

Consolidated Financial Results for the First Quarter Ended June 30, 2008

July 31, 2008

Company name : Nippon Oil Corporation

Code number : 5001

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

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

Representative Director, President: Shinji Nishio

For further information, please contact: Kyugo Yotsuya, Group Manager, Investor Relations Group

Telephone: +81-3-3502-1184

Scheduled date of filing of Quarterly Securities Report : Aug 14, 2008

1.Results for the First Quarter of Fiscal 2008 (From April 1, 2008 to June 30, 2008)

(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	%
First quarter of FY2008	2,037,154	-	101,626	-	101,287	-	58,701	-
First quarter of FY2007	1,575,767	4.6	79,254	82.8	88,042	59.4	52,718	83.7

	Net income per share	Net income per share after dilution
	Yen	Yen
First quarter of FY2008	40.17	-
First quarter of FY2007	36.07	-

(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 FY2008	4,853,181	1,500,805	28.4	944.67
FY2007	4,594,197	1,429,266	28.5	896.06

2.Dividends

	Cash dividend per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of 4th quarter	Total
	Yen	Yen	Yen	Yen	Yen
FY2007	-	6.00	-	6.00	12.00
FY2008	-	-	-	-	-
FY2008 (Forecast)	-	10.00	-	10.00	20.00

Revisions to the quarter's dividend forecasts: None

3. Forecasts of Consolidated Performance in Fiscal 2008 (From April 1, 2008 to March 31, 2009)

(% of Interim period is versus previous interim period, % of Fiscal year is versus previous Fiscal year)

	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
Interim period	4,280,000	-	117,000	-	90,000	-	48,000	-	32.86
Fiscal year	8,920,000	18.6	197,000	(25.4)	200,000	(27.4)	95,000	(35.9)	65.04

Revisions to the quarter's consolidated forecasts: Yes

4.Others

(1) Changes in number of material subsidiaries during the term under review : None

(2) Adoption of simplified accounting treatment and accounting treatment peculiar to quarterly consolidated financial statements preparation : Yes

Note : For detailed information, please refer to [Qualitative Information and Financial Statement]
4.Other Information in page 5.

(3) Changes in accounting treatment principles, procures and expressions related to quarterly consolidated financial statements preparation (entries of changes in material matters that are basic to quarterly consolidated financial statements)

(i) Changes related to the revision of accounting standards : Yes

(ii) Other changes : None

Note : For detailed information, please refer to [Qualitative Information and Financial Statement]
4.Other Information in page 5.

(4) Number of shares of treasury issued (Common stock)

(i) Number of shares issued (including treasury stock)

1st Quarter of FY2008 ended June 30, 2008 : 1,464,508,343 shares
FY2007 ended March 31, 2008 : 1,464,508,343 shares

(ii) Number of shares of treasury issued

1st Quarter of FY2008 ended June 30, 2008 : 3,796,852 shares
FY2007 ended March 31, 2008 : 2,788,574 shares

(iii) Average number of shares of treasury issued

1st Quarter of FY2008 ended June 30, 2008 : 1,461,217,200 shares
1st Quarter of FY2007 ended June 30, 2007 : 1,461,636,297 shares

(Reference)

Forecasts of Non-consolidated Performance in Fiscal 2008 (From April 1, 2008 to March 31, 2009)

	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	8,150,000	21.5	32,000	(72.3)	39,000	(70.5)	18,000	(79.0)	12.30

* 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. Please see page 3 of the attached document for more information regarding the aforementioned forecasts.

*Beginning in this consolidated accounting year, "Accounting standards for quarterly financial statements"(Accounting Standards Board of Japan Statement No. 12) and "Accounting standards implementation guidance for quarterly financial statements" (Accounting Standards Board of Japan Statements Application Guidance No. 14) are applied. Quarterly consolidated financial statements are based on "Quarterly consolidated financial statements rules".

