

Your Choice of Energy

Nippon Mitsubishi Oil Corporation

Annual Report 2000

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*Ensuring the fulfillment of Japan's energy needs—
past, present, and future...*

*Having undertaken diverse operations for more
than a century to ensure Japan has stable energy
supplies, Nippon Mitsubishi Oil Corporation
(NMOC) is actively responding to the progressive
deregulation of domestic oil markets.*

*The Company operates Japan's largest oil
importing, refining, distributing, and marketing net-
work; imports and distributes coal and natural gas;
and maintains an extensive and growing oil explo-
ration and development program.*

*Aiming to further expand and diversify its profit
base and become a comprehensive energy company,
NMOC is strengthening its integrated oil operations
and expanding its operations involving new
energy sources.*

● Financial and Operating Highlights

Nippon Mitsubishi Oil Corporation, Nippon Oil Company, Limited, Mitsubishi Oil Company, Limited and Consolidated Subsidiaries

Financial Highlights

Years ended March 31, 2000 and 1999	Millions of yen			Thousands of U.S. dollars
	2000	1999		2000
	NMOC	NISSEKI	Mitsubishi Oil	NMOC
Net sales	¥3,594,911	¥2,406,323	¥1,019,334	\$33,914,255
Net (loss) income	(4,858)	9,722	(20,234)	(45,830)
Cash dividends paid	9,257	8,608	—	87,330
Total assets	3,760,800	2,914,617	892,859	35,479,245
Total shareholders' equity	840,971	656,349	182,563	7,933,689

* U.S. dollar figures are translated from yen, for convenience only, at the rate of ¥106=U.S.\$1, the approximate rate of exchange on March 31, 2000.

Operating Highlights

Years ended March 31, 2000 and 1999	2000	1999	
	NMOC	NISSEKI	Mitsubishi Oil
Crude oil imports (million kiloliters).....	59.9	42.5	20.9
Output of petroleum products*1 (million kiloliters).....	56.5	39.5	22.7
Sales of petroleum products*1 (million kiloliters).....	83.6	57.3	30.0
Capacity of refining facilities (barrels per stream day)	1,348,000	893,000	475,000
Number of employees*2	15,964	10,539	3,681

*1 Petroleum products include lubricants, liquefied petroleum gas (LPG), and others.

*2 The number of employees includes those of Nippon Mitsubishi Oil Corporation, Nippon Oil Company, Limited, Mitsubishi Oil Company, Limited, and all consolidated subsidiaries.

Notes: 1. In this report, the term "NMOC" and such terms as "the Company," "our," and "we" may refer to Nippon Mitsubishi Oil Corporation and its consolidated subsidiaries taken as a whole, or to all subsidiaries, affiliates, and associated companies considered part of the NMOC Group taken as a whole. When the reference is only to Nippon Mitsubishi Oil Corporation, the term "parent company" is used. These terms are used for convenience only. A listing of principal companies and their relationship to NMOC is shown on pages 54 and 55.

2. Unless otherwise indicated, all dollar figures herein refer to U.S. currency. Billion is used in the American sense of one thousand million.

3. The abbreviation NISSEKI is used in this annual report. NISSEKI, an abbreviation of Nippon Oil Company's Japanese name, was the name used in marketing operations and was therefore the Company's best-known appellation.

4. Sales figures for petroleum fuel and crude oil, petrochemical operations, those related to construction, and other referred to on pages 3 and 4 of this annual report include transactions among consolidated companies.

● A Message from the President

Nippon Mitsubishi Oil Corporation (NMOC)—established through the April 1, 1999, merger of the Nippon Oil Company, Limited (NISSEKI), and Mitsubishi Oil Co., Ltd.—has begun dynamically working to realize the potential benefits of the merger and thereby create a strong and efficient operating base.

● *Environment and Performance*

NMOC's operations fall into four business segments—petroleum fuel and crude oil, petrochemical operations, construction, and other.

During fiscal 2000, ended March 31, 2000, Japan's economy remained unable to begin a recovery supported by private-sector demand. Although total domestic demand for petroleum fuels increased slightly, prices failed to keep pace with surging crude oil procurement costs, reducing the overall profitability of the domestic oil industry.

NMOC implemented various strategies for effectively enhancing its competitiveness in its principal business field of petroleum fuel and crude oil. However, the existence of surplus refining capacity led to oversupplies of petroleum products. This and the excessive number of service stations caused price competition to intensify, making it extremely difficult to set prices in line with procurement costs.

Owing to NMOC's emphasis on maintaining rational pricing policies, the Company's nonconsolidated sales volume of petroleum fuel and crude oil decreased to 79.7 million kiloliters, but a general rise in selling prices, due to the uptrend in crude oil prices, boosted the value of these sales to ¥2,815.8 billion (\$26.6 billion). Consolidated sales of petroleum fuel and crude oil amounted to ¥3,070.6 billion (\$29.0 billion). The Company's success in reducing expenses and a rise in the profitability of oil development subsidiaries had a positive influence on profitability, although the disparity between trends in procurement costs and retail prices restrained operating income to ¥11.7 billion (\$110.0 million).

Petrochemical operations benefited from rising demand in Asian export markets, but a surge in the cost of procuring naphtha had a negative impact on profitability. The NMOC Group increased the volume of its petrochemical sales, and net sales in this category amounted to ¥213.6 billion (\$2.0 billion), although an operating loss of ¥146 million (\$1.4 million) was recorded, reflecting the skyrocketing of raw materials procurement costs. Net sales in construction

Fumiaki Watari,
President and
Representative Director



business totaled ¥327.4 billion (\$3.1 billion), and the effects of rationalization programs raised operating income in that category to ¥12.1 billion (\$114.3 million). In other operations, the Group posted net sales of ¥89.5 billion (\$844.4 million) and operating income of ¥4.3 billion (\$40.7 million).

Consequently, after eliminations, consolidated net sales amounted to ¥3,594.9 billion (\$33.9 billion), and consolidated operating income was ¥29.3 billion (\$276.5 million). In line with changes to the accounting system for retirement benefits, the Company recalculated its related liabilities and recorded an extraordinary expense of ¥23.3 billion on the full amortization of the unfunded portion of those liabilities. This extraordinary expense, incurred due to the Company's emphasis on maintaining a solid financial position, caused the Company to record a net loss of ¥4.9 billion (\$45.8 million). Despite this, NMOC set its cash dividends per share attributable to the year at ¥7.00 (\$0.07), the same level as those for NISSEKI during the previous fiscal year.

● *Strategic Measures*

NMOC is working to quickly integrate the organizational, personnel, and transport systems inherited from its founding companies. The Group has set the goal of realizing efficiency gains that will reduce annual costs ¥86 billion by the end of fiscal 2002. In fiscal 2000 alone, however, the parent company and Nippon Mitsubishi Petroleum Refining Company (NMPRC)

realized cost cuts of ¥41 billion, and cost cuts by other Group companies amounted to ¥9 billion. The Group was thus able to cut approximately ¥50 billion in costs, or almost 60% of the three-year target. This target includes approximately ¥4 billion, due to cooperation with Cosmo Oil Co., Ltd., and ¥1.5 billion, due to the more-thorough integration of Koa Oil Co., Ltd., into the Group.

Aiming to optimize its production systems, the Company quickly began merging and rationalizing the refining departments of its two predecessor companies. In July 1999, the Mizushima Refinery, previously operated by Mitsubishi Oil, was transferred to NMPRC, which was already the largest refining company within the Group and can now handle an even-greater share of refining operations in an integrated manner. This, the discontinuation of crude oil processing by the Kawasaki Refinery at the end of September 1999, and the acquisition of a majority shareholding in Koa Oil during August and September 1999 have consolidated the Group's refining operations.

During fiscal 2000, we concluded two additional agreements to cut costs through inter-company cooperation. In October 1999, the Company and Cosmo Oil agreed to engage in a broad range of cooperative activities, including collaboration in crude oil and petroleum product procurement, oil refining, petroleum product distribution, and lubricant manufacturing and distribution.

Aiming to create a stronger integrated system for both upstream and downstream business, NMOC has arranged an alliance with Teikoku Oil Co., Ltd., which is particularly strong in upstream oil field development operations. In February 2000, NMOC and its subsidiary, Nippon Oil Exploration Limited, signed a basic agreement on a capital and operational alliance with Teikoku Oil that is designed to enhance the partners' competitiveness in all types of oil and natural gas business from oil development through petroleum product marketing. The following month, NMOC became Teikoku Oil's largest shareholder.

With regard to marketing, NMOC is aiming to attract customers with a distinctively comprehensive array of car-related products and services, largely by establishing Dr. Drive facilities, which always have certified mechanics on duty, at its service stations. During the period, the Company began a campaign to expeditiously convert more than half its approximately 13,000 service stations into Dr. Drive facilities.

● Outlook

Currently, NMOC is emphasizing the following three principal goals.

Strengthening Its Operating Base—As mentioned, the Company has made faster progress than initially expected in its efforts to reduce annual costs ¥86 billion by the end of fiscal 2002. In view of this, we are working to quickly draft and implement a second efficiency-boosting plan with additional cost-cutting targets. These rationalization and cost-cutting measures are designed to increase the overall value of the entire NMOC Group.

Creating New Businesses—Besides oil and coal business, NMOC is actively endeavoring to begin and expand such new energy businesses as those involving natural gas, independent power producer (IPP) operations, and fuel cells. We are also selectively expanding our operations in such new nonenergy fields as carbon fibers.

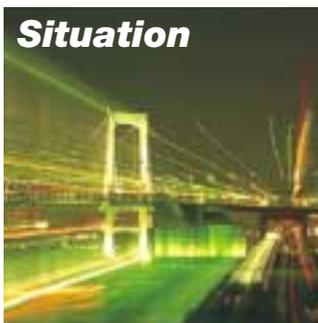
Maximizing Customer Satisfaction—We are carefully monitoring trends in customer needs so that we can mount concerted and sustained efforts to maximize customer satisfaction.

During fiscal 2001, NMOC has set itself the goal of increasing its consolidated net sales and net income to ¥3,850 billion and ¥25 billion, respectively. Within three years, the Company aims to boost net income to approximately ¥40 billion, which will correspond to an ROE of approximately 5%.

August 2000

A handwritten signature in black ink that reads "F. Watari". The signature is written in a cursive style with a long horizontal line extending to the right from the end of the name.

Fumiaki Watari,
President and Representative Director



Situation—The deregulation of Japan's oil industry, excessive competition, and sluggish demand

have created a harsh operating environment for the industry and spurred extensive restructuring.

Speedy Action—Created through a merger aimed at reinforcing its predecessors' com-

petitive strengths, NMOC has quickly integrated and streamlined its predecessors' operations and arranged operational alliances with other leading oil companies.

Potential—As the largest oil company in Japan, NMOC is steadily proceeding with its medium-to-long-term strategy for effectively leveraging its capabilities and evolving into a truly comprehensive energy company.



The government of Japan has instituted diverse regulations to ensure its energy security but has also recently worked to increase the efficiency of its domestic oil industry. Since the full-scale relaxation of regulations governing the industry, the start of petroleum

Situation

fuel marketing operations has intensified price competition. This competition has prevented oil companies from increasing their selling prices to reflect higher crude oil prices, depressing corporate profitability. At the same time, economic sluggishness has restrained domestic demand for petroleum fuels. These and other factors have caused a drastic restructuring of Japan's oil industry.



Trends in Crude Oil (CIF) and Regular Gasoline Prices

- Crude oil (CIF) price (left scale)
- Regular gasoline price (right scale)

Notes: 1. Figures are for calendar years.
2. CIF = Cost, Insurance and Freight

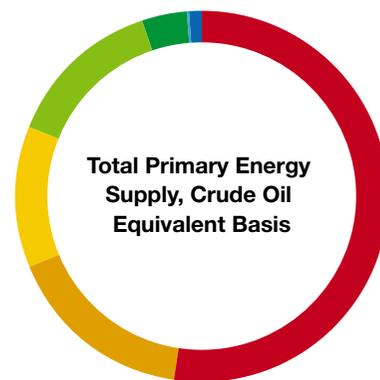
Source: Ministry of Finance, *Trade Statistics* and other publications



Oil remains a mainstay energy source for Japan, which must import almost all the crude oil it uses. The Japanese government, therefore, devised energy policies focused on ensuring stable supplies of oil at reasonable prices, and various regulations were used to ensure the soundness of systems for importing and refining oil as well as distributing petroleum fuels. The deregulation of Japan's oil industry has proceeded rapidly in recent years, however, reflecting the increasingly pronounced worldwide trend toward regulatory relaxation, which has spurred increasing calls for measures to promote competition and efficiency in Japan's oil industry.

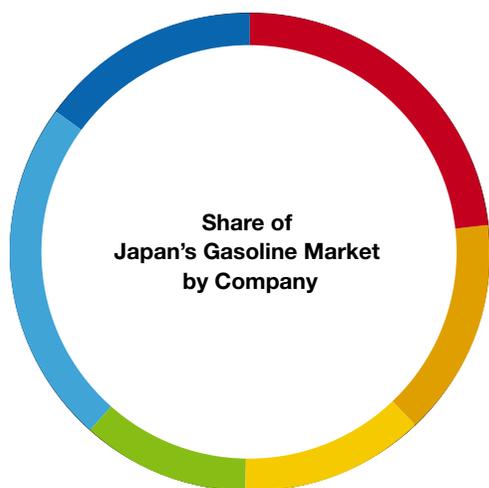
Because of recent deregulation, any company can now import petroleum products if it meets specified product storage requirements and takes measures to ensure high product quality. Excess refining capacity and growth in the number of service stations has greatly increased the severity of price competition.

In addition to responding to deregulation, however, Japanese oil companies must earn and invest considerable sums to adapt their refining and distribution systems to meet rising demand for light and middle distillates as well as increasingly strict requirements for reducing air pollution by reducing the sulfur content of diesel fuel and the benzene content of gasoline.



