NIPPON OIL
Your Choice of Energy

Apr 26, 2007

Company name : Nippon Oil Corporation
Stock listings: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Exchanges
Code number : 5001
URL http : //www.eneos.co.jp/
Representative Director, President: Shinji Nishio
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Scheduled date of ordinary general meeting of shareholders : Jun 28,2007
Scheduled date of commencement of dividend payments :Jun 29,2007
Scheduled date of filing of Securities Report : Jun 28,2007

1.Results for Year ended March 31, 2007 (from April 1, 2006 to March 31,2007)

(1)Operating results(Consolidated Basis)

(Figures less than ¥1 million have been omitted)

	Net Sales		Operating Income		Ordinary Income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2006FY	6,624,256	8.3	159,684	(47.5)	186,611	(39.6)	70,221	(57.8)
2005FY	6,117,988	24.2	303,930	50.9	309,088	45.5	166,510	26.6

	Net income per share	Net income per share after dilution	Return on equity	Ratio of Ordinary income to total	Ratio of Operating income to net sales
	Yen	Yen	%	%	%
2006FY	48.12	－	5.9	4.3	2.4
2005FY	114.08	－	16.0	8.0	5.0

Note:Equity in earnings of unconsolidated subsidiaries and affiliates
Year ended March 31,2007: ¥3,048 million
Year ended March 31,2006: ¥4,929 million

(2)Financial position (Consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2006FY	4,385,533	1,331,981	27.7	829.64
2005FY	4,231,814	1,130,328	26.7	775.62

Note:Total shareholders' equity Year ended March 31,2007: ¥1,212,740 million Year ended March 31,2006: -

(3)Cash flows (Consolidated Basis)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2006FY	205,867	(143,487)	44,408	321,786
2005FY	34,021	(115,073)	125,969	214,476

2.Dividends

	Cash Dividend per share			Total dividends amount	Payout ratio (Consolidated)	Dividends on equity ratio (Consolidated)
	As of Sep.30	As of Mar.31	Total			
	Yen	Yen	Yen	Millions of yen	%	%
2005FY	6.00	6.00	12.00	17,516	10.5	1.7
2006FY	6.00	6.00	12.00	17,568	24.9	1.5
2007FY (Forecast)	6.00	6.00	12.00		14.9	

3. Forecasts of consolidated performance in fiscal 2007 (from April 1, 2007 to March 31,2008)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	3,200,000	0.1	92,000	(19.9)	102,000	(22.7)	62,000	(3.3)	42.41
Fiscal Year	6,760,000	2.0	190,000	19.0	208,000	11.5	118,000	68.0	80.72

4. Others

(1) Changes ub number of material subsidiaries during the fiscal year None

(2)Changes in accounting principles and procedures used in the preparation of consolidated financial statements or in the method of presentation of consolidated financial statements
(Items contained in "Changes in the Basis of Presenting Consolidated Financial Statements")
(i) by new accounting standard Yes
(ii) by others None

(3)Number of shares of treasury stock
(i) Number of shares issued (Common stock) 2006FY 1,464,508,343 2005FY 1,464,508,343
(ii) Number of shares of treasury stock 2006FY 2,742,825 2005FY 7,236,818

[Note]

1.Non-consolidated Results for Year ended March 31, 2007 (from April 1, 2006 to March 31,2007)

(1)Operating results(Non-consolidated Basis)

	Net Sales		Operating Income		Ordinary Income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2006FY	5,826,415	12.5	14,445	(82.9)	33,101	(64.7)	26,405	(64.6)
2005FY	5,177,713	30.8	84,519	68.9	93,639	60.3	74,504	61.8

	Net income per share	Net income per share after dilution
	Yen	Yen
2006FY	18.06	―
2005FY	50.97	―

(2)Financial position (Non-consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2006FY	3,071,996	786,268	25.6	537.11
2005FY	3,310,965	753,813	22.8	516.50

Note:Total shareholders' equity Year ended March 31,2007: ¥768,268 million Year ended March 31,2006: -

2.Forecasts of Non-consolidated performance in fiscal 2007 (from April 1, 2007 to March 31,2008)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	2,870,000	0.1	34,000	(36.1)	39,000	(36.8)	30,000	(44.9)	20.49
Fiscal Year	6,010,000	3.2	60,000	315.4	70,000	111.5	52,000	96.9	35.52

* The aforementioned forecasts are forward-looking statements based on all information available to the management at the time of this document’s release. Factors including, but not limited to, economic conditions, oil prices, demand trends for petroleum products, market trends, currency exchange rates, and interest rates, may cause actual results to differ substantially from the anticipated results. Please see p.7 of the attached document for more information regarding the aforementioned forecasts.