[Qualitative Information and Financial Statements]

1. Qualitative Information Relating to the Consolidated Financial Results

Regarding sales of petroleum products in the first quarter (from April 1, 2008 to June 30, 2008), sales volume, excluding barter trade between oil companies, was 16.98 million KL, a 6.8% increase over the same period of the previous year. This was due to a decrease in demand particularly 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 due to an earthquake and the volume of exports increased also. Consolidated performance consisted of net sales of JPY 2,037.2billion, increased 29.3% year on year and operating income increased by JPY 22.3billion, to JPY 101.6billion and ordinary income increased by JPY 13.3billion, to JPY 101.3billion. This was due to considerably improved inventory valuation factors in the same period in the previous year. 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 price of crude oil.

Excluding inventory valuation factors, the ordinary income was JPY 8.7 billion, an decrease of JPY 25.1 billion from the previous first quarter. This was due to increase of in-house fuel costs (i.e. the in-house fuel costs utilized at the group refineries), despite the sales volume of petroleum and petrochemical products increased.

2. Qualitative Information Relating to the Consolidated Financial Position

In the first quarter, total assets were JPY 4,853.2 billion, a decrease of JPY 259.0 billion from March 31, 2008. This increase was associated with a significant rise in inventory assets as a result of a rise in crude oil prices.

Net assets totaled JPY 1,500.8 billion, an increase of JPY 71.5 billion from a year earlier. This gain was the result of positive factors such as consolidated net income exceeding negative factors such as year-end dividends.

Interest-bearing debt in the first quarter was 1,470.3 billion, increased 138.7 billion from March 31, 2008. As a result, the equity ratio in the first quarter was 28.4%.

3. Qualitative Information Relating to the Forecast of Consolidated Performance

The company has revised its forecast 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 2008). This forecast assumes a crude oil price of \$111.8/barrel and an exchange rate of JPY104.7 for the full year. For the half year, the forecast of crude oil price of \$112.8/barrel and an exchange rate of JPY104.3.

(as compared to the previously announced assumption of crude oil price of \$95.8/barrel and an exchange rate of JPY104.8.)

The forecast for the interim period of sales amount is JPY4,280.0 billion (an increase of 5.9% over the previous estimate), for the full year is JPY 8,920.0 billion (an increase of 7.5% over the previous estimate).

The forecast for the interim period is JPY 117billion in operating income (an increase of JPY 71 billion over the previous forecast), ordinary income of JPY90 billion (an increase of JPY40 billion over the previous forecast) and net income of 48 billion (an increase of JPY 29 billion over the previous forecast) primarily due to positive inventory valuation factors.

The forecast for the entire fiscal year is JPY 197 billion in operating income (an increase of JPY83 billion over the previous forecast), JPY 200 billion in ordinary income (an increase of JPY 70 billion), and net income of JPY 95 billion (an increase of JPY38 billion over from previous forecast).

There is no change from previous dividend estimates (announced along with results for the fiscal year ending March 2008) of JPY 20/share annually (interim dividends of JPY10/share and fiscal year-end dividends of JPY 10/share).

(1) Forecasts of Consolidated Performance in the First half of fiscal 2008

(From April 1, 2008 to September 30, 2008)

	Net Sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	4,280,000	117,000	90,000	48,000
Original forecast (B)	4,040,000	46,000	50,000	19,000
Forecast change (A—B)	240,000	71,000	40,000	29,000
Rate of forecast change (%)	5.9%	154.3%	80.0%	152.6%

(2) Forecasts of Consolidated Performance in Fiscal 2008

(From April 1, 2008 to March 31, 2009)

	Net Sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Revised forecast (A)	8,920,000	197,000	200,000	95,000
Original forecast (B)	8,300,000	114,000	130,000	57,000
Forecast change (A—B)	620,000	83,000	70,000	38,000
Rate of forecast change (%)	7.5%	72.8%	53.8%	66.7%

4. Other Information

(1) Application of simplified accounting methods and accounting methods used in the preparation of quarterly consolidated financial statements

(a) Simplified accounting methods

(i) Method of calculation of the estimated irrecoverable amount of general receivables

The Company has applied the loan-loss ratio calculated at the end of the previous fiscal year for the calculation of the estimated irrecoverable amount for the reporting first quarter, as the loan-loss ratio at the end of the reporting first quarter was deemed to show no significant changes from the end of the previous fiscal year.

