

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

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

Feb 2, 2007

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: Applicable
Simplified method was used in connection with accounting standards for corporate tax. (Use of legal effective tax rate in calculating corporate tax.)
- Changes in accounting methods from the most recent consolidated fiscal year: None
- Changes in the scope of consolidation and equity method application: Applicable
 - Number of consolidated companies added: 3
 - Number of consolidated companies removed: 2
 - Number of equity-method affiliates added: 2
 - Number of equity-method affiliates removed: 1

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

(1) Operating results (Consolidated Basis)

(Figures less than ¥1 million have been omitted)

	Net Sales		Operating income		Ordinary Income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of FY2006	4,881,156	13.2	130,080	(43.6)	155,278	(32.2)	71,639	(41.0)
Third quarter of FY2005	4,310,415	21.7	230,543	48.4	228,898	40.7	121,325	19.1
Year ended March 31, 2006	6,117,988		303,930		309,088		166,510	

	Net income per share	Net income per share after dilution
	Yen	Yen
Third quarter of FY2006	49.12	—
Third quarter of FY2005	83.11	—
Year ended March 31, 2006	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 third quarter (from April 1, 2006 to December 31, 2006), sales volume, excluding barter trade between oil companies, was 50.16 million KL, a 5.2% decrease over the same period of the previous year, mainly due to a decrease in demand for Heating fuel oil from warm winter.

Consolidated performance consisted of net sales of JPY4,881.2 billion and ordinary income of JPY155.3 billion, decrease of JPY73.6 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). When the inventory valuation factor is excluded, ordinary income rose JPY143.7 billion, increase of JPY50.4 billion over the same period of the previous year, because the Exploration and Production of oil and natural gas division and Petrochemicals division profits increased, while the sales volume of oil products decreased.

(2) Financial position (Consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Third quarter of FY2006	4,390,040	1,325,715	27.6	827.38
Third quarter of FY2005	4,169,781	1,077,128	25.8	739.22
Year ended March 31, 2006	4,231,814	1,130,328	26.7	775.62

(3)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	96,265	(99,346)	65,541	276,823
Third quarter of FY2005	6,506	(119,395)	138,103	193,137
Year ended March 31, 2006	34,021	(115,073)	125,969	214,476

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

	Net Sales		Operating income		Ordinary Income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of FY2006	4,354,264	17.9	24,906	(60.9)	36,013	(48.6)	38,056	(21.3)
Third quarter of FY2005	3,693,484	27.6	63,691	60.4	70,122	53.7	48,378	31.6
Year ended March 31, 2006	5,177,713		84,519		93,639		74,504	

	Total assets	Net assets
	Millions of yen	Millions of yen
Third quarter of FY2006	3,077,975	799,843
Third quarter of FY2005	3,064,347	723,474
Year ended March 31, 2006	3,310,965	753,813

3. Forecasts of consolidated performance in fiscal 2006 (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)	6,640,000	185,000	78,000
Original forecast (B)	6,730,000	184,000	77,000
Forecast change (A—B)	(90,000)	1,000	1,000
Rate of forecast change (%)	(1.3%)	0.5%	1.3%

Reviewing the crude oil price and demand of oil products, the company has revised its forecast for the the full year, announced along with results for the interim period ending September 2006.

Please note that this forecast assumes a Dubai crude oil of \$55/barrel and an exchange rate of JPY120=\$1 after February 2007.

The consolidated ordinary income for the fiscal year is expected to total approximately JPY185.0 billion (an increase of JPY1.0 billion over the previous forecast) and the consolidated net income is expected to total approximately JPY78.0 billion (an increase of JPY1.0 billion over the previous forecast), due to profit increase of the Exploration and Production Division while decreases in inventory valuation factors and sales volume of oil products .

There are no plans to change the previous dividend estimate of JPY12/share annually (interim dividends of JPY6/share and fiscal year-end dividends of JPY6/share).