Oil	52.4%
Coal	16.4%
Natural gas	12.3%
Nuclear power	13.7%
Hydroelectric power	3.9%
Geothermal power	0.2%
New energy and others	1.1%

Source: Energy Balance Table in Japan (MITI)

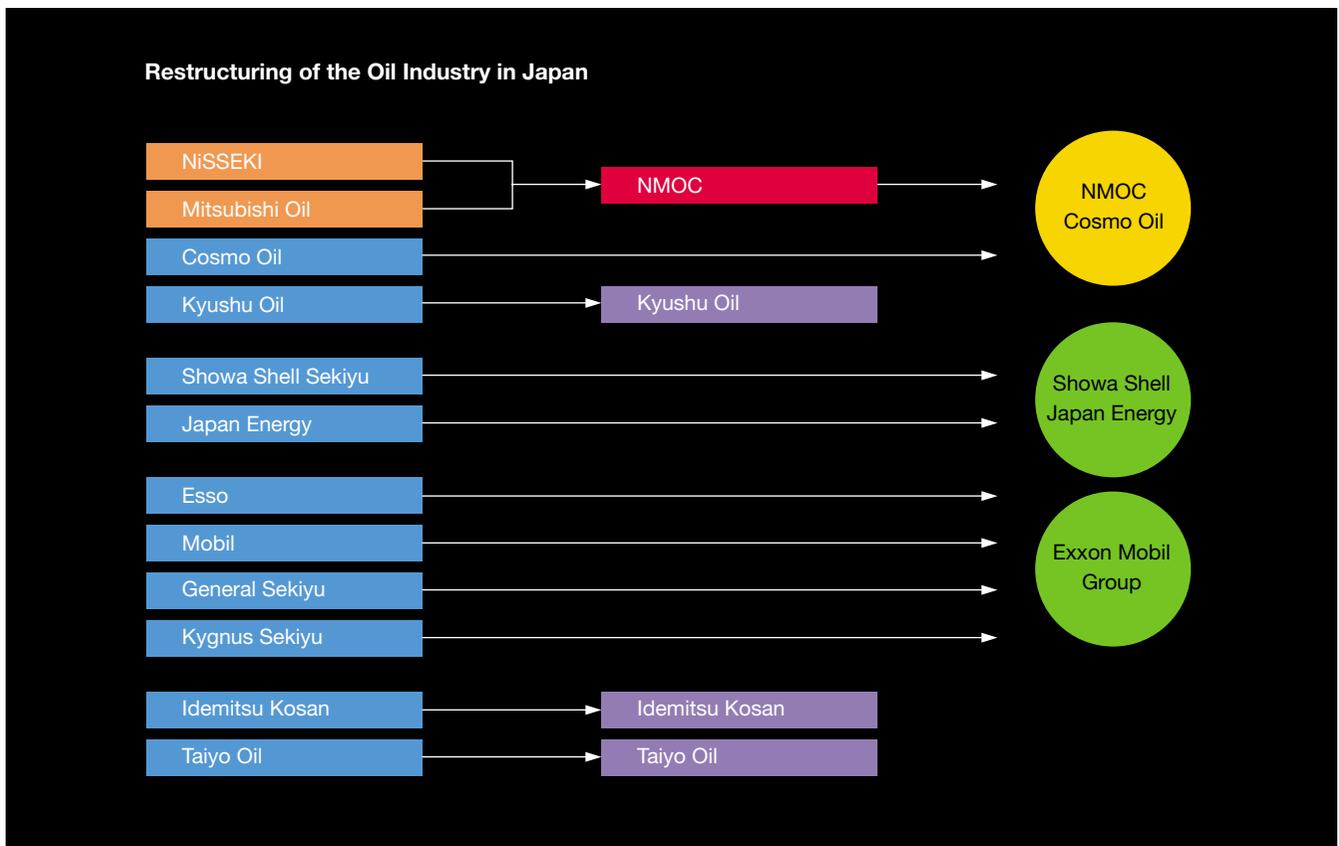


NMOG	23.2%
Idemitsu Kosan	14.7%
Showa Shell Sekiyu	12.4%
Cosmo Oil	11.3%
Exxon Mobil Group	23.4%
Mobil	9.3%
Esso	6.8%
Tonen General Sekiyu	5.1%
Kygnus Sekiyu	2.2%
Others	15.0%

Source: Petroleum Association of Japan

Currently, the operating environment is becoming severer.

In response, members of Japan's oil industry have embarked on ambitious restructuring programs. Aiming to reduce costs throughout their operations, they are rationalizing their distribution systems, consolidating refining activities, and greatly reducing staff in administrative departments. Moreover, a variety of measures are being taken to boost efficiency, including forming multi-company groups and increasing the integration of existing groups—there have been sharp rises in mergers and the arrangement of corporate tie-ups that provide for intercompany cooperation in distribution and other processes.





To overcome current and prospective challenges, NISSEKI and Mitsubishi Oil merged on April 1, 1999, to create NMOC. Since its founding, NMOC has taken speedy action to realize the benefits of the merger by consolidating and integrating the operations of

Speedy action

its predecessor companies. It has also moved to augment efficiency through such measures as the acquisition of a majority shareholding in Koa Oil and the arrangement of tie-ups with Cosmo Oil and Teikoku Oil.



Consolidation and Integration

During its first three fiscal years, NMOC intends to adopt unified trademarks and thoroughly integrate the organizational, personnel, and transport systems inherited from its founding companies. The Group has set itself the goal of realizing efficiency gains that will reduce annual costs ¥86 billion by the end of fiscal 2002. In fiscal 2000 alone, however, the parent company and the other Group companies realized cost cuts of ¥50 billion.



As an additional means of rationalizing refining operations, NMOC has purchased a controlling shareholding in Koa Oil. Koa Oil was previously an affiliated oil-refining company in which NMOC had a 5.83% shareholding and U.S.-based Caltex Corporation had a 50.0% shareholding. Koa Oil has supplied almost all its production to NiSSEKI and NMOC since 1950, when NiSSEKI formed an alliance with Caltex, and its two refineries produce almost 20% of the Group's 1,348,000 barrels per stream day (BSD) of crude oil processing capacity. During August and September 1999, NMOC acquired almost all of Caltex's shareholding, thereby boosting its own shareholding to 55.83%. NMOC anticipates annual cost savings of roughly ¥1.5 billion, due to the more-thorough integration of its refining operations with those of Koa Oil.



Scope of Cooperation with Cosmo Oil

Procurement	① Cooperative purchasing and off-loading of crude oil and imported petroleum products
	② Rationalization of shipping through cooperative tanker charters
	③ Cooperative use of storage facilities
	④ Barter of crude oil and imported petroleum products
Refining	① Commissioned refining of crude and raw material oils
	② Effective utilization of excess refining capacity
	③ Consolidation of product lines and barter of finished and semifinished products
Distribution	① Barter of petroleum products
	② Consolidation and optimization of depots
	③ Cooperative use of depots
	④ Cooperative use of transportation equipment
Lubricant Oil Business	① Effective utilization of excess base oil manufacturing capacity
	② Cooperative use of blending facilities and barter of products
	③ Cooperative use of transportation equipment
	④ Cooperative research programs

Cooperation with Cosmo Oil

In October 1999, NMOC and Cosmo Oil agreed to engage in a broad range of cooperative activities aimed at cutting costs. The scope of cooperation encompasses crude oil and petroleum product procurement, oil refining, petroleum product distribution, and lubricant oil manufacturing and distribution. As the complementary locations of the partners' refineries allow the collaborative supply of regional markets with considerably greater efficiency, the benefits of cooperation are expected to be large. Moreover, the two companies have extensive marketing networks and similar cost structures. Both are thus excellently positioned to overcome competitive challenges by working closely together in undertaking fundamental cost-reduction measures. After three years, this collaboration is expected to reduce the two companies' annual costs approximately ¥15 billion.



Capital and Operational Alliance with Teikoku Oil

In February 2000, NMOC and its oil and gas exploration and production subsidiary Nippon Oil Exploration signed a basic agreement on a capital and operational alliance with Teikoku Oil that is designed to enhance the partners' competitiveness in all types of oil and natural gas businesses, including both upstream and downstream operations. Based on the agreement, on February 18, 2000, Teikoku Oil issued new shares equivalent to 15% of its outstanding shares. NMOC purchased all the

new shares, boosting its shareholding in Teikoku Oil to 16.47% and thereby becoming Teikoku Oil's largest shareholder.

One of Japan's principal oil and natural gas development companies since its 1941 establishment, Teikoku Oil has undertaken extensive exploration and production businesses domestically and overseas. Teikoku Oil is actively developing its natural gas and other businesses through means that include the construction of a natural gas supply system that utilizes domestic gas fields and pipelines, and it has abundant accumulated experience and technological expertise.

NMOC, Nippon Oil Exploration, and Teikoku Oil are holding discussions on various collaborative projects, with a view to realizing as many synergies as possible. For example, the companies plan to invest together in new overseas oil and gas exploration and production projects as well as make additional investments in existing projects so that the partners can participate jointly. The companies intend to share their exploration, development, and production technologies as well as promote the joint R&D of new technologies. In Japan, the partners will endeavor to cooperatively upgrade their infrastructure for natural gas business and collaborate in expanding their clientele in that business. The companies will also seek to lower domestic petroleum product distribution costs through the sharing of distribution infrastructure.

Cost-Reduction Measures (Progress as of the end of fiscal 2000)

Goal: Reduce annual costs ¥86.0 billion during NMOC's first three fiscal years or by the end of fiscal 2002

(not including cost reductions realized through cooperation with Cosmo Oil)

(¥ billion)

Personnel cost reductions	• Organizational and personnel streamlining	¥ 8.7
Transport and storage cost reductions	• Merging and eliminating depots • Expanding use of product-barter arrangements and taking other measures to boost transport efficiency	10.9
Facility- and equipment-related cost reductions	• Reducing maintenance and repair costs	20.2
Administrative cost reductions		10.2
Total		¥50.0

Restructuring Measures (As of March 31, 1999 and 2000)

Corporate Directions	1999			2000
	NISSEKI Group	Mitsubishi Oil Group	Total	NMOC
Number of refining facilities	7	4	11	9
Capacity of refining facilities (BSD)	893,000	475,000	1,368,000	1,348,000
Number of oil depots	60	22	82	65
Number of tank trucks	1,655	749	2,404	1,968
Number of service stations	9,435	4,304	13,739	13,162
Number of credit cards	1,690,000 (Ena® Card)	590,000 (Joe Card)	2,280,000	2,530,000
Number of regional offices	12	10	22	13
Number of employees	3,607*1	1,818*1	5,425	4,602*2
Number of affiliated companies	286	99	385	278

*1 The figure for number of employees of the NISSEKI Group is for the parent company and Nippon Petroleum Refining Company only, while the figure for number of employees of the Mitsubishi Oil Group is for the parent company only.

*2 The figure for number of employees of NMOC is for the parent company and NMPRC only.



As the largest company in Japan's oil industry, NMOC has diverse resources and enjoys advantageous economies of scale in most business fields. The Company is steadily proceeding with

Potential

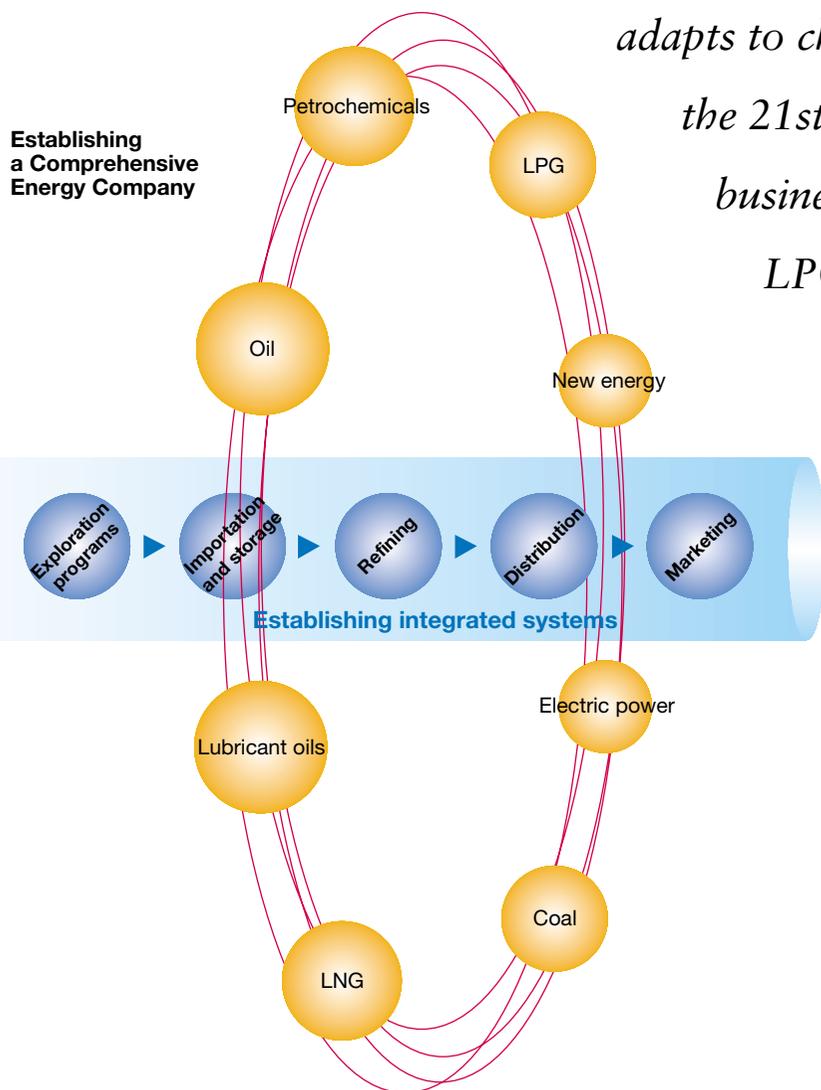
a strategy for further rationalizing its operations, strengthening exploration and development capabilities, initiating operations in nonoil energy fields as well as e-business and other new businesses, and evolving into a truly comprehensive energy company.

