

## Consolidated Financial Results for the Third Quarter of Fiscal 2009

January 29, 2010

Company name : Nippon Oil Corporation

Code number : 5001

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

URL : <http://www.eneos.co.jp/>

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Scheduled date of filing of Quarterly Securities Report : February 12, 2010

Scheduled date of commencement of dividend payments : —

(Amounts of less than ¥1million are truncated)

### 1. Results for the Third Quarter of Fiscal 2009 (From April 1, 2009 to December 31, 2009)

#### (1) Operating Results (Consolidated Basis)

(Percentage figures are changes from the same period of the previous fiscal year.)

|                         | Net sales       |        | Operating income |   | Ordinary income |   | Net income      |   |
|-------------------------|-----------------|--------|------------------|---|-----------------|---|-----------------|---|
|                         | Millions of yen | %      | Millions of yen  | % | Millions of yen | % | Millions of yen | % |
| Third Quarter of FY2009 | 4,123,410       | (32.2) | 81,562           | - | 110,296         | - | 52,456          | - |
| Third Quarter of FY2008 | 6,082,426       | -      | (356,628)        | - | (351,304)       | - | (224,522)       | - |

|                         | Net income per share | Net income per share after dilution |
|-------------------------|----------------------|-------------------------------------|
|                         | Yen                  | Yen                                 |
| Third Quarter of FY2009 | 35.98                | -                                   |
| Third Quarter of FY2008 | (153.80)             | -                                   |

#### (2) Financial Position (Consolidated Basis)

|                         | Total assets    | Net assets      | Shareholder's equity ratio | Net assets per share |
|-------------------------|-----------------|-----------------|----------------------------|----------------------|
|                         | Millions of yen | Millions of yen | %                          | Yen                  |
| Third Quarter of FY2009 | 4,218,120       | 1,042,827       | 22.3                       | 644.94               |
| FY2008                  | 3,969,730       | 1,016,306       | 23.1                       | 627.90               |

### 2. Dividends

|                   | Cash dividend per share |                    |                    |          |       |
|-------------------|-------------------------|--------------------|--------------------|----------|-------|
|                   | End of 1st quarter      | End of 2nd quarter | End of 3rd quarter | Year-End | Total |
|                   | Yen                     | Yen                | Yen                | Yen      | Yen   |
| FY2008            | -                       | 10.00              | -                  | 10.00    | 20.00 |
| FY2009            | -                       | 10.00              | -                  | -        | -     |
| FY2009 (Forecast) | -                       | -                  | -                  | 8.00     | 18.00 |

Revisions of the dividends forecast in the Third Quarter ended December 31, 2009: None

### 3. Forecasts of Consolidated Financial Results in Fiscal 2009 (From April 1, 2009 to March 31, 2010)

(Percentage figures are changes from the same period of the 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                  |
| FY2009 | 5,860,000       | (20.7) | 99,000           | - | 121,000         | - | 34,000          | - | 23.32                |

Revisions of the consolidated forecasts in the Third Quarter ended December 31, 2009: 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 specific to the preparation of quarterly consolidated financial statements : Yes

Note : For details, please refer to "Qualitative Information and Financial Statements—4.Others" on page 5.

(3) Changes in accounting treatment principles and procedures and presentation for the preparation of quarterly consolidated financial statements  
(entries of changes in material matters that are the basis of the preparation of quarterly consolidated financial statements)

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

(ii) Other changes : None

Note : For details, please refer to "Qualitative Information and Financial Statements—4.Others" on page 6.

(4) Number of issued shares (Common stock)

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

Third Quarter of FY2009 ended December 31, 2009 : 1,464,508,343 shares

FY2008 ended March 31, 2009 : 1,464,508,343 shares

(ii) Number of treasury stock

Third Quarter of FY2009 ended December 31, 2009 : 6,798,263 shares

FY2008 ended March 31, 2009 : 6,629,916 shares

(iii) Average number of issued shares

Third Quarter of FY2009 ended December 31, 2009 : 1,457,785,615 shares

Third Quarter of FY2008 ended December 31, 2008 : 1,459,795,777 shares

(Reference)

Forecasts of Unconsolidated Financial Results in Fiscal 2009 (From April 1, 2009 to March 31,2010)

(Percentage figures are changes from the same period of the 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                  |
| FY2009 | 5,070,000       | (23.9) | 34,000           | - | 52,000          | - | 29,000          | 97.0 | 19.86                |

Revisions of the unconsolidated forecasts in the Third Quarter ended December 31, 2009: Yes

\* This report contains certain forward-looking statements. The above forecasts are forward-looking statements based on information available to management at the time of the release of this report and are subject to risks and uncertainties. Actual results may differ materially from projected forecasts due to various factors. Factors that may affect actual results include, but are not limited to, macroeconomic conditions, crude oil prices, demand for and market conditions of petroleum products and petrochemical products, foreign currency exchange rates and interest rate trends.