(Reference) Forecasts of nonconsolidated performance in fiscal 2006 (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)	5,870,000	35,000	36,000
Original forecast (B)	5,980,000	53,000	45,000
Forecast change (A—B)	(110,000)	(18,000)	(9,000)
Rate of forecast change (%)	(1.8%)	(34.0%)	(20.0%)

* 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 third quarter December 31, 2006		Change from the end of the previous fiscal year	Previous third quarter December 31, 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>2,281,582</u>	52.0%	<u>140,631</u>	<u>2,071,212</u>	49.7%
Cash and time deposits	214,720		278,176		63,456	193,446	
Trade notes and accounts receivable	773,589		820,156		46,566	828,034	
Short-term investments in securities	24,292		10,080		(14,212)	28,776	
Inventories	951,046		999,219		48,173	890,133	
Other current assets	177,301		173,949		(3,352)	130,821	
<u>Fixed assets</u>	<u>2,090,863</u>	49.4%	<u>2,108,458</u>	48.0%	<u>17,595</u>	<u>2,098,569</u>	50.3%
Property, plant and equipment	1,370,235		1,374,475		4,240	1,369,228	
Intangible fixed assets	43,153		42,582		(571)	43,828	
Other fixed assets	677,474		691,399		13,925	685,512	
Total assets	4,231,814	100.0%	4,390,040	100.0%	158,226	4,169,781	100.0%
Liabilities							
<u>Current liabilities</u>	<u>1,941,846</u>	45.9%	<u>2,029,616</u>	46.2%	<u>87,769</u>	<u>1,947,884</u>	46.7%
Trade notes and accounts payable	580,081		536,206		(43,875)	535,592	
Short-term loans	262,056		252,263		(9,793)	203,736	
Commercial paper	299,000		383,000		84,000	306,000	
Other current liabilities	800,708		858,146		57,438	902,555	
<u>Long-term liabilities</u>	<u>1,050,400</u>	24.8%	<u>1,034,708</u>	23.6%	(<u>15,692</u>)	<u>1,041,157</u>	25.0%
Bonds and Long-term loans	652,075		669,321		17,246	662,560	
Other long-term liabilities	398,325		365,386		(32,938)	378,597	
Total liabilities	2,992,247	70.7%	3,064,325	69.8%	72,077	2,989,041	71.7%
Minority interests in consolidated subsidiaries	109,238	2.6%	—	—	—	103,611	2.5%
Net assets							
<u>Shareholder's equity</u>	—	—	<u>1,065,579</u>	24.3%	—	—	—
Common stock	—	—	139,437	3.2%	—	—	—
Capital surplus	—	—	275,760	6.3%	—	—	—
Retained earnings	—	—	652,712	14.9%	—	—	—
Less treasury common stock, at cost	—	—	(2,330)	(0.1%)	—	—	—
<u>Valuation and translation adjustment</u>	—	—	<u>143,998</u>	3.3%	—	—	—
Net unrealized gain on securities	—	—	116,879	2.7%	—	—	—
Deferred gain and loss on hedges	—	—	22,350	0.5%	—	—	—
Translation adjustments	—	—	4,768	0.1%	—	—	—
<u>Minority interests in consolidated subsidiaries</u>	—	—	<u>116,138</u>	2.6%	—	—	—
Total Net assets	—	—	1,325,715	30.2%	—	—	—
Total liabilities, and net assets	—	—	4,390,040	100.0%	—	—	—

	Previous fiscal year March 31, 2006		Current third quarter December 31, 2006		Change from the end of the previous fiscal year	Previous third quarter December 31, 2005	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Shareholders' equity							
Common stock	139,437	3.3%	—	—	—	139,437	3.3%
Capital surplus	275,015	6.5%	—	—	—	274,868	6.6%
Retained earnings	599,517	14.2%	—	—	—	553,911	13.3%
Net unrealized gain on securities	122,456	2.9%	—	—	—	117,008	2.8%
Other	(6,097)	(0.2%)	—	—	—	(8,097)	(0.2%)
Total shareholders' equity	1,130,328	26.7%	—	—	—	1,077,128	25.8%
Total liabilities, minority interest, and shareholders' equity	4,231,814	100.0%	—	—	—	4,169,781	100.0%