Your Choice of Energy

NMOC intends to build solid and resilient cost-competitiveness by quickly realizing all the potential benefits of the April 1999 merger as well as its recently arranged tie-ups with other companies. The Company will also take full advantage of IT as it creates new strategic marketing programs that reinforce its corporate name and brands in the eyes of customers. In addition, plans call for expanding downstream operations overseas, primarily in Asia.

In line with the worldwide trend toward diversifying energy sources and creating new energy technologies, NMOC intends to evolve into a truly comprehensive energy company capable of thriving as it flexibly

adapts to changing conditions during the 21st century. Besides expanding business related to petrochemicals, LPG, liquefied natural gas (LNG), and electric power, the Company will proactively develop business involving innovative new energy technologies.



Exploration & Production (Oil and Natural Gas)

NMOC is currently producing oil in Papua New Guinea, the U.K. North Sea, Canada, and Vietnam and natural gas in the United States and Myanmar. Its total production is approximately 54,000 barrels of oil equivalent per day (BOED).

In addition to the projects shown in the chart, which have advanced to the production stage, NMOC is exercising a high degree of selectivity and maintaining an emphasis on profitability in choosing to participate in new exploration projects throughout the world. In 1997, NMOC obtained rights in two blocks (AC/P23 and WA-191-P) on the Northwest Continental Shelf of Australia.

Oil-bearing zones have been encountered in the WA-191-P block, and work to evaluate the deposits of those zones is under way.

NMOC is taking part in the following LNG projects in Malaysia and Indonesia. Regarding an LNG project associated with gas fields offshore Sarawak, Malaysia, a plant capable of annually producing 6.8 million tons of LNG is scheduled to be completed during 2002, followed by the sale of LNG to Japan and other Asian countries. In Indonesia, work is in progress to initially produce 6.0 million tons of LNG annually using gas from the Berau, Wiriagar, and Muturi blocks beginning from around 2005.

Principal Development Projects

Project/Companies	Date of Rights Acquisition	Oil Field	Total Production (BD)	Ownership Share (%)	Share of Production (BD)
Papua New Guinea					
Japan Papua New Guinea Petroleum Co., Ltd.	July 1990	Kutubu, Moran, Gobe (including Southeast Gobe)	88,000	—	5,400
U.K. North Sea					
MOC Exploration Ltd.	July 1993	Andrew, Mungo, Monan, Pierce	139,600	—	10,900
Nippon Oil Exploration and Production U.K. Ltd.	Dec. 1996	Magnus	81,000	5.00	3,600
Nippon Oil Exploration and Production MF Ltd.	May 1997	Ross	15,100	4.19	600
Canada					
Japan Canada Oil Co., Ltd.	Feb. 1992	Oil sand development	223,000	5.00	11,200
Vietnam					
Japan Vietnam Petroleum Co., Ltd.	Oct. 1992	Rang Dong	28,000	Approx. 50.0	14,000
United States Onshore					
Nippon Oil Exploration U.S.A. Ltd.	Dec. 1990	Orchard North	9,700 BOED	50.0	Onshore + Offshore = 7,900 BOED
United States Offshore					
Nippon Oil Exploration U.S.A. Ltd.	Aug. 1990	South Pass, Virgo, others	16,600 BOED	—	
Myanmar					
Nippon Oil Exploration (Myanmar), Ltd.*	Sept. 1991	Yetagun	7,900 BOED	14.17	900 BOED

Note: Figures represent average production during the year through December 31, 1999.

* Nippon Oil Exploration (Myanmar), Ltd., started production in May 2000.

Principal Foci of Exploration and Production Activities



In the AC/P23 block on the Northwest Continental Shelf of Australia, NMOC has drilled a test well that encountered a 280-meter-thick gas deposit at a location of 168-meter water

depth. Flow testing of that deposit has confirmed the capability for producing 65.5 million cubic feet per day (10,900 BOED) of natural gas and 1,921 barrels per day (BD) of condensate. The Company plans to evaluate this deposit, drill additional test wells, and otherwise continue exploration activities aimed at finding further volume of oil and gas.

Potential

Since the merger, NMOC has worked to increase the operating efficiency of its refining network and create an optimal production structure. At the time of the merger, the NMOC Group had eleven refineries with 1,368,000 BSD of capacity, and it currently has nine refineries with 1,348,000 BSD of capacity.

NMOC has moved quickly to merge and rationalize the refining departments of its two predecessor companies. In July 1999, the Company transferred the Mizushima Refinery to NMPRC, which was already the largest refining company within the Group. NMPRC is now able to handle

an even-greater share of refining operations in an integrated manner. This and the discontinuation of crude oil processing by the Kawasaki Refinery at the end of September 1999 have physically consolidated the Group's refining operations.

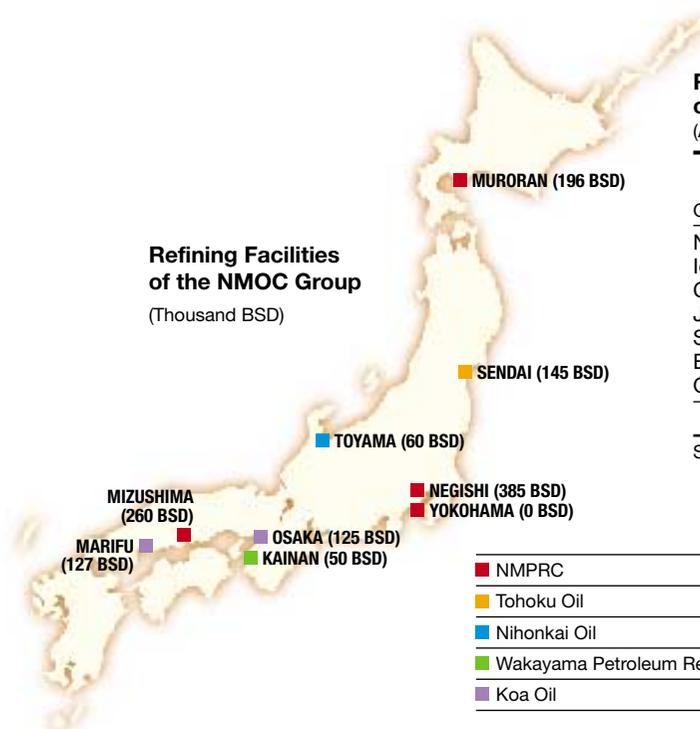
As a result of its effort to adjust its production in line with demand trends and thereby reduce inventories, the Company operated its refining network with an overall topper capacity utilization rate of 73.8%, and its refined petroleum product inventory on hand at period-end was 930,000 kiloliters less than that at the end of the previous fiscal year.

Output of Petroleum Products by NMOC (Million kiloliters)

FY	Gasoline	Naphtha	Jet Fuel	Kerosene	Diesel Fuel	Fuel Oil A	Fuel Oil C	Others	Total
1994*1	7.9	1.4	0.9	4.2	6.7	4.8	7.6	1.8	35.3
1995*1	8.3	1.4	1.0	4.5	7.4	4.7	8.0	1.9	37.2
1996*1	8.3	1.7	1.0	4.5	7.5	4.6	7.3	2.0	36.9
1997*1	8.3	1.1	1.0	4.3	7.2	4.6	6.9	2.2	35.6
1998*1	8.7	1.9	1.2	4.6	7.4	4.7	8.0	2.4	38.9
1999*1	8.9	2.0	1.5	4.3	7.3	5.0	7.6	2.9	39.5
1999*2	4.5	3.1	0.5	2.5	3.6	2.8	3.8	1.9	22.7
2000	12.8	4.7	2.7	6.1	9.9	6.4	8.9	5.0	56.5

*1 These figures are for NISSEKI.

*2 These figures are for Mitsubishi Oil.



Refinery Numbers and Processing Capacities of Group Companies in Japan's Oil Industry
(As of April 2, 2000)

Group Company	Number of Refineries	Topper Capacity (Thousand BSD)
NMOC Group	9	1,348
Idemitsu Kosan Group	7	865
Cosmo Oil	4	645
Japan Energy Group	4	672
Showa Shell Sekiyu Group	4	565
Exxon Mobil Group	6	917
Others	3	261
Total	37	5,273

Source: Petroleum Association of Japan



Potential

for the partners to supply each other with raw and intermediate materials from their facilities in the vicinity of NMPRC's Mizushima Refinery. The five companies will also participate in a technology development project that promotes additional efficiency gains through the progressive augmentation of cooperative activities. The project encompasses moves to establish a research association that will develop highly integrated operations technology for petroleum processing facilities in the Mizushima district and four other regions in Japan with the support of Japan's Ministry of International Trade and Industry.

Since the April 1999 merger, NMOC has expeditiously integrated the refining operations of its predecessor companies. As the largest oil refiner in Japan, the Company is working to maxi-

mize the economies of scale that it enjoys by consolidating production at relatively large facilities and participating in barter operations with strategic partner companies. Aiming to strengthen the Japanese oil industry's international competitiveness, NMPRC has concluded an agreement with four other companies—Japan Energy Corp., Mitsubishi Chemical Corp., Asahi Chemical Industry Co., Ltd., and Sanyo Petrochemical Co., Ltd.—that calls

Marketing & Distribution

NMOC operates the largest service station network in Japan. It includes approximately 13,000 facilities. These facilities continue to bear their former NiSSEKI and Mitsubishi Oil logos, although plans call for introducing unified branding by the end of fiscal 2002. To increase competitiveness and build closer ties with customers, the Company is striving to maintain low-cost management systems at each service station while upgrading capabilities for meeting an increasingly broad range of its customers' car-related needs.

However, the existence of surplus refining capacity led to oversupplies of petroleum products. This and the excessive number of service stations caused price competition to intensify. Consequently, setting prices in line with procurement costs has become extremely difficult even though protracted economic sluggishness has restrained demand for petroleum products. The entry of these companies has caused price competition to intensify. To strengthen its capabilities for competing amid these challenging conditions, NMOC is undertaking structural adjustments that promote merger-related efficiency gains. Distribution cost reductions achieved during fiscal 2000 amounted to ¥10.9 billion, considerably more than the original target for the year.

Aiming to attract customers with a distinctively comprehensive array of car-related products and services as well as boost its service stations' associated profits, NMOC has created a growing number of Dr. Drive facilities, which strive to offer services as dependable as those of trusted family doctors. Certified mechanics are always on duty at each Dr. Drive facility, enabling the facility to handle vehicle checkups, maintenance, and periodic statutory vehicle inspections as well as a full range of such services as car washing and waxing. The first Dr. Drive

service station opened in April 1998, and 44 such facilities had been established by the end of fiscal 2000. NMOC has begun a campaign to expeditiously convert approximately 7,500 of its principal service stations into Dr. Drive facilities.

To increase the appeal and profitability of its service stations, NMOC has begun establishing service station complexes that incorporate other shops and restaurants. Having started operating a complex with a McDonald's restaurant and a Tsutaya video/CD rental store in April 1998, the Company opened another complex with a Kentucky Fried Chicken (KFC) restaurant in March 1999. At the end of fiscal 2000, 20 of the Company's service stations had been transformed into multipurpose complexes, and plans call for increasing cooperation with McDonald's, KFC, and other partners throughout Japan.

NMOC is continuing to issue the cash, prepaid, and credit cards of its predecessor companies in line with its strategies for promoting customer loyalty, gathering customer information, and utilizing such information in marketing programs. With regard to NiSSEKI cards, the outstanding number of Ena® Cards and other credit cards has surged past 3.2 million, and more than 5.4 million cash cards have been issued. Regarding Mitsubishi Oil cards, the number of Joe Cards and other credit cards in use approached 1.2 million, and 7.8 million cash cards have been issued.



In February 2000, NMOC cooperated with SOFTBANK CORP., Empire Motor Co., Ltd., Yahoo Japan Corporation, and CarPoint K.K., to establish E-Shopping Car Goods Co., Ltd.



Potential

Focused on the marketing of car-related goods over the Internet, the new company is the first company of its type in Japan, and it is expected to help increase the ability of NMOC service stations to attract customers. After making an Internet-based transaction, customers can pick up their purchases at NMOC service stations, which will also help customers install the purchased automobile components and provide other product-related services. NMOC plans to begin offering the new service at approximately 2,000 of its service stations.

Petrochemicals

NMOC's petrochemicals business is handled by Nippon Petrochemicals Company, Limited, which was established in 1955. In addition to supplying a variety of basic chemicals, the subsidiary has used its accumulated technological expertise to develop numerous specialty chemicals, such as high-quality polyolefin plastics for diverse applications and many high-value-added compound materials and functional plastics.



During fiscal 2000, Japan's petrochemicals industry responded to increasing demand in Asian export markets by increasing its ethylene production to the record-high level of 7.7 million tons. Despite these high levels of production and shipments, however, the industry continued to face a severe operating environment due to such factors as a surge in the cost of procuring naphtha for use as a raw material.

With an eye toward maintaining appropriate prices for its products despite these harsh conditions, Nippon Petrochemicals

is proactively developing new marketing channels. The company is striving to upgrade its competitiveness in commodities as well as specialty products by undertaking highly ambitious cost-cutting and efficiency-raising programs. Nippon Petrochemicals is also pursuing R&D related to such promising new electronics-related products as liquid crystal films and liquid crystal polymers, and these products are expected to greatly facilitate the creation of a basis for a more-resilient business structure able to generate stable profits despite challenges stemming from international competition.