(ii) Valuation of inventory assets

For the valuation of inventory assets, the Company has reasonably estimated inventories at the end of the reporting first quarter on the basis of physical inventories at the end of the previous fiscal year, in place of a physical stocktaking.

(iii) Judgment on the collectability of deferred income taxes

Since it was considered that there were no significant changes in the business environment and that the possibility of occurrence of temporary differences during the reporting 3-month period was low, we use the forecasts for the future business performance and the tax planning used in the previous fiscal year.

(b) Accounting methods used in the preparation of quarterly consolidated financial statements

Tax expenses for the reporting first quarter are calculated by multiplying income before income taxes for the reporting first quarter by an estimated effective tax rate, which is computed rationally after applying tax-effect accounting to net income before taxes in the Refining and Marketing, Constructions, and other business segments for the current fiscal year.

Deferred income taxes are included in income taxes.

(2) Changes in accounting principles, procedures and presentation methods for the preparation of quarterly consolidated financial statements

(a) Changes in matters relating to accounting standards

(i) Valuation standards and methods for material assets

Inventory assets

For the reporting first quarter, inventories held for ordinary sales purposes have been valued primarily by the average cost method, as in the past.

However, for the balance sheet value, a method of writing down the book value based on declined profitability under impairment accounting has been mandatory applied in line with the stipulations of the "Accounting Standards for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9 on July 5, 2006).

As a result, operating income, ordinary income and "net income before taxes and minority interests" each declined by JPY 1,601 million.

(ii) Unification of "Accounting method of foreign subsidiaries

In the reporting first quarter, the Company applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No. 18 on May 17, 2006), and made adjustments necessary for the consolidated settlement of accounts.

As a result, operating income, ordinary income and "net income before taxes and minority interests" each declined by JPY 59 million.

5. Consolidated Financial Results for the First quarter ended June 30, 2008

(1) Consolidated Quarterly Balance Sheet

	Current first quarter		Year ended	
	June 30, 2008		March 31, 2008	
	Millions of yen	%	Millions of yen	%
ASSETS				
<u>Current assets</u>	<u>2,680,003</u>	55.2%	<u>2,487,526</u>	54.1%
Cash and cash time deposits	243,509		228,907	
Trade notes and accounts receivable	874,994		901,675	
Merchandise and finished goods	287,684		281,377	
Semi-finished goods	269,842		260,360	
Crude oil	717,881		554,938	
Other current assets	286,091		260,265	
<u>Fixed assets</u>	<u>2,173,170</u>	44.8%	<u>2,106,662</u>	45.9%
Property, plant and equipment	1,313,913		1,305,860	
Land	648,113		648,325	
Other property, plant and equipments	665,800		657,535	
Intangible fixed assets	36,911		36,260	
Investments and other assets	822,345		764,541	
<u>Deferred assets</u>	<u>7</u>	0.0%	<u>9</u>	0.0%
Total assets	4,853,181	100.0%	4,594,197	100.0%

Consolidated Quarterly Balance Sheet

	Current first quarter		Year ended	
	June 30, 2008		March 31, 2008	
	Millions of yen	%	Millions of yen	%
LIABILITIES				
<u>Current liabilities</u>	<u>2,305,314</u>	47.5%	<u>2,258,130</u>	49.2%
Trade notes and accounts payable	765,806		672,950	
Short-term loans	342,488		362,523	
Commercial papers	448,000		428,000	
Income taxes payable	54,660		64,166	
Allowance	3,700		7,018	
Other current liabilities	690,657		723,470	
<u>Long-term liabilities</u>	<u>1,047,062</u>	21.6%	<u>906,800</u>	19.7%
Bonds	185,035		135,047	
Long-term loans	499,751		411,035	
Retirement allowances for employees	58,279		64,076	
Other allowances	70,151		71,048	
Other long-term liabilities	233,845		225,593	
Total liabilities	3,352,376	69.1%	3,164,930	68.9%
NET ASSETS				
<u>Shareholder's equity</u>	<u>1,244,159</u>	25.6%	<u>1,194,662</u>	26.0%
Common stock	139,437	2.9%	139,437	3.1%
Capital surplus	275,776	5.7%	275,782	6.0%
Retained earnings	832,299	17.1%	782,037	17.0%
Less treasury common stock, at cost	(3,353)	(0.1%)	(2,595)	(0.1%)
<u>Valuation and translation adjustments</u>	<u>135,736</u>	2.8%	<u>115,125</u>	2.5%
Net unrealized gain on securities	110,038	2.3%	85,725	1.9%
Deferred gains and losses on hedges	32,137	0.6%	18,355	0.4%
Translation adjustments	(6,439)	(0.1%)	11,045	0.2%
<u>Minority interests in consolidated subsidiaries</u>	<u>120,909</u>	2.5%	<u>119,478</u>	2.6%
Total Net assets	1,500,805	30.9%	1,429,266	31.1%
Total liabilities, and net assets	4,853,181	100.0%	4,594,197	100.0%