2. [SUMMARY] CONSOLIDATED STATEMENTS OF INCOME

	Previous third quarter April 1 ,2005 ~ December 31, 2005	Current third quarter April 1 ,2006~ December 31, 2006	Change from the previous third quarter	Previous fiscal year April 1 ,2005 ~ March 31, 2006
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	4,310,415	4,881,156	570,741	6,117,988
Cost of sales	(3,865,781)	(4,538,187)	(672,405)	(5,521,192)
Gross Profit	444,633	342,969	(101,664)	596,796
Selling, general and administrative expenses	(214,089)	(212,888)	1,201	(292,866)
Operating income	230,543	130,080	(100,462)	303,930
<u>Non-operating profits</u>	<u>29,991</u>	<u>48,709</u>	<u>18,717</u>	<u>43,833</u>
Interest and dividend income	7,591	17,522	9,930	11,262
Income from asset lease	8,004	7,945	(58)	10,657
Equity in earnings of unconsolidated subsidiaries and affiliates	3,509	2,024	(1,485)	4,929
Foreign exchange gains	4,791	6,510	1,718	8,426
Other	6,093	14,707	8,613	8,557
<u>Non-operating expenses</u>	<u>(31,637)</u>	<u>(23,512)</u>	<u>8,124</u>	<u>(38,675)</u>
Interest	(16,996)	(18,850)	(1,854)	(23,160)
Other	(14,640)	(4,661)	9,978	(15,514)
Ordinary income	228,898	155,278	(73,620)	309,088
<u>Special gains</u>	<u>9,480</u>	<u>10,118</u>	<u>638</u>	<u>15,889</u>
Gain on sales of fixed assets	5,736	6,664	927	8,213
Other	3,744	3,454	(289)	7,675
<u>Special losses</u>	<u>(12,539)</u>	<u>(10,957)</u>	<u>1,582</u>	<u>(26,645)</u>
Loss on disposal and sales of fixed assets	(6,243)	(6,808)	(564)	(12,462)
Impairment losses	(2,371)	(1,875)	496	(3,868)
Other	(3,923)	(2,272)	1,650	(10,314)
Income before income taxes and minority interests	225,838	154,439	(71,399)	298,332
Income taxes and others	(97,247)	(73,571)	23,676	(120,416)
Minority interests in earnings of consolidated subsidiaries	(7,265)	(9,229)	(1,964)	(11,404)
Net income	121,325	71,639	(49,686)	166,510

3. [SUMMARY] CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous third quarter April 1 ,2005 ~ December 31, 2005	Current third quarter April 1 ,2006~ December 31, 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	225, 838	154, 439	298, 332
Depreciation and amortization	101, 378	95, 189	135, 133
(Increase) decrease in notes and accounts receivable	(204, 798)	(39, 856)	(138, 466)
(Increase) decrease in inventories	(256, 354)	(50, 220)	(317, 203)
(Decrease) increase in notes and accounts payable and excise taxes payable	140, 442	(63, 286)	56, 225
Net cash provided (used in) by operating activities	6, 506	96, 265	34, 021
II . Cash flows from investing activities			
(Increase) decrease in time deposits	496	(1, 044)	561
Additions to property, plant and equipment	(69, 104)	(95, 864)	(97, 916)
Proceeds from sales of property, plant and equipment	12, 148	13, 760	19, 876
Net decrease (increase) in marketable and investment securities	(15, 416)	5, 946	4, 581
Other	(47, 520)	(22, 143)	(42, 177)
Net cash (used in) provided by investing activities	(119, 395)	(99, 346)	(115, 073)
III . Cash flows from financing activities			
Increase (decrease) in short-term loans	200, 231	49, 697	248, 488
Increase (decrease) in long-term loans and bonds	(3, 093)	33, 210	(63, 354)
Other	(59, 034)	(17, 366)	(59, 164)
Net cash provided (used in) by financing activities	138, 103	65, 541	125, 969
IV . Effect of exchange rate changes on cash and cash equivalents	8, 030	(327)	9, 660
V . Increase in cash and cash equivalents	33, 244	62, 133	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	4	0	10
IX . Cash and cash equivalents at end of the period	193, 137	276, 823	214, 476

4. Segment Information

[Business Segment]

(1) Previous 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 transfers	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, financial services.

(2) Current third quarter (April 1, 2006 ~December 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	4,448,437	152,671	235,143	44,904	4,881,156	—	4,881,156
(2) Intergroup sales and transfers	6,730	—	952	13,219	20,901	(20,901)	—
Total sales	4,455,167	152,671	236,095	58,123	4,902,058	(20,901)	4,881,156
Operating expenses	4,421,131	63,638	234,002	54,825	4,773,597	(22,521)	4,751,075
Operating income (loss)	34,035	89,033	2,093	3,298	128,461	1,619	130,080

*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.

(3) 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.