For assumptions underlying the above forecasts, please refer to "Qualitative Information and Financial Statements — 3. Qualitative Information on Forecasts of Consolidated Financial Results" on Page 4.

## Qualitative Information and Financial Statements

### 1. Qualitative Information on Consolidated Operating Results

For the nine months ended December 31, 2009 (the “third quarter of fiscal 2009”), sales of petroleum and other products decreased primarily due to decreased demand in industrial fuels that was affected by the economic weakness. As a result, sales volumes (excluding barter transactions) for the third quarter of fiscal 2009 were 45,310 thousand kiloliters, an 8.7% decrease compared to the corresponding period of the prior fiscal year.

As for the consolidated results of operations for the third quarter of fiscal 2009, net sales were ¥4,123.4 billion (a decrease of 32.2%), operating income was ¥81.6 billion (an increase of ¥438.2 billion), and ordinary income was ¥110.3 billion (an increase of ¥461.6 billion), each compared to the corresponding period of the prior fiscal year. The changes primarily reflect an unfavorable impact of inventory valuation factors on the results of operations for the corresponding period of the prior fiscal year, which resulted from a significant decline in crude oil prices. Such unfavorable impact of inventory valuation factors reflected the higher cost of sales of inventory valuation under the average cost method and the write down of inventories due to decreased profitability. Excluding inventory valuation factors, ordinary income decreased by ¥111.1 billion from the corresponding period of the prior fiscal year to an ordinary loss of ¥37.4 billion. This was due to decreased sales volumes and margins of petroleum products, and lower profitability of the oil and natural gas E&P segment that mainly resulted from decreased sales prices of crude oil and natural gas.

### 2. Qualitative Information on Consolidated Financial Position

The total assets at the end of the third quarter of fiscal 2009 were ¥4,218.1 billion, an increase of ¥248.4 billion compared to the end of fiscal 2008. This was primarily due to a significant increase in inventories resulting from higher crude oil prices.

The net assets at the end of the third quarter of fiscal 2009 were ¥1,042.8 billion, an increase of ¥26.5 billion compared to the end of fiscal 2008. This was because the increases caused by factors such as net income for the third quarter of fiscal 2009 exceeded the decreases caused by factors such as dividends, and also because of increases in net unrealized gain on securities.

Outstanding total indebtedness at the end of the third quarter of fiscal 2009 was ¥1,618.0 billion, an increase of ¥205.6 billion compared to the end of fiscal 2008. This was primarily due to higher working capital requirements as a result of increased crude oil prices.

As a result, shareholders' equity ratio at the end of the third quarter of fiscal 2009 was 22.3%.

### 3. Qualitative Information on Forecasts of Consolidated Financial Results

The Company is revising the forecasts of consolidated financial results of fiscal 2009, as crude oil costs remain at high levels and margins are decreasing due to decreased demand for petroleum products as compared to the time of the previous forecast. The previous forecasts were made at the time of the announcement of the financial results for the six months ended September 30, 2009. The revised forecasts assume that on average for fiscal 2009, crude oil costs are \$69.2 per barrel and the exchange rate is ¥93.2 per \$1.00. The previous forecasts assumed that crude oil costs were \$66.0 per barrel and the exchange rate was ¥93.2 per \$1.00.

Net sales are forecast to be ¥5,860.0 billion, an increase of 1.9% compared to the previous forecast.

While the effects of inventory valuation factors are expected to become more favorable as crude oil prices increase, due to factors such as a decrease in margins of petroleum products, operating income is forecast to be ¥99.0 billion (a decrease of ¥26.0 billion), ordinary income is forecast to be ¥121.0 billion (a decrease of ¥26.0 billion) and net income is forecast to be ¥34.0 billion (a decrease of ¥34.0 billion), each compared to the previous forecast.

Forecasts of Consolidated Financial Results in Fiscal 2009 (From April 1, 2009 to March 31, 2010)

|                       | Net sales<br>(Millions of yen) | Operating income<br>(Millions of yen) | Ordinary income<br>(Millions of yen) | Net income<br>(Millions of yen) |
|-----------------------|--------------------------------|---------------------------------------|--------------------------------------|---------------------------------|
| Previous forecast (A) | 5,750,000                      | 125,000                               | 147,000                              | 68,000                          |
| New forecast (B)      | 5,860,000                      | 99,000                                | 121,000                              | 34,000                          |
| Amount changed (B-A)  | 110,000                        | (26,000)                              | (26,000)                             | (34,000)                        |
| Percentage change (%) | 1.9%                           | (20.8)%                               | (17.7)%                              | (50.0)%                         |

As to the above revisions to the forecasts, please also refer to the "Notice Concerning Revisions to Forecasts" dated January 29, 2010.