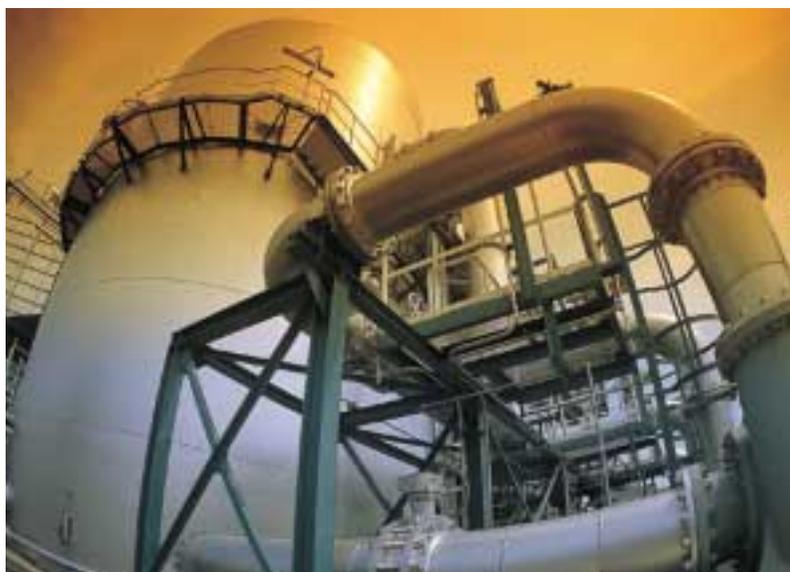
In July 2000, Nippon Petrochemicals and BP Amoco Corp. agreed to convert a 50-50 joint-venture nonwoven fabric manufacturing company in the United States into a wholly owned subsidiary of Nippon Petrochemicals. The subsidiary, ATLANTA NISSEKI CLAF Inc., produces a polyethylene nonwoven fabric developed by Nippon Petrochemicals, which is aiming to increase the share of its revenues generated by this fabric and other distinctive, high-value-added products.

Potential

While the parent company had directly handled the marketing of para-xylene and certain other basic chemicals, such operations have been shifted to Nippon Petro-

chemicals from April 2000. As a result of this consolidation of basic chemical marketing operations, in terms of volume, Nippon Petrochemicals has become Japan's top marketer of para-xylene and the second largest in the world, behind Exxon Mobil Corporation. Plans call for the subsidiary to take full advantage of its position as a market leader.

Throughout the world, there is increasing acceptance of the “best mix” concept—which suggests that society should obtain energy from an optimal assortment of such energy sources as oil, natural gas, coal, and electricity—and NMOC believes it should also diversify and develop its operations based on this concept. While retaining a primary emphasis on its oil and petroleum product business, the Company is aiming to become



a comprehensive energy company during the 21st century, and its preparations to become an electric power wholesaler are in line with that goal.

In Japan, electric power wholesalers are ordinary companies that undertake the ancillary business of supplying electric power to regional electric power companies. Previously, companies that generated power for their own needs had to obtain special permits to

market their excess power. In 1995, however, the Japanese government relaxed regulations to allow companies that meet certain requirements to wholesale power without a special permit.

For NMOC, IPP operations offer a new source of stable income and a means of utilizing asphalt and other residual products from refining operations as fuels. As a consequence, NMOC will be able to upgrade its crude oil refining capabilities and capacity, lower refining costs, reduce its electricity bills, and thereby enhance overall profitability.

NMOC has many years of experience generating power to meet its own needs. Moreover, because the Company can use existing infrastructure at its refineries and obtain relatively inexpensive fuel from them, since the regulations were relaxed, it has been able to participate successfully in rigorous bidding processes and obtain contracts to supply power to regional power companies from IPP plants at three Group refineries, the Negishi, Yokohama, and Muroran refineries.

Potential

Plans call for the IPP plant at NMOC’s Negishi Refinery to use highly efficient combined cycle power plant technology, which uses a synthetic gas produced from asphalt to power

a gas turbine and waste heat from the gas turbine to power a steam turbine. The plants are designed to be environment-friendly facilities that emit very low levels of pollutants. By constructively consuming asphalt-based fuel, the plants will increase NMOC’s capability for processing heavy distillates. This will allow the Company to boost its cost-competitiveness by augmenting the use of relatively heavy crude oils, which are comparatively inexpensive.

The NMOC Group's R&D operations have the goals of creating improved products for marketing at service stations as well as products that help make better use of petroleum fuels and alleviate environmental problems.

Reflecting the importance of these goals, the Company invested ¥11.3 billion in R&D operations during fiscal 2000.

Among noteworthy examples of the Company's R&D results in its principal



business fields are advanced energy-saving engine oils, next-generation transmission fluids, catalysts that enable refining processes to be performed at lower temperatures, a technology for desulfurizing diesel fuel more efficiently, and other technologies with environmental-protection benefits.

To make better use of petroleum fuels, NMOC has developed highly efficient oil-fueled cogeneration systems and far-infrared-ray heating systems, including low-NO_x, high-efficiency, low-noise catalytic combustion units. NMOC is expanding its lines of such environment-friendly products as chlorine-free cutting oils and special lubricants for

new types of refrigerants, and the Company has been developing devices for reducing diesel vehicles' pollutant emissions.

Among other outstanding environment-friendly products that NMOC has recently developed and begun marketing are a solar cell powered car battery recharger that boasts the best performance in its class, a unit for recycling refrigerant from car air conditioners, and a product that quickly separates waste oil from machine tool coolant fluids, thereby extending effective coolant life and reducing waste fluid.

With regard to new business fields, NMOC has established joint ventures to commercialize business involving carbon fibers and electrochromic glass as well as a subsidiary that makes liquid crystal films that realize greatly improved image quality for liquid crystal displays.

Nippon Petrochemicals Co., Ltd., also produces liquid crystal polymers that offer excellent flow characteristics as well as the world's top level of heat resistance. These polymers are quite useful in the fields of electric and electronic products and office automation equipment. This company is broadening its market steadily.

Potential

Fuel cell technology is considered to be among the most promising environment-friendly technologies for powering 21st century automobiles. In October 1999, NMOC and a Japan-based

subsidiary of DaimlerChrysler AG agreed to cooperatively conduct research related to the development of fuels for fuel cell powered vehicles as well as the infrastructure for providing such fuels. This research was subsequently begun in collaboration with an additional partner, Mazda Motor Corporation. NMOC began vehicle operation testing at the Yokohama Refinery from spring 2000.

● Board of Directors

(As of June 26, 2000)



Fumiaki Watari



Takao Suzuki



Isao Kakefuda



Yasutaka Kanda



Kiyoshi Yoshida



Koji Ozawa



Tadashi Komatsu



Takayoshi Iwaisaki



Shinji Nishio

President and Representative Director

Fumiaki Watari

Executive Vice Presidents and Representative Directors

Takao Suzuki
Isao Kakefuda

Managing Directors

Yasutaka Kanda
Kiyoshi Yoshida
Koji Ozawa
Tadashi Komatsu
Takayoshi Iwaisaki
Shinji Nishio

Directors

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Katsuhiko Nakajima
Masao Koshiyama
Toshihiko Hakuta
Ikutoshi Matsumura
Yoichiro Shiozawa
Yojiro Taki

Standing Corporate Auditors

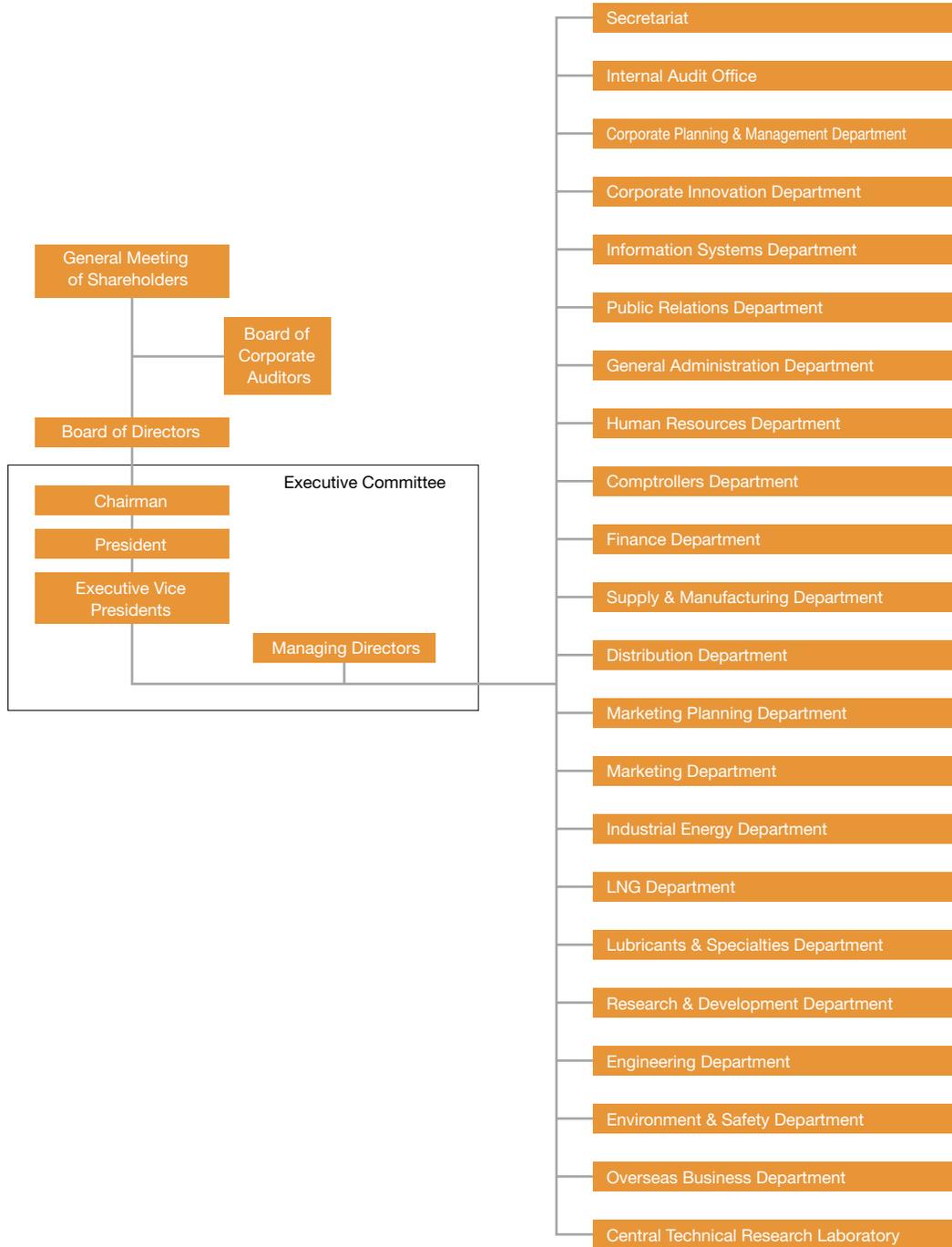
Takaya Maruta
Hideo Okazaki

Corporate Auditors

Toshio Sakaue
Mitsutake Okano
Takashi Nogaki
Masayuki Matsushita

Organization Chart

(As of April 1, 2000)



Financial Section

● *Overview*

During fiscal 2000, ended March 31, 2000, Japan's economy remained unable to begin a recovery supported by private-sector demand. Although some positive trends were seen, including an improvement in capital investment centered on investment related to IT, the lack of a pronounced rebound in personal consumption continued to present an obstacle to economic recovery.

This economic situation and a rise in crude oil prices throughout the period caused the NMOC Group's operating environment to remain severe, particularly in the field of oil-related business.

Amid this environment, the Group took numerous measures to create an optimal production system, including the transfer of the Mizushima Refinery to NMPRC, the discontinuation of crude oil processing by the Kawasaki Refinery, and the acquisition of a majority shareholding in Koa Oil. The Group also proceeded with decisive cost-reduction moves and promoted further rationalization and efficiency gains through an arrangement for a broad range of cooperative activities with Cosmo Oil.

Reflecting a rise in product selling prices due to the increase in crude oil prices as well as the consolidation of Koa Oil and other additional subsidiaries, NMOC's consolidated net sales totaled ¥3,594.9 billion (\$33.9 billion).

Despite the benefits of efficiency-raising measures and because the rise in selling prices for petroleum fuels was less than the rise of crude oil procurement costs, consolidated operating income was restrained to ¥29.3 billion (\$276.5 million). In line with changes to the accounting system for retirement benefits, the Company recalculated its related liabilities and recorded an extraordinary expense of ¥23.3 billion on the full amortization of the unfunded portion of those liabilities. This extraordinary expense, incurred due to the Company's policy of maintaining a solid financial position, caused the Company to record a net loss of ¥4.9 billion (\$45.8 million). Return on equity, then, amounted to -0.6%.

● *Sales by Business Segment*

Petroleum Fuel and Crude Oil

Overall domestic demand for petroleum products increased slightly, but NMOC's emphasis on maintaining rational pricing policies caused the parent company's overall petroleum product sales volume to decrease, particularly with regard to such products as gasoline, kerosene, diesel fuel, and fuel oil A. However, a general rise in selling prices due to the uptrend in crude oil prices boosted the value of these sales to ¥2,815.8 billion (\$26.6 billion). The Company's success in reducing expenses and a rise in the profitability of oil development subsidiaries, due to the higher crude oil prices, had a positive influence on profitability, although the disparity between trends in procurement costs and retail prices restrained segment operating income to ¥11.7 billion (\$110.0 million).

Petrochemical Operations

Petrochemical operations benefited from rising demand in Asian export markets, but a surge in the cost of procuring naphtha had a negative impact on profitability. The NMOC Group increased the volume of its petrochemical sales, and net sales in this category amounted to ¥213.6 billion (\$2.0 billion), although an operating loss of ¥146 million (\$1.4 million) was recorded.

Construction

The reduction of public-sector investment and restraint in private-sector investment caused the environment for obtaining additional construction orders to remain harsh. Net sales in construction-related business were held to ¥327.4 billion (\$3.1 billion), although the effects of rationalization programs raised operating profit in the construction business segment to ¥12.1 billion (\$114.3 million).

Other

In addition to the slackness of car-related product sales and the weakness of revenues from the sale and lease of service station related products, the Company's building management operations were complicated by the absence of significant growth in demand for office space. As a result of these situations and an increase in the number of consolidated subsidiaries, the Group posted net sales of ¥89.5 billion (\$844.4 million) and operating income of ¥4.3 billion (\$40.7 million) in the other operations segment.

