(97,916)
Proceeds from sales of property, plant and equipment	3,055	6,411	19,876
Net (increase) decrease in marketable and investment securities	1,489	(348)	4,581
Other	(17,109)	773	(42,177)
Net cash (used in) provided by investing activities	(34,023)	(24,506)	(115,073)
III . Cash flows from financing activities			
Increase (decrease) in short-term loans	98,516	16,392	248,488
Increase (decrease) in long-term loans and bonds	16,948	45,575	(63,354)
Other	(49,742)	(12,966)	(59,164)
Net cash provided (used in) by financing activities	65,722	49,000	125,969
IV . Effect of exchange rate changes on cash and cash equivalents	2,571	(436)	9,660
V . Increase (decrease) in cash and cash equivalents	113,876	117,356	54,577
VI . Cash and cash equivalents at beginning of period	140,478	214,476	140,478
VII . Increase in cash and cash equivalents due to inclusion in consolidation	19,409	212	19,409
VIII . Increase in cash and cash equivalents due to merger of consolidated subsidiaries	—	0	10
IX . Cash and cash equivalents at end of the period	273,764	332,046	214,476

4. Segment Information

[Business Segment]

(1) Previous 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.

(2) Current first quarter (April 1, 2006 ~ June 30, 2006)

	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	1,381,451	49,422	57,192	18,837	1,506,903	—	1,506,903
(2) Intergroup sales and transfers	1,714	—	203	5,341	7,259	(7,259)	—
Total sales	1,383,165	49,422	57,395	24,179	1,514,163	(7,259)	1,506,903
Operating expenses	1,368,352	20,646	59,015	23,349	1,471,364	(7,822)	1,463,541
Operating income (loss)	14,812	28,776	(1,619)	829	42,798	563	43,362

*Exploration and Production of Oil and Natural Gas

Year ended March 31, 2006 (April 1, 2005 ~ March 31, 2006)

	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	5,482,648	180,503	374,482	80,353	6,117,988	—	6,117,988
(2) Intergroup sales and transfers	9,285	—	1,285	15,285	25,856	(25,856)	—
Total sales	5,491,933	180,503	375,768	95,638	6,143,844	(25,856)	6,117,988
Operating expenses	5,294,753	88,412	368,607	89,785	5,841,559	(27,501)	5,814,058
Operating income (loss)	197,180	92,090	7,160	5,853	302,285	1,645	303,930

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) 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
- (2) E&P of Oil and Natural Gas: Exploration, development and Production of oil and natural gas
- (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, and financial services.