#### 4. Others

(1) Changes in material subsidiaries during the term under review (Changes in specific subsidiaries that resulted in changes in the scope of consolidation): None

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

##### a. Simplified accounting treatment

###### Recoverability of deferred tax assets

With respect to companies that have been recognized not to have had any significant changes since the end of the prior fiscal year in matters such as the business environment and the occurrence of temporary differences, the Company used the future earnings forecasts and tax planning for the fiscal year ended March 31, 2009. With respect to companies that have been recognized to have had significant changes since the end of the prior fiscal year in matters such as the business environment and the occurrence of temporary differences, the Company used the future earnings forecasts and tax planning for the fiscal year ended March 31, 2009, and added the effects of such significant changes.

##### b. Accounting treatment specific to the preparation of quarterly consolidated financial statements

With respect to income tax expenses, in the refining and marketing, construction and the other segments, the Company computes income tax expenses by multiplying a reasonably estimated annual effective tax rate by the income before income taxes of the third quarter of fiscal 2009. Such estimate of the annual effective tax rate is made based on income before income taxes that includes the third quarter of fiscal 2009 after the application of accounting for income taxes. Deferred income taxes are included in income taxes.

- (3) Changes in accounting treatment principles and procedures and presentation for the preparation of quarterly consolidated financial statements:
- a. Changes in accounting treatment standards
    - (i) Changes to method of recording completed-construction net sales and completed-construction cost

The Company previously applied the completed-contract method to account for net sales from construction contracts. From the first quarter of fiscal 2009, the Company has applied “Accounting Standard for Construction Contracts” (“Statement No. 15,” as issued by the ASBJ on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (“Guidance No. 18,” as issued by the ASBJ on December 27, 2007). For construction contracts pursuant to which construction activity began in the first quarter of fiscal 2009 and the outcome of the construction activity has been deemed certain for the portion of the construction activity completed by the end of the third quarter of fiscal 2009, the Company applies the percentage-of-completion method (the estimated progress of construction is based on the cost-proportion method). For other construction, the Company applies the completed-contract method.

As a result, net sales for the nine months ended December 31, 2009 increased by ¥35,166 million, and operating income, ordinary income and income before income taxes and minority interests each increased by ¥2,641 million.

## Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Unit : millions of yen)

|  | Third Quarter of FY2009<br>As of December 31, 2009 | FY2008<br>As of March 31, 2009 |
|--|--|--------------------------------|
| <b>ASSETS</b>                              |  |                                |
| Current assets                             |  |                                |
| Cash and cash time deposits                | 230,033  | 227,533                        |
| Trade notes and accounts receivable        | 705,604  | 540,409                        |
| Inventories                                | 877,653  | 664,560                        |
| Other current assets                       | 209,169  | 325,986                        |
| <b>Total current assets</b>                | <b>2,022,459</b>                                   | <b>1,758,489</b>               |
| Non-current assets                         |  |                                |
| Property, plant and equipment              |  |                                |
| Land                                       | 657,163  | 663,813                        |
| Other, net                                 | 621,233  | 672,630                        |
| <b>Total property, plant and equipment</b> | <b>1,278,397</b>                                   | <b>1,336,444</b>               |
| Intangible non-current assets              | 46,580   | 48,336                         |
| Investments and other assets               | 870,677  | 826,454                        |
| <b>Total non-current assets</b>            | <b>2,195,655</b>                                   | <b>2,211,234</b>               |
| Deferred assets                            | 5  | 5                              |
| <b>Total assets</b>                        | <b>4,218,120</b>                                   | <b>3,969,730</b>               |
| <b>LIABILITIES</b>                         |  |                                |
| Current liabilities                        |  |                                |
| Trade notes and accounts payable           | 496,584  | 366,208                        |
| Short-term loans                           | 465,747  | 382,538                        |
| Commercial papers                          | 414,000  | 242,000                        |
| Income taxes payable                       | 25,112   | 30,452                         |
| Allowance                                  | 3,759  | 4,483                          |
| Other current liabilities                  | 790,537  | 864,581                        |
| <b>Total current liabilities</b>           | <b>2,195,740</b>                                   | <b>1,890,264</b>               |
| Non-current liabilities                    |  |                                |
| Bonds                                      | 165,039  | 185,021                        |
| Long-term loans                            | 563,277  | 607,894                        |
| Retirement allowances for employees        | 45,990   | 54,482                         |
| Other allowances                           | 65,046   | 62,320                         |
| Other non-current liabilities              | 146,198  | 153,441                        |
| <b>Total non-current liabilities</b>       | <b>979,551</b>                                     | <b>1,063,159</b>               |
| <b>Total liabilities</b>                   | <b>3,175,292</b>                                   | <b>2,953,424</b>               |

