

Consolidated Financial Results for the Third Quarter Ended December 31, 2007

January 31, 2008

Company name : Nippon Oil Corporation

 Stock listings: Tokyo, Osaka, Nagoya, Fukuoka,
 and Sapporo Exchanges

Code number : 5001

 URL [http : //www.eneos.co.jp/english](http://www.eneos.co.jp/english)

Representative Director, President: Shinji Nishio

For further information, please contact: Soichiro Tanaka, Group Manager, Investor Relations Group

Telephone: +81-3-3502-1184

1. Results for the Third Quarter of Fiscal 2007 (From April 1, 2007 to December 31, 2007)

(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 FY2007	5,317,822	8.9	223,506	71.8	244,581	57.5	135,703	89.4
Third quarter of FY2006	4,881,156	13.2	130,080	(43.6)	155,278	(32.2)	71,639	(41.0)
Year ended March 31, 2007	6,624,256	-	159,684	-	186,611	-	70,221	-

Note : Percentages indicate year-on-year increase/(decrease) in Net Sales, Operating Income, Ordinary Income and Net Income.

	Net Income per share	Net Income per share after dilution
	Yen	Yen
Third quarter of FY2007	92.87	-
Third quarter of FY2006	49.12	-
Year ended March 31, 2007	48.12	-

(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 FY2007	4,748,697	1,457,991	28.2	916.35
Third quarter of FY2006	4,390,040	1,325,715	27.6	827.38
Year ended March 31, 2007	4,385,533	1,331,981	27.7	829.64

(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 FY2007	62,520	(179,975)	43,629	244,642
Third quarter of FY2006	96,265	(99,346)	65,541	276,823
Year ended March 31, 2007	205,867	(143,487)	44,408	321,786

* "FY2007" or "fiscal2007" refers to the fiscal year ending March 31, 2008 and other fiscal years are referred to in a corresponding manner.

2.Dividends

	Cash Dividend per share		
	As of Sep.30	As of Mar.31	Total
	Yen	Yen	Yen
2006FY	6.00	6.00	12.00
2007FY	6.00		
2007FY(Forecast)		6.00	12.00

3. Forecasts of Consolidated Performance in Fiscal 2007 (From April 1, 2007 to March 31, 2008)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal Year	7,460,000	12.6	270,000	69.1	278,000	49.0	148,000	110.8	101.30

4.Others

- (1) Changes in consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation) None
- (2) Adoption of simplified accounting standards Yes
- (3) Changes in accounting principles None

Note: For detailed information, please refer to "4. Other Information" in page 4.

[Note]

1. Non-consolidated Results for the First Quarter Ended December 31, 2007

(From April 1, 2007 to December 31, 2007)

(1) Operating Results (Non-consolidated Basis)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter of FY2007	4,786,122	9.9	112,675	352.4	128,594	257.1	79,039	107.7
Third quarter of FY2006	4,354,264	17.9	24,906	(60.9)	36,013	(48.6)	38,056	(21.3)
Year ended March 31, 2007	5,826,415	-	14,445	-	33,101	-	26,405	-

Note : Percentages indicate year-on-year increase/(decrease) in Net Sales, Operating Income, Ordinary Income and Net Income.

(2) Financial Position (Non-consolidated Basis)

	Total Assets	Net Assets
	Millions of yen	Millions of yen
Third quarter of FY2007	3,410,772	854,578
Third quarter of FY2006	3,077,975	799,843
Year ended March 31, 2007	3,071,996	786,268

2. Forecasts of Non-consolidated Performance in Fiscal 2007 (From April 1, 2007 to March 31, 2008)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal Year	6,720,000	15.3	117,000	709.9	133,000	301.8	83,000	214.3	56.73

* The aforementioned forecasts are forward-looking statements based on all information available to the management at the time of this document's release. Please note that actual results may vary significantly from projected forecasts due to various uncertain factors. The factors affecting actual results include but are not limited to economic conditions, crude oil prices, demand for and market conditions of petroleum products and petrochemical products, and exchange rate and interest rate trends.