Income and Expenses

Net Sales

Despite the decrease in petroleum fuel and crude oil sales volumes, a general rise in selling prices due to the uptrend in crude oil prices boosted consolidated sales of petroleum fuel and crude oil to ¥3,070.6 billion (\$29.0 billion). The NMOC Group increased the volume and value of its petrochemical operations sales, and net sales in this category amounted to ¥213.6 billion (\$2.0 billion). Net sales in construction-related business totaled ¥327.4 billion (\$3.1 billion), and the Group posted net sales in other operations of ¥89.5 billion (\$844.4 million). (All of the preceding figures include intergroup sales and transfers.)

Thus, NMOC's consolidated net sales increased 4.9%, or ¥169.3 billion, to ¥3,594.9 billion (\$33.9 billion).

Costs, Expenses, and Earnings

Due to the surge in crude oil prices, NMOC's cost of sales amounted to ¥3,245.4 billion (\$30.6 billion), up ¥155.2 billion, or 5.0%. As the benefits of cost-cutting programs and the increased profitability of oil exploration and development subsidiaries as well as other factors more than offset the effects of lower sales volumes and slack market conditions, the Company's gross profit grew 4.2%, or ¥14.1 billion, to ¥349.5 billion (\$3.3 billion),

although the ratio of gross profit to net sales declined 0.07 percentage point, to 9.72%.

Selling, general and administrative (SG&A) expenses were reduced through Company-wide cost-cutting programs, but this reduction was offset by a rise in SG&A expenses due to the consolidation of additional subsidiaries. Thus, SG&A expenses fell only 0.8%, or ¥2.5 billion, to ¥320.2 billion (\$3.0 billion). The ratio of SG&A expenses to net sales was reduced 0.51 percentage point, to 8.91%.

Accordingly, operating income surged 130.4%, or ¥16.6 billion, to ¥29.3 billion (\$276.5 million). The level of operating income corresponded to 0.82% of net sales, up from 0.37%.

Other expenses, net, jumped 88.3%, or ¥13.8 billion, to ¥29.4 billion (\$276.9 million). This reflected ¥23.3 billion for the provision for retirement allowances, in line with changes to the accounting system for retirement benefits; a ¥5.7 billion rise in special allowances for early retirement plans, a ¥1.3 billion rise in expenses resulting from the merger; a ¥2.9 billion rise in net expenses due to interest and dividend items; and a ¥1.6 billion decrease in net income due to the rental, sale, or disposal of tangible assets. These changes were partially offset by a ¥5.9 billion rise in foreign exchange gain and a ¥9.4 billion improvement in the balance of income and expenses related to the sale and devaluation of securities.

As operating income and other expenses were roughly equal, loss before income taxes and minority interests was only ¥46 million (\$0.4 million), reduced from ¥2.9 billion in the previous fiscal year. Income taxes amounted to ¥4.6 billion, down 41.5%, or ¥3.2 billion, and minority interests in earnings of consolidated subsidiaries improved slightly. Thus, the net loss for the period amounted to ¥4.9 billion (\$45.8 million), 53.8%, or ¥5.7 billion, less than in the previous period.

Net loss per share amounted to ¥3.33 (\$0.03), and cash dividends per share applicable to the year were set at ¥7.00 (\$0.07), the same level as that for NISSEKI shares in the previous fiscal year.

● *Financial Position*

To increase the efficiency of its asset utilization, the Group is proceeding with the streamlining of its assets. Specifically, the Group is keeping the level of capital investment to below the level of depreciation; selling underutilized assets; drawing down its cash, cash equivalents, time deposits, and marketable securities; and otherwise reducing its interest-bearing debt.

On the other hand, the consolidation of Koa Oil and other additional subsidiaries led to rises in assets and liabilities, the increase in crude oil prices boosted trade payables and receivables, inventories, and short-term borrowings. Another special factor affecting balance sheet figures was a drop in accrued excise tax payable for oil products that resulted from the shift of the payment date, into the start of the period under review, for excise tax for oil products for the previous period.

Assets

Total assets decreased 1.2%, or ¥46.7 billion, to ¥3,760.8 billion (\$35.5 billion). This change reflected a drop of 10.0%, or ¥179.4 billion, in total current assets, which resulted mainly from a ¥220.8 billion fall in cash and cash equivalents, time deposits, and marketable securities that was partially compensated for by such factors as a ¥72.0 billion increase in notes and accounts receivable, due to such factors as the rise in crude oil prices. It also reflected a fall of 16.0%, or ¥58.1 billion, in total investments and long-term receivables, owing to decreases of ¥20.1 billion in investments in unconsolidated subsidiaries and affiliates and of ¥26.6 billion in investments in other securities.

The net value of property, plant and equipment rose 10.5%, or ¥158.5 billion, to ¥1,672.1 billion (\$15.8 billion). This rise was due to the consolidation of additional subsidiaries, which more than offset the results of the Company's moves to restrain capital investment and sell underutilized assets.

Liabilities

Although short-term loans increased ¥21.7 billion, total current liabilities fell 9.8%, or ¥175.8 billion, to ¥1,614.0 billion (\$15.2 billion), reflecting drops of ¥41.6 billion in the current portion of long-term debt, ¥29.7 billion in notes and accounts payable, and ¥39.1 billion in excise taxes payable. Total long-term liabilities increased 8.9%, or ¥95.8 billion, to ¥1,178.4 billion (\$11.1 billion), due to rises of ¥74.5 billion in deferred income taxes and ¥29.4 billion in accrued retirement allowances. Total shareholders' equity advanced 0.2%, or ¥2.1 billion, to ¥841.0 billion (\$7.9 billion). The equity ratio increased 0.33 percentage point, to 22.36%.

● Cash Flows

Cash and cash equivalents decreased ¥98.5 billion during the year and amounted to ¥424.8 billion (\$4,008 million) at March 31, 2000.

Net cash used in operating activities totaled ¥52.1 billion (\$492 million). This primarily reflected such temporary funding burdens as those resulting from net changes in operating assets and liabilities due to the rise in crude oil prices, a drop in accrued excise tax payable, and the payment of special allowances for early retirement plans. These factors more than offset rises in cash inflow associated with a drop in income taxes and a rise in depreciation and amortization.

Net cash provided by investing activities amounted to ¥81.0 billion (\$764 million). This mainly resulted from the Company's efforts to reduce interest-bearing debt through the progressive drawing down of time deposits and the sale of securities. Cash inflow from such activities exceeded cash outflow for the acquisition of tangible assets and securities.

Net cash used in financing activities amounted to ¥126.4 billion (\$1,192 million). This was principally due to the Company's efforts to reduce its interest-bearing debt and thereby strengthen its financial position.

Six-Year Financial and Operating Summary

Nippon Mitsubishi Oil Corporation, Nippon Oil Company, Limited, Mitsubishi Oil Company, Limited and Consolidated Subsidiaries

Six-Year Financial Summary

Years ended March 31	Millions of yen					
	2000	1999	1998	1997	1996	1995
Net sales						
NMOC	¥3,594,911	¥ —	¥ —	¥ —	¥ —	¥ —
NiSSEKI	—	2,406,323	2,626,156	2,660,380	2,578,717	2,654,208
Mitsubishi Oil	—	1,019,334	1,147,906	1,197,505	1,120,849	1,117,129
Cost of sales						
NMOC	3,245,446	—	—	—	—	—
NiSSEKI	—	2,148,715	2,342,452	2,371,023	2,287,396	2,330,991
Mitsubishi Oil	—	941,537	1,059,399	1,077,692	963,079	950,455
Selling, general and administrative expenses						
NMOC	320,160	—	—	—	—	—
NiSSEKI	—	229,711	244,014	251,946	265,052	284,392
Mitsubishi Oil	—	92,977	113,618	122,188	125,326	122,474
Operating income (loss)						
NMOC	29,304	—	—	—	—	—
NiSSEKI	—	27,897	39,689	37,410	26,269	38,824
Mitsubishi Oil	—	(15,180)	(25,110)	(2,376)	32,443	44,199
Net income (loss)						
NMOC	(4,858)	—	—	—	—	—
NiSSEKI	—	9,722	11,483	12,574	16,593	20,849
Mitsubishi Oil	—	(20,234)	(35,969)	(10,412)	9,905	12,944
Total assets						
NMOC	3,760,800	—	—	—	—	—
NiSSEKI	—	2,914,617	2,853,780	2,958,201	2,766,597	2,640,291
Mitsubishi Oil	—	892,859	971,802	985,640	1,018,407	924,286
Total shareholders' equity						
NMOC	840,971	—	—	—	—	—
NiSSEKI	—	656,349	655,766	653,490	642,765	634,818
Mitsubishi Oil	—	182,563	187,023	224,525	232,980	227,455
Total current assets						
NMOC	1,611,852	—	—	—	—	—
NiSSEKI	—	1,423,217	1,320,940	1,388,773	1,532,030	1,443,923
Mitsubishi Oil	—	368,047	458,485	452,721	509,037	472,533
Total current liabilities						
NMOC	1,614,001	—	—	—	—	—
NiSSEKI	—	1,439,384	1,315,607	1,286,351	1,271,296	1,190,352
Mitsubishi Oil	—	350,435	439,704	401,875	451,195	378,962

(continued from the previous page)

Years ended March 31	Millions of yen					
	2000	1999	1998	1997	1996	1995
Working capital						
NMOC	¥ (2,149)	¥ —	¥ —	¥ —	¥ —	¥ —
NISSEKI	—	(16,167)	5,333	102,422	260,734	253,571
Mitsubishi Oil	—	17,612	18,781	50,846	57,842	93,571
Capital expenditures						
NMOC	78,833	—	—	—	—	—
NISSEKI	—	107,784	107,929	73,934	88,037	123,208
Mitsubishi Oil	—	36,720	30,187	60,118	82,940	47,949
R&D expenditures						
NMOC	11,370	—	—	—	—	—
NISSEKI	—	12,207	15,392	15,935	13,823	14,727
Mitsubishi Oil	—	2,705	3,676	3,978	4,029	4,140

Six-Year Operating Summary

Years ended March 31	2000	1999	1998*5	1997*4	1996	1995*2
Crude oil imports (million kiloliters)						
NMOC	59.9	—	—	—	—	—
NISSEKI	—	42.5	44.5	40.7	43.2	45.3
Mitsubishi Oil	—	20.9	21.8	20.8	21.8	22.4
Output of petroleum products*1 (million kiloliters)						
NMOC	56.5	—	—	—	—	—
NISSEKI	—	39.5	38.9	35.6	36.9	37.2
Mitsubishi Oil	—	22.7	24.5	24.1	24.5	24.8
Sales of petroleum products*1 (million kiloliters)						
NMOC	83.6	—	—	—	—	—
NISSEKI	—	57.3	56.8	55.9	72.1*3	75.4*3
Mitsubishi Oil	—	30.0	31.4	31.9	32.1	31.7
Capacity of refining facilities (barrels per stream day)						
NMOC	1,348,000	—	—	—	—	—
NISSEKI	—	893,000	893,000	872,000	872,000	810,000
Mitsubishi Oil	—	475,000	475,000	475,000	475,000	450,000

*1 Petroleum products include lubricants, LPG and others.

*2 Beginning in fiscal 1995, figures for Nippon Oil Engineering and Construction Co., Ltd. and Nisseki Shoji Company, Limited have been included in consolidated accounts, and Nippon Oil Staging Terminal Company, Limited has been accounted for by the equity method.

*3 These figures include sales to Nippon Petroleum Refining Company, Limited (renamed Nippon Mitsubishi Petroleum Refining Company, Limited), which had been an affiliate until March 31, 1996.

*4 Beginning in fiscal 1997, figures for Nippon Petroleum Refining Company, Limited (renamed Nippon Mitsubishi Petroleum Refining Company, Limited), Nippon Oil Information Systems Company, Limited, Nisseki Tourist Co., Ltd., Nippon Oil Staging Terminal Company, Limited, Tokyo Tanker Co., Ltd., Tokyo Tanker Marine Service Co., Ltd., Tokyo Tanker Kinkai Co., Ltd. and Tokyo Tanker (Singapore) Pte. Ltd. have been included in consolidated accounts.

*5 On November 1, 1997, consolidated subsidiary Nisseki Tourist Co., Ltd. was merged with and absorbed by consolidated subsidiary Nisseki Shoji Company, Limited.