(Unit : millions of yen)

|   | Third Quarter of FY2009<br>As of December 31, 2009 | FY2008<br>As of March 31, 2009 |
|---|--|--------------------------------|
| <b>NET ASSETS</b>                               |  |                                |
| Shareholder's equity                            |  |                                |
| Common stock                                    | 139,437  | 139,437                        |
| Capital surplus                                 | 275,697  | 275,698                        |
| Retained earnings                               | 528,732  | 507,371                        |
| Less treasury common stock, at cost             | (4,474)  | (4,389)                        |
| Total shareholder's equity                      | 939,393  | 918,118                        |
| Valuation and translation adjustments           |  |                                |
| Net unrealized gain on securities               | 35,780   | 25,534                         |
| Deferred gains and losses on hedges             | 13,042   | 9,218                          |
| Translation adjustments                         | (48,082)   | (37,465)                       |
| Total valuation and translation adjustments     | 740  | (2,712)                        |
| Minority interests in consolidated subsidiaries | 102,693  | 100,900                        |
| Total net assets                                | 1,042,827  | 1,016,306                      |
| <b>Total liabilities and net assets</b>         | <b>4,218,120</b>                                   | <b>3,969,730</b>               |

## (2) Consolidated Statements of Income

|   | (Unit : millions of yen)  |   |
|---|---|---|
|   | Third Quarter of FY2008<br>From April 1, 2008<br>to December 31, 2008 | Third Quarter of FY2009<br>From April 1, 2009<br>to December 31, 2009 |
| Net sales   | 6,082,426   | 4,123,410   |
| Cost of sales   | 6,224,649   | 3,835,362   |
| Gross income (loss) on sales                                | (142,223)   | 288,048   |
| Selling, general and administrative expenses                | 214,405   | 206,485   |
| Operating income (loss)                                     | (356,628)   | 81,562  |
| Non-operating income  |   |   |
| Interest and dividends income                               | 24,497  | 18,686  |
| Foreign exchange gain                                       | 6,343   | 16,302  |
| Asset rental income   | 6,017   | 6,500   |
| Equity in earnings of affiliates                            | 5,268   | 5,541   |
| Other   | 7,051   | 7,447   |
| Total non-operating income                                  | 49,179  | 54,478  |
| Non-operating expenses                                      |   |   |
| Interest expenses   | 22,166  | 17,262  |
| Loss on valuation of derivatives                            | 10,517  | 3,194   |
| Other   | 11,171  | 5,288   |
| Total non-operating expenses                                | 43,854  | 25,745  |
| Ordinary income (loss)                                      | (351,304)   | 110,296   |
| Extraordinary income  |   |   |
| Gain on sales of non-current assets                         | 12,442  | 7,022   |
| Insurance proceeds  | -   | 2,967   |
| Other   | 369   | 686   |
| Total extraordinary income                                  | 12,811  | 10,676  |
| Extraordinary losses  |   |   |
| Loss on sales and retirement of non-current assets          | 7,517   | 18,081  |
| Impairment loss   | 8,405   | 5,768   |
| Loss on revaluation of investments in securities            | 8,113   | 6,310   |
| Other   | 5,224   | 5,610   |
| Total extraordinary losses                                  | 29,261  | 35,771  |
| Income (loss) before income taxes and minority interests    | (367,753)   | 85,201  |
| Income taxes  | (147,134)   | 27,211  |
| Minority interests in earnings of consolidated subsidiaries | 3,903   | 5,533   |
| Net income (loss)   | (224,522)   | 52,456  |

## (3) Explanatory Notes to Consolidated Financial Statements

## Consolidated Balance Sheets

|   | Third Quarter of FY2009<br>As of December 31, 2009 | FY2008<br>As of March 31, 2009 |
|---|--|--------------------------------|
|   | millions of yen                                    | millions of yen                |
| Merchandise and finished goods            | 322,349  | 279,760                        |
| Goods in process                          | 81,354   | 88,689                         |
| Raw material and inventory goods          | 473,948  | 296,109                        |
| Accumulated depreciation and amortization | 2,234,635  | 2,200,794                      |
| Allowance for doubtful accounts           | 8,050  | 9,941                          |

## Consolidated Statements of Income

|                   | Third Quarter of FY2008<br>From April 1, 2008<br>to December 31, 2008 | Third Quarter of FY2009<br>From April 1, 2009<br>to December 31, 2009 |
|-------------------|---|---|
|                   | millions of yen   | millions of yen   |
| Carriage on goods | 79,213  | 72,767  |
| Labor cost        | 49,301  | 49,210  |

(4) Notes on the preconditions for a going concern: None

(5) Notes on any significant change in the shareholders' equity: None