[Qualitative Information and Financial Statement]

1. Qualitative Information Relating to the Consolidated Financial Results

Regarding sales of petroleum products in the third quarter (from April 1, 2007 to December 31, 2007), sales volume, excluding barter trade between oil companies, was 51.37 million KL, a 2.4% increase over the same period of the previous year. This was mainly due to continued decline in demand for gasoline stemming from the increasing popularity of fuel-efficient vehicles, as well as decline in demand for industrial fuel as users promoted fuel conversion. Meanwhile, demand for heavy fuel oil C and crude oil for use in power stations rose in response to the cessation of operations at a nuclear power plant in Niigata due to an earthquake and the volume of exports increased also.

Consolidated performance consisted of net sales of JPY 5,317.8 billion, increased 8.9% year on year and operating income increased by JPY 93.4 billion, to JPY 223.5 billion and ordinary income increased by JPY 89.3 billion, to JPY 244.6 billion. This was due to considerable increase of positive effect of inventory valuation factors. Inventory valuation factors refer to the effect of pushing down the cost of goods sold where the valuation of inventory using the gross average method to reflect a rise in the crude oil.

Excluding inventory valuation factors, the ordinary income was JPY 98.6 billion, an decrease of JPY 45.1 billion from the previous third quarter. This was due to worsened margins for petroleum products and petrochemicals and the increase of in-house fuel costs(i.e. the in-house fuel costs utilized at the Group refineries), despite the effort of cost reduction and efficiency improvement.

2. Qualitative Information Relating to the Consolidated Financial Position

In the third quarter, total assets were JPY 4,748.7 billion, up JPY 363.2 billion from the end of fiscal year. This increase is associated with a significant rise in inventory assets as a result of a rise in crude oil prices. Net assets totaled JPY 1,458.0 billion, an increase of JPY 126.0 billion from a year earlier. This was mainly due to accounting for consolidated net income. Interest-bearing debt in the third quarter was JPY 1,370.2 billion, increased JPY 73.1 billion from March 31, 2007.

As a result, the equity ratio in the third quarter was 28.2%.

3. Qualitative Information Relating to the Forecast of Consolidated Performance

Reviewing the crude oil price and demand for petroleum products, the company has revised its forecast for the full year, announced along with results for the interim period ending September 2007.

Please note that this forecast assumes a Dubai crude oil of \$85/barrel and an exchange rate of JPY110=\$1 after January 2008.

The Nippon Oil Group is forecasting a consolidated net sales figure of JPY 7,460.0 billion for the current fiscal year, a 3.8% increase over the previous estimate. The Group is forecasting a consolidated operating income figure of JPY 270.0 billion (a JPY 30.0 billion increase from the previous estimate) and ordinary income figure of JPY 278.0 billion (a JPY 18.0 billion increase from the previous estimate) due to an increase in the inventory valuation factor along with crude oil prices. Excluding the inventory valuation factors, the Group is forecasting a consolidated ordinary income figure of JPY120.0 billion. This was due to shrinkage in margins for petroleum products and petrochemicals including negative impact of the increase of in-house fuel costs and unrealized losses on hedge transactions for crude oil and gas price in E&P business, although the sales volume is expected to increase centered on heavy fuel oil C and crude oil for electric power.

Please note that this forecast includes negative impact linked to increase of Depreciation and Amortization of JPY 15.0 billion, from the revision of Japanese tax system in 2007. Consequently, the Group is forecasting a consolidated net income figure of JPY 148.0 billion for the current fiscal year.(JPY 4.0 billion increase from the previous estimate).

There is no change from previous dividend estimate of JPY 12/share annually (interim dividends of JPY 6/share and fiscal year-end dividends of JPY 6 /share).

Forecasts of Consolidated Performance in Fiscal 2007(From April 1, 2007 to March 31, 2008)

	Net Sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	7,460,000	270,000	278,000	148,000
Original forecast (B)	7,190,000	240,000	260,000	144,000
Forecast change (A-B)	270,000	30,000	18,000	4,000
Rate of forecast change (%)	3.8%	12.5%	6.9%	2.8%

4. Other Information

(1) Changes in consolidated subsidiaries (Changes in specified subsidiaries involving changes in scope of consolidation)

None

(2) 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.)