(2) Consolidated Quarterly Statement of Income

	Current first quarter (April 1, 2008 ~ June 30, 2008)	
		%
Net sales	2,037,154	100.0%
Cost of sales	(1,865,596)	91.6%
Gross Profit	171,558	8.4%
Selling, general and administrative expenses	(69,931)	3.4%
Operating income	101,626	5.0%
Non-operating income	17,006	0.8%
Interest and dividends income	10,253	
Asset rental income	1,617	
Equity in earnings of unconsolidated subsidiaries and affiliates	1,278	
Other	3,857	
Non-operating expenses	(17,345)	0.8%
Interest expenses	(7,116)	
Foreign exchange loss	(1,726)	
Loss on valuation of derivatives	(5,868)	
Other	(2,633)	
Ordinary income	101,287	5.0%
Extraordinary gains	1,160	0.1%
Gain on sales of fixed assets	1,025	
Other	135	
Extraordinary losses	(5,456)	0.3%
Loss on disposal and sales of fixed assets	(2,424)	
Loss on early repayment of loans	(1,302)	
Other	(1,729)	
Income before income taxes and minority interests	96,991	4.8%
Income taxes	(36,786)	1.8%
Minority interests in earnings of consolidated subsidiaries	(1,503)	0.1%
Net income	58,701	2.9%

(3) Explanatory Notes to Quarterly Consolidated Financial Statements

(Consolidated Quarterly Balance Sheet)

	current first quarter (June 30, 2008)	Previous fiscal year (Year ended March 31, 2008)
	millions of yen	millions of yen
accumulated depreciation and amortization	2,089,310	2,068,553
allowance for doubtful accounts	9,292	9,635

(Consolidated Quarterly Statement of Income)

	current first quarter (April 1, 2008 - June 30, 2008)
	millions of yen
carriage on goods	25,844
labor cost	16,432

(Reference)**Financial statements of previous year**

[Summary] Consolidated Quarterly Statement of Income

	Previous first quarter April 1, 2007 ~ June 30, 2007	
	Millions of yen	%
Net sales	1,575,767	100.0%
Cost of sales	(1,425,752)	90.5%
Gross profit	150,014	9.5%
Selling, general and administrative expenses	(70,760)	4.5%
Operating income	79,254	5.0%
Non-operating income	17,628	1.1%
Interest and dividends income	10,539	
Asset rental income	2,497	
Equity in earnings of unconsolidated subsidiaries and affiliates	836	
Foreign exchange gains	1,099	
Other	2,655	
Non-operating expenses	(8,840)	0.5%
Interest expenses	(6,337)	
Other	(2,503)	
Ordinary income	88,042	5.6%
Extraordinary gains	8,816	0.6%
Gain on sales of fixed assets	7,754	
Other	1,062	
Extraordinary losses	(2,899)	0.2%
Loss on disposal and sales of fixed assets	(2,339)	
Other	(560)	
Income before income taxes and minority interests	93,959	6.0%
Income taxes	(39,012)	2.5%
Minority interests in earnings of consolidated subsidiaries	(2,229)	0.1%
Net income	52,718	3.4%