Consolidated Balance Sheets

Nippon Mitsubishi Oil Corporation and Consolidated Subsidiaries

March 31, 2000 and 1999	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999		2000
	NMOC	NISSEKI	Mitsubishi Oil	NMOC
ASSETS				
Current assets:				
Cash and cash equivalents	¥ 424,837	¥ 420,502	¥102,883	\$ 4,007,896
Time deposits	55,255	104,414	—	521,274
Marketable securities (Note 4)	45,501	118,598	—	429,255
Notes and accounts receivable (Note 6)	549,337	355,239	122,127	5,182,425
Less allowance for doubtful receivables	(10,243)	(3,078)	(2,338)	(96,632)
Inventories (Note 5)	366,999	244,694	101,221	3,462,255
Deferred income taxes (Note 8)	36,826	—	5,133	347,415
Other current assets	143,337	182,847	39,018	1,352,236
Total current assets	<u>1,611,852</u>	<u>1,423,217</u>	<u>368,047</u>	<u>15,206,151</u>
Investments and long-term receivables:				
Investments in unconsolidated subsidiaries and affiliates (Note 4)	64,739	53,867	30,927	610,745
Investments in other securities (Notes 4 and 6)	188,406	154,989	60,052	1,777,415
Long-term receivables (Note 6)	52,260	55,234	8,406	493,019
Total investments and long-term receivables	<u>305,405</u>	<u>264,090</u>	<u>99,385</u>	<u>2,881,179</u>
Property, plant and equipment (Notes 6 and 10):				
Land	878,678	626,780	98,505	8,289,415
Buildings	850,465	588,196	240,831	8,023,255
Oil tanks	278,513	150,758	125,554	2,627,481
Machinery and equipment	1,406,157	924,220	395,374	13,265,632
Construction in progress	57,650	66,864	5,516	543,868
	<u>3,471,463</u>	<u>2,356,818</u>	<u>865,782</u>	<u>32,749,651</u>
Less accumulated depreciation	<u>(1,799,391)</u>	<u>(1,195,180)</u>	<u>(513,870)</u>	<u>(16,975,387)</u>
Property, plant and equipment, net	<u>1,672,070</u>	<u>1,161,639</u>	<u>351,912</u>	<u>15,774,245</u>
Deferred income taxes (Note 8)	38,973	—	10,409	367,670
Other assets	132,400	65,575	62,015	1,249,057
Deferred charges	97	93	1,088	915
Total assets	<u>¥3,760,800</u>	<u>¥2,914,617</u>	<u>¥892,859</u>	<u>\$35,479,245</u>

The accompanying notes are an integral part of the consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999		2000
	NMOC	NiSSEKI	Mitsubishi Oil	NMOC
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term loans (Note 6)	¥ 589,650	¥ 464,829	¥103,129	\$ 5,562,736
Current portion of long-term debt (Note 6)	152,105	175,750	17,970	1,434,953
Notes and accounts payable	473,500	399,526	103,651	4,466,981
Excise taxes payable (Note 9)	245,250	188,608	95,761	2,313,679
Accrued income taxes (Note 8)	7,891	6,363	683	74,443
Accrued expenses	53,075	36,815	15,465	500,708
Deferred income taxes (Note 8)	40	—	—	377
Other current liabilities	92,486	167,489	13,772	872,509
Total current liabilities	<u>1,614,001</u>	<u>1,439,384</u>	<u>350,435</u>	<u>15,226,425</u>
Long-term liabilities:				
Long-term debt (Note 6)	931,458	627,201	301,242	8,787,340
Accrued retirement allowances	101,665	59,237	13,010	959,104
Reserve for inspection of oil tanks and ships	34,795	28,692	12,109	328,255
Deferred income taxes (Note 8)	74,547	—	—	703,274
Other long-term liabilities	35,913	25,889	15,163	338,802
Total long-term liabilities	<u>1,178,381</u>	<u>741,021</u>	<u>341,526</u>	<u>11,116,802</u>
Minority interests in consolidated subsidiaries	127,446	77,861	18,334	1,202,321
Shareholders' equity (Note 7):				
Common stock	137,176	125,196	83,619	1,294,113
Capital surplus	247,011	106,400	68,947	2,330,292
Retained earnings (Note 17)	458,432	424,769	29,996	4,324,830
	<u>842,620</u>	<u>656,366</u>	<u>182,563</u>	<u>7,949,245</u>
Less treasury common stock, at cost	(1,648)	(16)	(0)	(15,547)
Total shareholders' equity	<u>840,971</u>	<u>656,349</u>	<u>182,563</u>	<u>7,933,689</u>
Contingent liabilities (Note 12)				
Total liabilities and shareholders' equity	<u>¥3,760,800</u>	<u>¥2,914,617</u>	<u>¥892,859</u>	<u>\$35,479,245</u>

Consolidated Statements of Operations

Nippon Mitsubishi Oil Corporation and Consolidated Subsidiaries

Years ended March 31, 2000 and 1999	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999		2000
	NMOC	NISSEKI	Mitsubishi Oil	NMOC
Net sales (Notes 9 and 16)	¥3,594,911	¥2,406,323	¥1,019,334	\$33,914,255
Cost of sales (Notes 9 and 10)	3,245,446	2,148,715	941,537	30,617,415
Gross profit	349,465	257,608	77,797	3,296,840
Selling, general and administrative expenses (Notes 10 and 11)	320,160	229,711	92,977	3,020,377
Operating income (loss) (Note 16)	29,304	27,897	(15,180)	276,453
Other income (expenses):				
Interest expense	(38,363)	(29,876)	(10,318)	(361,915)
Interest and dividend income	10,122	12,621	2,194	95,491
Foreign exchange gains	13,253	3,985	3,414	125,028
Asset rental revenue	11,522	7,433	—	108,698
Gain on sales of property, plant and equipment	21,298	14,081	13,264	200,925
Loss on disposal of property, plant and equipment	(13,166)	(9,290)	(4,197)	(124,208)
Devaluation of marketable or investment securities	(3,475)	(11,591)	(1,459)	(32,783)
Gain on sales of marketable or investment securities	7,993	6,178	1,958	75,406
Provision for retirement allowances	(23,314)	—	—	(219,943)
Special allowances for early retirement plans	(12,293)	—	(6,596)	(115,972)
Expenses resulting from merger	(5,102)	(1,790)	(2,007)	(48,132)
Other, net	2,173	(86)	(3,510)	20,500
	(29,352)	(8,336)	(7,256)	(276,906)
(Loss) income before income taxes and minority interests	(46)	19,562	(22,436)	(434)
Income taxes (Note 8):				
Current	9,856	8,447	1,689	92,981
Deferred	(5,270)	—	(2,301)	(49,717)
(Loss) income before minority interests	(4,632)	11,115	(21,824)	(43,698)
Minority interests in earnings of consolidated subsidiaries	(226)	(1,391)	1,590	(2,132)
Net (loss) income	¥ (4,858)	¥ 9,722	¥ (20,234)	\$ (45,830)
		Yen		U.S. dollars (Note 2)
	2000	1999		2000
	NMOC	NISSEKI	Mitsubishi Oil	NMOC
Net (loss) income per share	¥(3.33)	¥7.91	¥(44.38)	\$(0.03)
Cash dividends per share attributable to the year	7.00	7.00	—	0.07

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Nippon Mitsubishi Oil Corporation and Consolidated Subsidiaries

Years ended March 31, 2000 and 1999	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999		2000
	NMOC	NiSSEKI	Mitsubishi Oil	NMOC
Common stock:				
Beginning of year	¥125,196	¥125,196	¥83,619	\$1,181,094
Increase for merger	11,967	—	—	112,896
Conversion of convertible bonds	11	—	—	104
End of year	<u>¥137,176</u>	<u>¥125,196</u>	<u>¥83,619</u>	<u>\$1,294,113</u>
Capital surplus:				
Beginning of year	¥106,400	¥106,400	¥68,947	\$1,003,774
Increase for merger	140,599	—	—	1,326,406
Conversion of convertible bonds	11	—	—	104
End of year	<u>¥247,011</u>	<u>¥106,400</u>	<u>¥68,947</u>	<u>\$2,330,292</u>
Retained earnings (Note 17):				
Beginning of year	¥424,769	¥424,217	¥34,456	\$4,007,255
Adjustment for adoption of tax-effect accounting	4,844	—	—	45,698
Adjustment for merger	21,711	—	—	204,821
Adjustment for inclusion in consolidation or equity method of accounting	21,714	—	—	204,849
Utilization of tax loss carryforward	—	—	15,785	—
Net (loss) income	(4,858)	9,722	(20,234)	(45,830)
Cash dividends paid	(9,257)	(8,608)	—	(87,330)
Bonuses to directors and statutory auditors	(490)	(562)	(11)	(4,623)
End of year	<u>¥458,432</u>	<u>¥424,769</u>	<u>¥29,996</u>	<u>\$4,324,830</u>

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statements of Cash Flows

Nippon Mitsubishi Oil Corporation and Consolidated Subsidiaries

Years ended March 31, 2000 and 1999	Millions of yen			Thousands of U.S. dollars (Note 2)
	2000	1999		2000
	NMOC	NiSSEKI	Mitsubishi Oil	NMOC
Operating activities:				
(Loss) income before income taxes and minority interests	¥ (46)	¥ 19,562	¥ (22,436)	\$ (434)
Depreciation and amortization	126,118	83,259	26,445	1,189,792
Amortization of excess of cost over net assets acquired	(4,094)	—	(118)	(38,623)
Reversal of allowance for doubtful receivables	7,270	(5,517)	423	68,585
Provision for accrued retirement allowances, less payments	14,423	(4,318)	(216)	136,066
Reversal of reserve for inspection of oil tanks and ships	(8,475)	(4,742)	158	(79,953)
Interest expense	41,632	29,876	10,318	392,755
Gain on sales of property, plant and equipment	(21,298)	(14,081)	(13,264)	(200,925)
Loss on disposal of property, plant and equipment	13,166	9,290	4,197	124,208
Gain on sales of marketable or investment securities	(7,993)	(6,178)	(1,958)	(75,406)
(Increase) decrease in notes and accounts receivable	(55,060)	10,940	21,304	(519,434)
(Increase) decrease in inventories	(11,200)	26,565	3,542	(105,660)
Decrease in notes and accounts payable and excise taxes payable	(65,554)	(32,101)	(18,875)	(618,434)
Other, net	(9,154)	(8,727)	(488)	(86,358)
Subtotal	19,731	103,828	9,032	186,142
Interest paid	(42,076)	(30,221)	(12,558)	(396,943)
Income taxes paid	(10,063)	(15,092)	(7,489)	(94,934)
Special allowances for early retirement plans	(19,702)	—	(6,596)	(185,868)
Net cash (used in) provided by operating activities	(52,109)	58,515	(17,611)	(491,594)
Investing activities:				
Decrease (increase) in time deposits	51,085	(182,607)	—	481,934
Decrease in marketable securities	93,167	192,434	—	878,934
Additions to property, plant and equipment	(78,833)	(107,784)	(36,720)	(743,708)
Proceeds from sales of property, plant and equipment	35,098	23,507	30,712	331,113
Acquisition of stock resulting in changes in consolidation (Note 13)	(18,877)	—	—	(178,085)
(Increase) decrease in investment securities	(4,525)	48,864	7,189	(42,689)
Decrease in long-term receivables	10,089	5,267	927	95,179
Other	(6,188)	2,936	(5,947)	(58,377)
Net cash provided by (used in) investing activities	81,013	(17,383)	(3,839)	764,274
Financing activities:				
(Decrease) increase in short-term loans	(11,776)	163,139	(35,658)	(111,094)
Proceeds from long-term debt	113,085	116,925	24,726	1,066,840
Repayment of long-term debt	(214,560)	(176,719)	(41,852)	(2,024,151)
Cash dividends paid	(12,558)	(8,608)	(67)	(118,472)
Other	(580)	0	2,491	(5,472)
Net cash (used in) provided by financing activities	(126,392)	94,737	(50,360)	(1,192,377)
Effect of exchange rate changes on cash and cash equivalents	(2,219)	(803)	—	(20,934)
(Decrease) increase in cash and cash equivalents	(99,708)	135,066	(71,810)	(940,642)
Cash and cash equivalents at beginning of year	420,502	285,436	174,693	3,967,000
Increase in cash and cash equivalents due to inclusion in consolidation	15,840	—	—	149,434
Increase in cash and cash equivalents due to merger	88,203	—	—	832,104
Cash and cash equivalents at end of year	¥424,837	¥420,502	¥102,883	\$4,007,896

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Nippon Mitsubishi Oil Corporation and Consolidated Subsidiaries
March 31, 2000

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Nippon Mitsubishi Oil Corporation (the "Company") changed its name from Nippon Oil Company, Limited ("NiSSEKI") on April 1, 1999. The accompanying consolidated financial statements have been prepared from the accounts maintained by the Company in accordance with the provisions set forth in the Securities and Exchange Law of Japan in conformity with accounting principles and practices generally accepted in Japan, which may differ in certain material aspects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

As the former company (NiSSEKI) merged with Mitsubishi Oil Company, Limited ("Mitsubishi Oil") on April 1, 1999, the previous year's consolidated financial statements presented for comparison with the current year's consolidated financial statements are NiSSEKI's and Mitsubishi Oil's consolidated financial statements for the year ended March 31, 1999. Certain amounts in the previous year's consolidated financial statements have been reclassified to conform to the current year's presentation.

The 1999 consolidated financial statements of Mitsubishi Oil were audited by Price Waterhouse Coopers.

Effective the year ended March 31, 2000, the Company was required to prepare a consolidated statement of cash flows as part of its consolidated financial statements for the first time under the Securities and Exchange Law of Japan. Accordingly, the Company has prepared its 2000 consolidated statement of cash flows in accordance with "Accounting Standards for Consolidated Statements of Cash Flows" and has restated the previous reported consolidated statements of cash flows of NiSSEKI and Mitsubishi Oil for 1999.

As permitted by the regulations under the Securities and Exchange Law of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The accompanying notes to consolidated financial statements are presented only for March 31, 2000.

(b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The excess of cost over the underlying equity in net assets at the dates of acquisition of major consolidated subsidiaries is charged or credited to income in the year of acquisition.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost or less. Where there has been permanent impairment in the value of such investments, the Company has written down its investments to reflect such impairment.

(c) Translation of foreign currencies

Current and noncurrent foreign currency accounts of the Company, its domestic consolidated subsidiaries and affiliates accounted for by the equity method are translated into yen at their historical rates.

Accounts of foreign consolidated subsidiaries are translated into yen as follows: all assets, liabilities, retained earnings at the end of the year and items in the statement of operations including net income, at the rate of exchange in effect at the year-end; capital stock, at historical rates; and dividends paid, at the rate of exchange in effect when paid. Translation differences arising from the balance sheet items are deferred as translation adjustments and included in other current assets.

(d) Appropriation of retained earnings

Cash dividends paid, transfer to legal reserve and bonuses to directors and statutory auditors are recorded in the financial year in which the proposed appropriations of retained earnings are approved by the Board of Directors and/or shareholders.

(e) Cash equivalents

The Company and its consolidated subsidiaries substantially consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(f) Marketable securities

Marketable securities are stated at cost determined by the moving average method (see Note 4).

(g) Inventories

Inventories are stated mainly at cost determined principally by the last-in, first-out method.

(h) Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost.

Depreciation of property, plant and equipment is computed as permitted by the Corporation Tax Law of Japan, principally by the straight-line method for buildings and by the declining-balance method for other property and equipment, over the estimated useful lives of the respective assets (see Note 3).

Significant renewals and improvements are capitalized at cost. Maintenance and repairs are charged to income.

(i) Leases

Noncancelable leases are accounted for primarily as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases.

(j) Accrued retirement allowances

The Company and its consolidated subsidiaries have unfunded retirement benefit plans for their employees. Employees whose services with the Company and its consolidated subsidiaries are terminated are, in most circumstances, entitled to lump-sum retirement allowances determined by reference to their basic rates of pay, length of service and the conditions under which the terminations occur. Certain portions of the unfunded retirement benefit plans are covered by non-contributory pension plans and by contributory funded defined pension plans pursuant to the Japanese Welfare Pension Insurance Law.