(3) Changes in accounting principles

None

1. [SUMMARY] CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2007		Current third quarter December 31, 2007		Change from the end of the previous fiscal year Millions of yen	Previous third quarter December 31, 2006	
	Millions of yen	%	Millions of yen	%		Millions of yen	%
Assets							
<u>Current assets</u>	<u>2,262,528</u>	51.6%	<u>2,547,026</u>	53.6%	<u>284,497</u>	<u>2,281,582</u>	52.0%
Cash and time deposits	332,113		247,450		(84,663)	278,176	
Trade notes and accounts receivable	818,679		958,477		139,798	820,156	
Short-term investments in securities	2,739		-		(2,739)	10,080	
Inventories	889,827		1,195,444		305,616	999,219	
Other current assets	219,167		145,654		(73,513)	173,949	
<u>Fixed assets</u>	<u>2,123,004</u>	48.4%	<u>2,201,671</u>	46.4%	<u>78,666</u>	<u>2,108,458</u>	48.0%
Property, plant and equipment	1,365,244		1,357,316		(7,927)	1,374,475	
Intangible fixed assets	41,370		37,050		(4,320)	42,582	
Other fixed assets	716,389		807,304		90,914	691,399	
Total assets	4,385,533	100.0%	4,748,697	100.0%	363,164	4,390,040	100.0%
Liabilities							
<u>Current liabilities</u>	<u>2,072,145</u>	47.2%	<u>2,359,068</u>	49.7%	<u>286,922</u>	<u>2,029,616</u>	46.2%
Trade notes and accounts payable	515,930		687,681		171,750	536,206	
Short-term loans	255,640		342,671		87,031	252,263	
Commercial paper	423,000		466,000		43,000	383,000	
Other current liabilities	877,574		862,715		(14,858)	858,146	
<u>Long-term liabilities</u>	<u>981,406</u>	22.4%	<u>931,638</u>	19.6%	(<u>49,767</u>)	<u>1,034,708</u>	23.6%
Bonds and Long-term loans	613,481		566,538		(46,943)	669,321	
Other long-term liabilities	367,924		365,100		(2,824)	365,386	
Total liabilities	3,053,551	69.6%	3,290,706	69.3%	237,155	3,064,325	69.8%
Net assets							
<u>Shareholder's equity</u>	<u>1,064,016</u>	24.3%	<u>1,181,295</u>	24.9%	<u>117,278</u>	<u>1,065,579</u>	24.3%
Common stock	139,437		139,437		-	139,437	
Capital surplus	275,760		275,764		3	275,760	
Retained earnings	651,294		769,435		118,141	652,712	
Less treasury common stock, at cost	(2,475)		(3,342)		(867)	(2,330)	
<u>Valuation and translation adjustment</u>	<u>148,723</u>	3.4%	<u>157,456</u>	3.3%	<u>8,733</u>	<u>143,998</u>	3.3%
Net unrealized gain on securities	121,830		121,494		(335)	116,879	
Deferred gain and loss on hedges	19,901		23,706		3,804	22,350	
Translation adjustments	6,991		12,255		5,264	4,768	
<u>Minority interests in consolidated subsidiaries</u>	<u>119,241</u>	2.7%	<u>119,239</u>	2.5%	(<u>1</u>)	<u>116,138</u>	2.6%
Total Net assets	1,331,981	30.4%	1,457,991	30.7%	126,009	1,325,715	30.2%
Total liabilities, and net assets	4,385,533	100.0%	4,748,697	100.0%	363,164	4,390,040	100.0%

2. [SUMMARY] CONSOLIDATED STATEMENTS OF INCOME

	Previous third quarter April 1, 2006 ~ December 31, 2006	Current third quarter April 1, 2007 ~ December 31, 2007	Change from the previous third quarter	Previous fiscal year April 1, 2006 ~ March 31, 2007
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	4,881,156	5,317,822	436,666	6,624,256
Cost of sales	(4,538,187)	(4,890,254)	(352,066)	(6,176,656)
Gross profit	342,969	427,568	84,599	447,600
Selling, general and administrative expenses	(212,888)	(204,062)	8,825	(287,915)
Operating income	130,080	223,506	93,425	159,684
Non-operating profits	48,709	51,116	2,406	57,657
Interest and dividend income	17,522	21,304	3,782	21,130
Income from asset lease	7,945	7,416	(528)	10,937
Equity in earnings of unconsolidated subsidiaries and affiliates	2,024	2,572	547	3,048
Foreign exchange gains	6,510	8,612	2,102	5,214
Other	14,707	11,210	(3,496)	17,326
Non-operating expenses	(23,512)	(30,041)	(6,528)	(30,731)
Interest	(18,850)	(20,637)	(1,787)	(24,789)
Other	(4,661)	(9,403)	(4,741)	(5,942)
Ordinary income	155,278	244,581	89,303	186,611
Special gains	10,118	18,321	8,203	16,131
Gain on sales of fixed assets	6,664	9,993	3,329	12,524
Other	3,454	8,328	4,873	3,607
Special losses	(10,957)	(16,748)	(5,791)	(30,537)
Loss on disposal and sales of fixed assets	(6,808)	(7,553)	(744)	(11,482)
Impairment losses	(1,875)	(7,212)	(5,336)	(6,872)
Other	(2,272)	(1,983)	289	(12,182)
Income before income taxes and minority interests	154,439	246,154	91,714	172,205
Income taxes and others	(73,571)	(101,136)	(27,565)	(89,329)
Minority interests in earnings of consolidated subsidiaries	(9,229)	(9,313)	(84)	(12,654)
Net income	71,639	135,703	64,064	70,221

3. [SUMMARY] CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous third quarter April 1, 2006 ~ December 31, 2006	Current third quarter April 1, 2007 ~ December 31, 2007	Previous fiscal year April 1, 2006 ~ March 31, 2007
	Millions of yen	Millions of yen	Millions of yen
I. Cash flows from operating activities			
Income before income taxes and minority interests	154,439	246,154	172,205
Depreciation and amortization	95,189	109,078	131,872
Decrease (increase) in notes and accounts receivable	(39,856)	(136,664)	(32,641)
Decrease (increase) in inventories	(50,220)	(305,517)	59,135
Increase (decrease) in notes and accounts payable and excise taxes payable	(63,286)	149,469	(124,705)
Net cash provided (used in) by operating activities	96,265	62,520	205,867
II. Cash flows from investing activities			
Decrease (increase) in time deposits	(1,044)	7,516	(10,015)
Additions to property, plant and equipment	(95,864)	(82,612)	(113,486)
Proceeds from sales of property, plant and equipment	13,760	14,160	23,105
Net (increase) decrease in marketable and investment securities	5,946	(4,488)	(9,159)
Other	(22,143)	(114,551)	(33,931)
Net cash (used in) provided by investing activities	(99,346)	(179,975)	(143,487)
III. Cash flows from financing activities			
Increase (decrease) in short-term loans	49,697	140,263	94,411
Increase (decrease) in long-term loans and bonds	33,210	(70,610)	(32,509)
Other	(17,366)	(26,024)	(17,493)
Net cash provided (used in) by financing activities	65,541	43,629	44,408
IV. Effect of exchange rate changes on cash and cash equivalents	(327)	(3,317)	308
V. Increase (decrease) in cash and cash equivalents	62,133	(77,143)	107,096
VI. Cash and cash equivalents at beginning of period	214,476	321,786	214,476
VII. Increase in cash and cash equivalents due to inclusion in consolidation	212	—	212
VIII. Increase in cash and cash equivalents due to merger of consolidated subsidiaries	0	—	0
IX. Cash and cash equivalents at end of the period	276,823	244,642	321,786

4. Segment Information

[Business Segment]

(1) Previous 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 and financial services.

(2) Current third quarter (April 1, 2007 ~December 31, 2007)

	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	4,880,825	172,630	221,241	43,125	5,317,822	—	5,317,822
(2) Intergroup sales and transfers	6,584	—	3,034	12,921	22,539	(22,539)	—
Total sales	4,887,409	172,630	224,275	56,047	5,340,362	(22,539)	5,317,822
Operating expenses	4,765,406	76,414	223,143	51,610	5,116,574	(22,257)	5,094,316
Operating income (loss)	122,003	96,216	1,131	4,436	223,787	(281)	223,506

*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.

Year ended March 31, 2007 (April 1, 2006 ~ March 31, 2007)

	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	5,954,390	203,516	407,893	58,456	6,624,256	—	6,624,256
(2) Intergroup sales and transfers	9,259	—	1,371	17,369	28,000	(28,000)	—
Total sales	5,963,649	203,516	409,265	75,826	6,652,257	(28,000)	6,624,256
Operating expenses	5,934,308	89,704	399,181	71,762	6,494,956	(30,384)	6,464,571
Operating income (loss)	29,341	113,811	10,083	4,064	157,300	2,384	159,684

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.