Accrued retirement allowances of the Company and its consolidated subsidiaries are stated principally at the amount which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date, less any amounts covered by the non-contributory pension plans and the contributory funded defined pension plans (see Note 3).

(k) Income taxes

Deferred income taxes are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

Effective April 1, 1999, the Company changed its method of accounting for income taxes to adopting tax-effect accounting following the liability method for the Company and its consolidated subsidiaries. Until the year ended March 31, 1999, tax-effect accounting was adopted only by certain foreign consolidated subsidiaries. The effect of this change was to increase total assets and liabilities by ¥75,800 million (\$715,094 thousand) and ¥74,587 million (\$703,651 thousand), respectively, at March 31, 2000, to decrease net loss by ¥5,550 million (\$52,358 thousand) and to increase retained earnings by ¥10,394 million (\$98,057 thousand) for the year ended March 31, 2000.

(l) Reserve for inspection of oil tanks and ships

The oil tanks of the Company and its domestic consolidated subsidiaries are subject to periodic inspections by the regulatory authorities in accordance with the Fire Defense Law, and the tanks are repaired and cleaned at each inspection. The reserve for inspection of oil tanks and ships is provided for the current portion of the estimated total cost for such work.

(m) Research and development costs

Research and development costs are charged to income when incurred.

A new accounting standard for research and development costs became effective the fiscal year ended March 31, 2000. However, the adoption of this new standard had no effect on the consolidated statement of operations for the year ended March 31, 2000.

2. U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at the rate of ¥106=U.S.\$1.00, the approximate rate of exchange on March 31, 2000. The translation should not be construed as a representation that yen have been, could have been or could in the future be converted into U.S. dollars at that or any other rate.

3. ACCOUNTING CHANGES

(a) Depreciation

Effective April 1, 1999, the Company changed its method of calculation of depreciation for buildings from the declining-balance method to the straight-line method in order to achieve more appropriate allocation of depreciation over the useful lives. (Depreciation of buildings acquired in Japan subsequent to March 31, 1998 had been formerly computed by the straight-line method.)

The effect of this change was to decrease both depreciation and loss before income taxes by ¥3,060 million (\$28,868 thousand) for the year ended March 31, 2000.

In addition, effective April 1, 1999, the Company changed the useful lives of buildings for service stations from 10 years to 15 years reflecting experience replacements.

The effect of this change was to decrease both depreciation and loss before income taxes by ¥2,294 million (\$21,642 thousand) for the year ended March 31, 2000.

In addition, additional depreciation of ¥7,373 million (\$69,557 thousand) in order to achieve uniformity in the method of depreciation and the useful lives of buildings for service stations formerly belonging to Mitsubishi Oil is reflected in the accompanying consolidated financial statements for the year ended March 31, 2000.

(b) Accrued retirement allowances

Effective April 1, 1999, the Company and three major consolidated subsidiaries changed their method of accounting for employees' retirement allowances from lump-sum retirement allowances on an involuntary basis less any amount covered by the non-contributory pension plans, to lump-sum retirement allowances on a voluntary basis less any amount covered by the non-contributory and contributory funded defined pension plans. In addition, two major consolidated subsidiaries and one major consolidated subsidiary changed their method of accounting for employees' retirement plans, from expensing upon the payment under the defined pension plans and from 50% of the amount which would be required on a voluntary basis less the amount of the contributory funded defined pension plan, to lump-sum retirement allowances on a voluntary basis less any amount covered by the non-contributory and contributory funded defined pension plans.

This change was made in order to achieve a more appropriate allocation of employees' retirement costs over their years of service considering the long-term returns anticipated on the pension fund assets, the turnover rate for employees, the employees' age mix and other factors. The effect of this change was to increase loss before income taxes by ¥5,424 million (\$51,170 thousand) for the year ended March 31, 2000.

As a result of the merger of the former company (NiSSEKI) with the former company (Mitsubishi Oil), effective April 1, 1999, the Company changed the discount rate applied in calculating the pension obligation and the estimated years of benefits to be paid. The effect of this change was to increase loss before income taxes by ¥8,946 million (\$84,396 thousand) for the year ended March 31, 2000.

In addition, additional provision of retirement allowances for former Mitsubishi Oil employees against their past service liabilities amounting to ¥9,291 million (\$87,651 thousand) is reflected in the accompanying consolidated financial statements for the year ended March 31, 2000.

4. MARKETABLE AND INVESTMENT SECURITIES

The carrying amount and related aggregate market value of current and noncurrent marketable securities at March 31, 2000 were as follows:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Current:		
Carrying amount	¥ 27,087	\$ 255,538
Aggregate market value	29,823	281,349
Net unrealized gains	¥ 2,735	\$ 25,802
Noncurrent:		
Carrying amount	¥ 87,059	\$ 821,311
Aggregate market value	175,498	1,655,642
Net unrealized gains	¥ 88,438	\$ 834,321

5. INVENTORIES

Inventories at March 31, 2000 consisted of the following:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Merchandise and finished products	¥ 92,565	\$ 873,255
Crude oil	66,992	632,000
Merchandise and crude oil in transit	62,611	590,670
Work in process	91,024	858,717
Containers and supplies	27,928	263,472
Real estate for sale	25,876	244,113
	¥366,999	\$3,462,255

6. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are unsecured and generally represent bank overdrafts and notes maturing within one year. The weighted average interest rate for the year ended March 31, 2000 was approximately 0.9%.

Long-term debt at March 31, 2000 is summarized as follows:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Unsecured convertible bonds in yen, due through March 2005, at interest rates ranging from 1.0% to 2.1%	¥ 144,896	\$ 1,366,943
2.0% unsecured convertible Eurobonds in yen, due September 2000	9,880	93,208
Unsecured Eurobonds in U.S. dollars, due through September 2005, at interest rates ranging from 5.62% to 6.73%	41,186	388,547
Unsecured bonds in yen, due through December 2009, at interest rates ranging from 2.0% to 5.55%	270,000	2,547,170
Unsecured Eurobonds in yen, due through September 2006, at interest rates ranging from 0.2% to 6.32%	86,223	813,425
Loans from banks, life insurance companies and government agencies, due through February 2030, at interest rates ranging from 0.42% to 7.14%:		
Secured	185,232	1,747,472
Unsecured	346,147	3,265,538
	1,083,564	10,222,302
Less current portion	(152,105)	(1,434,953)
	<u>¥ 931,458</u>	<u>\$ 8,787,340</u>

Convertible bonds, unless previously redeemed, are convertible into shares of common stock of the Company at the following conversion prices:

	Conversion price per share	Conversion period
2.1% unsecured convertible bonds in yen, due September 2001	¥1,101.70	July 1, 1986–September 27, 2001
1.7% unsecured convertible bonds in yen, due March 2003	1,334.80	December 1, 1987–March 28, 2003
1.6% unsecured convertible bonds in yen, due March 2005	1,864.30	January 10, 1990–March 30, 2005
2.0% unsecured convertible Eurobonds in yen, due September 2000	1,904.40	August 10, 1993–September 21, 2000
1.0% unsecured convertible bonds in yen, due March 2003	1,655.20	January 4, 1994–March 28, 2003

Assets pledged at March 31, 2000 as collateral for long-term debt or other debt were as follows:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable	¥ 727	\$ 6,858
Land	165,656	1,562,792
Property, plant and equipment, at net book value	358,870	3,385,566
Investments in other securities	594	5,604
Long-term receivables	9,592	90,491

The aggregate annual maturities of long-term debt subsequent to March 31, 2000 are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 152,105	\$ 1,434,953
2002	174,188	1,643,283
2003	204,923	1,933,236
2004	182,444	1,721,170
2005 and thereafter	369,900	3,489,623
	<u>¥1,083,564</u>	<u>\$10,222,302</u>

7. SHAREHOLDERS' EQUITY

On April 1, 1999, the former company (NiSSEKI) merged with the former company (Mitsubishi Oil), issued 239,350,767 shares of the Company's common stock in an exchange of 0.525 of a share of the Company's common stock for one share of Mitsubishi Oil's common stock and assumed all assets and liabilities of Mitsubishi Oil as of April 1, 1999.

During the year ended March 31, 2000, the Company issued 18,555 additional shares of common stock upon the conversion of convertible bonds.

At March 31, 2000, the authorized and issued shares of common stock (¥50 par value) of the Company and common stock in treasury numbered 2,000,000,000; 1,469,303,871 and 3,433,962 shares, respectively. The corresponding shares of common stock of NiSSEKI and Mitsubishi Oil at March 31, 1999 were as follows:

	NiSSEKI	Mitsubishi Oil
Authorized	2,000,000,000 shares	1,000,000,000 shares
Issued	1,229,934,549	455,906,224

Retained earnings include a legal reserve provided in accordance with the Commercial Code of Japan. This reserve is not available for dividends, but it may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

Retained earnings also include retained earnings appropriated for special reserves in accordance with the Special Taxation Measures Law and the Commercial Code of Japan. The reserves are deducted from taxable income when provided and are to be reversed to taxable income in subsequent years through direct appropriations of retained earnings.

8. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in a statutory tax rate of approximately 42% for the year ended March 31, 2000. The difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2000 is principally attributable to the effect of timing differences in the recognition of certain income and expenses for tax financial reporting purposes, the effect of expenses not deductible for income tax purposes and unrecorded deferred income taxes of the consolidated subsidiaries.

The significant components of deferred tax assets and liabilities at March 31, 2000 were as follows:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Property, plant and equipment	¥ 15,632	\$ 147,472
Accrued retirement allowances	26,351	248,594
Depreciation	16,420	154,906
Net operating loss carryforward	19,920	187,925
Loss on revaluation of investment securities	15,246	143,830
Other	46,324	437,019
Valuation allowance	(20,466)	(193,075)
Total deferred tax assets	119,430	1,126,698
Deferred tax liabilities:		
Fair value of subsidiaries on consolidation	71,001	669,821
Depreciation	32,880	310,189
Other	14,335	135,236
Total deferred tax liabilities	118,217	1,115,255
Net deferred tax assets	¥ 1,212	\$ 11,434

9. EXCISE TAXES

Excise taxes are levied on gasoline and diesel fuel when delivered to customers and are included under net sales and cost of sales in the consolidated statement of operations. These taxes amounted to ¥910,151 million (\$8,586,330 thousand) for the year ended March 31, 2000 and represented approximately 25% of net sales for the year then ended.

10. DEPRECIATION

Depreciation charged to income for the year ended March 31, 2000 amounted to ¥109,968 million (\$1,037,434 thousand).

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of ¥11,370 million (\$107,264 thousand) were charged to income as incurred for the year ended March 31, 2000.

12. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2000:

	Millions of yen	Thousands of U.S. dollars
As guarantors of indebtedness of:		
Unconsolidated subsidiaries and affiliates	¥33,707	\$317,991
Others	<u>21,242</u>	<u>200,396</u>
	<u>¥54,950</u>	<u>\$518,396</u>

13. SUPPLEMENTARY CASH FLOW INFORMATION

Acquisition of stock resulting in changes in consolidation

The following is a summary of the assets and liabilities of the subsidiaries which were included in consolidation following the acquisition of their stock and a reconciliation of the related acquisition costs and net cash payments:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Current assets	¥109,354	\$1,031,642
Noncurrent assets	135,362	1,277,000
Current liabilities	(118,304)	(1,116,075)
Long-term liabilities	(70,667)	(666,670)
Excess of cost over net assets acquired	(3,147)	(29,689)
Minority interests	<u>(25,028)</u>	<u>(236,113)</u>
Acquisition costs	27,569	260,085
Cash and cash equivalents held by subsidiaries	<u>(8,691)</u>	<u>(81,991)</u>
Net cash payments	<u>¥ 18,877</u>	<u>\$ 178,085</u>

14. LEASES

Lessee

(a) Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2000, which would have been reflected in the balance sheet if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Acquisition costs:		
Buildings	¥1,423	\$13,425
Machinery and equipment	6,218	58,660
Other assets	342	3,226
	¥7,984	\$75,321
Accumulated depreciation:		
Buildings	¥1,154	\$10,887
Machinery and equipment	2,455	23,160
Other assets	144	1,358
	¥3,755	\$35,425
Net book value:		
Buildings	¥ 268	\$ 2,528
Machinery and equipment	3,761	35,481
Other assets	197	1,858
	¥4,229	\$39,896

The following pro forma amounts represent the lease payments relating to finance leases accounted for as operating leases (exclusive of the interest portion thereon at March 31, 2000) and depreciation expense of the leased assets (calculated by the straight-line method over the lease terms) as of March 31, 2000:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Lease payments	¥1,653	\$15,594
Depreciation	1,487	14,028

Future minimum lease payments subsequent to March 31, 2000 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥3,381	\$31,896
2002 and thereafter	6,205	58,538
Total	¥9,587	\$90,443

(b) Operating leases

Future minimum lease payments subsequent to March 31, 2000 for noncancelable operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥373	\$3,519
2002 and thereafter	358	3,377
Total	<u>¥732</u>	<u>\$6,906</u>

Lessor**(a) Finance leases**

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased property as of March 31, 2000:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Acquisition costs:		
Machinery and equipment	¥23,281	\$219,632
Other assets	250	2,358
	<u>¥23,532</u>	<u>\$222,000</u>
Accumulated depreciation:		
Machinery and equipment	¥15,122	\$142,660
Other assets	47	443
	<u>¥15,169</u>	<u>\$143,104</u>
Net book value:		
Machinery and equipment	¥ 8,159	\$ 76,972
Other assets	203	1,915
	<u>¥ 8,362</u>	<u>\$ 78,887</u>

The following amounts represent the pro forma lease receipts relating to finance leases accounted for as operating leases (exclusive of the interest portion thereon at March 31, 2000) and depreciation expense of the leased assets as of March 31, 2000:

March 31, 2000	Millions of yen	Thousands of U.S. dollars
Lease receipts	¥6,764	\$63,811
Depreciation	5,755	54,292

Future minimum lease receipts subsequent to March 31, 2000 for finance leases accounted for as operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥ 4,896	\$ 46,189
2002 and thereafter	9,197	86,764
Total	<u>¥14,094</u>	<u>\$132,962</u>

(b) Operating leases

Future minimum lease receipts subsequent to March 31, 2000 for noncancelable operating leases are summarized as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2001	¥125	\$1,179
2002 and thereafter	0	5
Total	<u>¥126</u>	<u>\$1,189</u>

Geographical segment

Year ended March 31, 2000	Millions of yen						
	Japan	North America	Asia and Oceania	Europe	Total	Eliminations	Consolidated
Sales to third parties	¥3,552,964	¥24,435	¥ 9,077	¥ 8,434	¥3,594,911	¥ —	¥3,594,911
Intergroup sales and transfers	16,990	24,249	122,268	246,446	409,954	(409,954)	—
Net sales	3,569,955	48,684	131,345	254,881	4,004,866	(409,954)	3,594,911
Operating expenses	3,545,669	43,813	131,190	254,511	3,975,185	(409,577)	3,565,607
Operating income	¥ 24,285	¥ 4,870	¥ 155	¥ 369	¥ 29,681	¥ (376)	¥ 29,304
Total assets	¥3,645,668	¥70,122	¥ 40,439	¥152,893	¥3,909,124	¥(148,323)	¥3,760,800

Year ended March 31, 2000	Thousands of U.S. dollars						
	Japan	North America	Asia and Oceania	Europe	Total	Eliminations	Consolidated
Sales to third parties	\$33,518,528	\$230,519	\$ 85,632	\$ 79,566	\$33,914,255	\$ —	\$33,914,255
Intergroup sales and transfers	160,283	228,764	1,153,472	2,324,962	3,867,491	(3,867,491)	—
Net sales	33,678,821	459,283	1,239,104	2,404,538	37,781,755	(3,867,491)	33,914,255
Operating expenses	33,449,708	413,330	1,237,642	2,401,047	37,501,745	(3,863,934)	33,637,802
Operating income	\$ 229,104	\$ 45,943	\$ 1,462	\$ 3,481	\$ 280,009	\$ (3,547)	\$ 276,453
Total assets	\$34,393,094	\$661,528	\$ 381,500	\$1,442,387	\$36,878,528	\$(1,399,274)	\$35,479,245

17. SUBSEQUENT EVENT

The following appropriations of retained earnings, which have not been reflected in the consolidated financial statements for the year ended March 31, 2000, were approved at a meeting of the shareholders of the Company held on June 29, 2000:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends (¥4=\$0.04 per share)	¥5,863	\$55,311
Bonuses to directors and statutory auditors	—	—

Independent Auditors' Report

The Board of Directors and Shareholders

Nippon Mitsubishi Oil Corporation

We have audited the consolidated balance sheets of Nippon Mitsubishi Oil Corporation (formerly Nippon Oil Company, Limited) and consolidated subsidiaries as of March 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity and cash flows for the two years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of Nippon Mitsubishi Oil Corporation (formerly Nippon Oil Company, Limited) and consolidated subsidiaries at March 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for the two years then ended in conformity with accounting principles generally accepted in Japan consistently applied during the period except for the changes, with which we concur, in accounting for the method of depreciation of buildings and the useful lives of buildings for service stations and for employees' retirement allowances as described in Note 3 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2000 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Century Aca Showa & Co.

June 29, 2000

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of Nippon Mitsubishi Oil Corporation under Japanese accounting principles and practices.

Principal NMOC Group Companies

OIL REFINING AND WHOLESALING

Nippon Mitsubishi Petroleum Refining Company, Limited

Capital: ¥40,000 million (100%)
Established: 1951
Business: Refining and processing of petroleum products

Nippon Petroleum Processing Company, Limited

Capital: ¥200 million (100%)
Established: 1960
Business: Manufacture, processing, and sale of specialized lubricants, greases, and other products

Nihonkai Oil Co., Ltd.

Capital: ¥4,000 million (66%)
Established: 1967
Business: Refining and processing of petroleum products

Tohoku Oil Co., Ltd.

Capital: ¥7,500 million (58.2%)
Established: 1968
Business: Refining and processing of petroleum products

Koa Oil Company, Limited

Capital: ¥7,260 million (55.9%)*1
Established: 1933
Business: Refining and processing of petroleum products

Wakayama Petroleum Refining Co., Ltd.

Capital: ¥12,000 million (50.0%)
Established: 1992
Business: Refining and processing of petroleum products

OIL STORAGE AND TRANSPORT

Nippon Oil Staging Terminal Company, Limited

Capital: ¥6,000 million (100%)*2
Established: 1967
Business: Operation of petroleum storage and terminal facilities

Tokyo Tanker Co., Ltd.

Capital: ¥4,000 million (100%)*3
Established: 1951
Business: Ocean transport of crude oil and petroleum products

Okinawa CTS Corporation

Capital: ¥4,000 million (65%)
Established: 1973
Business: Crude oil stockpiling

GAS BUSINESS

Nippon Petroleum Gas Company, Limited

Capital: ¥4,000 million (100%)
Established: 1955
Business: Manufacture, import, and sale of LPG

OIL DEVELOPMENT AND OVERSEAS OPERATIONS

Nippon Oil Exploration Limited

Capital: ¥7,095 million (100%)
Established: 1991
Business: Exploration for and development of oil and natural gas

Nippon Oil Exploration U.S.A. Limited

Capital: \$66 million (100%)
Established: 1989
Business: All types of oil development and overseas operations, based on the laws of Delaware state

Japan Canada Oil Co., Ltd.

Capital: ¥4,000 million (100%)
Established: 1992
Business: Exploration for and development and sale of oil

Nippon Oil Exploration and Production U.K. Limited

Capital: £13 million (100%)
Established: 1996
Business: Exploration for and development and production of oil

Japan Vietnam Petroleum Co., Ltd.

Capital: ¥22,530 million (53.1%)
Established: 1992
Business: Exploration for and development of oil

OVERSEAS OIL MARKETING

Japan Thailand Petroleum Co., Ltd.

Capital: ¥3,459 million (100%)
Established: 1994
Business: Business operations relating to lubricant oil business in Thailand

NMOC (U.K.) Ltd.

Capital: \$6 million (100%)
Established: 1999
Business: Sales of crude oil and petroleum products to NMOC

Nippon Oil (U.S.A.) Limited

Capital: \$3 million (100%)
Established: 1960
Business: Purchase, sale, import, and export of crude oil and petroleum products

Nippon Oil (Asia) Pte. Ltd.

Capital: S\$300,000 (100%)
Established: 1980
Business: Purchase, sale, import, and export of crude oil and petroleum products

PETROCHEMICALS BUSINESS

Nippon Petrochemicals Company, Limited

Capital: ¥10,000 million (100%)
Established: 1955
Business: Manufacture, processing, and sale of petrochemical products

CONSTRUCTION AND ENGINEERING

Nisseki Ryoyu Engineering and Construction Co., Ltd.

Capital: ¥600 million (100%)
Established: 1982
Business: Engineering, construction, and maintenance of refining and other related facilities

Nippon Hodo Co., Ltd.

Capital: ¥14,924 million (56.0%)
Established: 1934
Business: Road paving, civil engineering, and construction

OTHER

Nippon Oil (Australia) Pty. Limited

Capital: A\$116 million (100%)
Established: 1988
Business: Purchase, sale, import, and export of coal and LNG

Nippon Oil Finance (Netherlands) B.V.

Capital: Dfl20 million (100%)
Established: 1988
Business: Fund-raising and fund management

Nisseki Real Estate Company, Limited

Capital: ¥500 million (100%)
Established: 1959
Business: Sale, purchase, leasing, and management of real estate

Nippon Mitsubishi Trading Company, Limited

Capital: ¥330 million (100%)
Established: 1957
Business: Planning of marketing and promotional campaigns for service stations, development and marketing of products for such campaigns, travel agency business, and operation of sports facilities

Nippon Oil Information Systems Company, Limited

Capital: ¥310 million (100%)
Established: 1985
Business: Design and installation of advanced data-processing and communications networks

(As of July 1, 2000)

*1 Includes the shares owned by Nippon Mitsubishi Petroleum Refining Company, Limited (0.1%)

*2 Includes the shares owned by Nippon Mitsubishi Petroleum Refining Company, Limited (33.3%), and Koa Oil Company, Limited (16.7%)

*3 Includes the shares owned by Nippon Mitsubishi Petroleum Refining Company, Limited (64.0%), and Koa Oil Company, Limited (32.0%)

*4 Figures in parentheses indicate percentage of equity ownership.

Overseas Offices

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Perth Office

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16 St. George's Terrace,
Perth, Western Australia 6000,
Australia
Phone: (08) 9221-2709
Fax: (08) 9221-2719

Nippon Oil Exploration U.S.A. Limited

5847 San Felipe, Suite 2800,
Houston, Texas 77057, U.S.A.
Phone: (713) 260-7400
Fax: (713) 978-7800

Japan Vietnam Petroleum Co., Ltd.

Vung Tau Office

Petro Vietnam Towers 3F No. 9,
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Phone: (64) 856937
Fax: (64) 856943

Nippon Oil Exploration (Malaysia), Limited*

Kuala Lumpur Office

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Kuala Lumpur City Centre,
50088 Kuala Lumpur, Malaysia
Phone: (03) 2168-3838
Fax: (03) 238-7680

NMOC (U.K.) Limited

38 Finsbury Square,
London EC2A 1PX, U.K.
Phone: (207) 309-6960
Fax: (207) 309-6969

Nippon Oil Exploration and Production U.K. Limited

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Nippon Oil (U.S.A.) Limited

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Fax: (212) 599-2628

Nippon Oil (U.S.A.) Limited

San Francisco Office

2613 Camino,
Ramon Suite 100, San Ramon,
California 94583, U.S.A.
Phone: (925) 973-4604
Fax: (925) 973-4605

Nippon Oil (Asia) Pte. Ltd.

6 Battery Road, #29-02/03,
Singapore 049909
Phone: 2236-001
Fax: 2248-921

Nippon Oil (Australia) Pty. Limited

Level 40, Governor Phillip Tower,
1 Farrer Place, Sydney,
N.S.W. 2000, Australia
Phone: (02) 9247-8922
Fax: (02) 9247-4343

Tianjin Nisseki Lubricants & Grease Company, Limited*

Hangu, Tianjin,
China 300480
Phone: (22) 2568-6378
Fax: (22) 2568-6138

Taiwan Nisseki Co., Ltd.*

149, Chien Kuo 4th Road,
Kaohsiung, Taiwan
Phone: (07) 561-2608
Fax: (07) 561-2625

* Partially owned subsidiary of
Nippon Mitsubishi Oil Corporation

Major Products

Naphtha

Motor Gasolines

- NISSEKI Mitsubishi High-Octane Gasoline
- NISSEKI Mitsubishi Regular Gasoline

Aviation Turbine Fuels

Kerosene

- NISSEKI Mitsubishi Kerosene

Diesel Fuel

- NISSEKI Mitsubishi Premium Diesel Fuel
- NISSEKI Mitsubishi Diesel Fuel

Fuel Oils

Volatile Oils and Solvents for Industrial Use

Automotive Lubricants

Gasoline Engine Oil

- NISSEKI Mitsubishi Motor Oil
- Genesis Motor

Diesel Engine Oil

- NISSEKI Mitsubishi Diesel Oil
- Genesis Diesel CF-4

Two-Cycle Engine Oil

Gear Oil

Greases

Other Lubricant Oils and Special Products
for Automotive Use

Marine Lubricants and Industrial Engine Oil

Marine Diesel Engine Oil and Anticorrosive

Coolants

Oils for Co-generation

Total Energy System (TES) Oil

Industrial Lubricants

Spindle Oil

Turbine Oil

Hydraulic Oil

Compressor Oil

Refrigeration Lubricants

Slider Guide Oil

Bearing Oil

Gear Oil

Multipurpose Lubricant Oil

Heat Transfer Oil

Electrical Insulation Oil

White Oil and Food Machinery Oil

Greases

Other Lubricant Oils and Specialty Products

Metal-Working Lubricants

Non-Water-Soluble Cutting Oil

Water-Soluble Cutting Oil

Heat Treatment Oil

Rust Prevention Oil

Press Oil

Rolling Oil

Electric Discharge Oil

Petrochemicals

Benzene

Toluene

Mixed Xylenes

Para-xylene

Hexane

Heptane

Propylene Tetramer

Nonene

Propylene

Synthetic Sizing Agent

Asphalts/Parafins

Investor Information

Date of Establishment

May 10, 1888

Paid-in Capital

¥137,176 million

Head Office

3-12, Nishi Shimbashi 1-chome, Minato-ku, Tokyo 105-8412, Japan
Phone: (03) 3502-1135
Fax: (03) 3502-9352

Securities Traded

Common stock listed on the Tokyo, Osaka, Nagoya, Kyoto, Fukuoka, and Sapporo exchanges

Transfer Agent

The Chuo Mitsui Trust and Banking Co., Ltd.
Head Office, Transfer Agency Department,
8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
Phone: (03) 3323-7111

Major Shareholders

	Number of shares held (thousand shares)	(%)
The Sakura Bank, Limited	44,076	3.00
Mitsubishi Corporation	44,000	2.99
The Dai-ichi Kangyo Bank, Limited	43,150	2.94
The Fuji Bank, Limited	42,977	2.92
The Sumitomo Trust and Banking Company, Limited, Trust Account	37,187	2.53
Morgan Guaranty Brussels	36,627	2.49
The Bank of Tokyo-Mitsubishi, Ltd.	29,387	2.00
The Tokio Marine and Fire Insurance Company, Limited	29,364	2.00
State Street Bank and Trust Company	26,302	1.79
Morgan Stanley Dean Witter Japan Limited	23,019	1.57

(As of March 31, 2000)

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NIPPON MITSUBISHI OIL CORPORATION