1. Operating Results
(1) Analysis of Operating Results

Consolidated Operating Results in the Fiscal Year under Review

Analysis of consolidated operating results
On a consolidated basis, the net sales of the Nippon Oil Group ("the Group") in the fiscal year under review increased 8.3% year on year, to JPY 6,624.3 billion. Operating income decreased by JPY 144.2 billion, to JPY 159.7 billion. This was due to a negative impact on earnings of inventory valuation factors, which contributed to sharply higher earnings in the previous fiscal year.
Inventory valuation factors refer to the effect on the cost of goods sold from the valuation of inventory using the gross average method to reflect changes in the price of crude oil.
The total sales volume of petroleum products decreased due to a record-breaking warm winter and fuel conversion. However, excluding inventory valuation factors, operating income rose by JPY 31.4 billion from the previous fiscal year, to JPY 168.9 billion, due to improved profits in the oil and natural gas exploration and production business segment and to improved margins for petrochemical products.

The Group also recorded non-operating income of JPY 26.9 billion, an increase of JPY 21.7 billion, due principally to higher dividend income.

Consolidated ordinary income was down JPY 122.5 billion, to JPY 186.6 billion. Excluding inventory valuation factors, consolidated ordinary income was JPY 195.8 billion, an increase of JPY 53.1 billion from the previous fiscal year.

Due primarily to losses on disposal and sales of fixed assets, an extraordinary loss of JPY 14.4 billion was recorded, JPY 3.6 billion more than the previous fiscal year.

As a result of the above factors, the Group generated consolidated net income of JPY 70.2 billion, a year-on-year decline of JPY 96.3 billion.

(Billions of yen)

	Refining and Marketing	E & P of Oil and Natural Gas	Construction	Other *	Total
Net sales	5,954.4	203.5	407.9	58.5	6,624.3
Operating income	29.3	113.8	10.1	6.5	159.7

* Operating income in "Other" includes the other segment, Eliminations and Corporate.

Refining and Marketing
In the fiscal year under review, due to the tense political situation in certain Middle Eastern and African oil producing nations and the surging global demand for oil, the Dubai crude oil price continued its upward march from the previous fiscal year, passing US$72 a barrel in July 2006 and setting a new record. Thereafter, the price dropped temporarily heading into winter, but generally

traded in a high range of US$50 to US$60. The average Dubai crude oil price throughout the fiscal year was US$60.9 a barrel, up approximately US$7 dollars a barrel from the previous fiscal year.

Foreign exchange rates were affected by higher interest rates in the United States and Europe, and the average yen-dollar exchange rate for the fiscal year was JPY 117, representing a depreciation of the yen versus the dollar of around JPY 4.

	Fiscal year ended March 2006	Fiscal year ended March 2007	Change
Dubai crude oil price ($/barrel)	53.5	60.9	+7.4
Exchange rate (yen/dollar)	112.7	117.0	+4.3

In terms of demand for petroleum products in Japan in the year under review, the growing adoption of fuel-efficient vehicles led to a year-on-year decline in domestic demand for gasoline, while a decline in the number of diesel vehicles in use led to reduced demand for diesel oil. Moreover, demand for heating oil declined substantially due to a record-breaking warm winter. Demand for heavy fuel oil A and heavy fuel oil C fell substantially due to the ongoing shift to gas and coal. As a result, domestic demand for petroleum products was down across all types of fuel. On the other hand, demand for petrochemical products was strong, principally for products bound for Asian countries that recorded continued economic growth.

In this environment, the Group established the management objectives of bolstering the profitability in its core businesses—oil and petrochemicals—and developing new energy-type businesses. The Group worked to implement the strategies outlined below.

First, in response to the decline in domestic demand for petroleum products and the growth in demand for petrochemical products in other Asian markets, principally China, we continued to focus on integrating oil refining and petrochemical operations by advancing chemical refinery integration (CRI). The CRI initiative draws on the Group's ability to produce petrochemical products—such as xylene, paraxylene, and propylene—from crude oil in a single integrated process. The objective is to operate an optimally efficient production system that enables us to respond quickly and flexibly to trends in demand for petroleum products and petrochemical products. As one facet of this initiative, in respect of the manufacturing of paraxylene which is in strong demand, the Group strove to increase its paraxylene production capacity with the April 2006 commencement of joint production at Mizushima Paraxylene Co., Ltd., a joint venture with Mitsubishi Gas Chemical Company, Inc. Regarding propylene, the September 2006 commencement of full-scale operation of production facilities that use olefin conversion technology (OCT) to produce propylene from distillate that had previously been used as in-house fuel at the Kawasaki Operation Center of Nippon Petrochemicals Company Limited resulted in higher production volume. With solid demand expected to continue going forward for these petrochemical products, our strategy will be to focus on producing and selling these products. By increasing production capacity at Mizushima Paraxylene Co., Ltd., and enhancing facilities at the Sendai Refinery, ongoing projects which are scheduled for completion in 2007, we plan to further increase the Group's production capacity for paraxylene and propylene.

In addition, to meet demand for petroleum products in Asian markets recording continued growth, we bolstered the export capacity of our oil refineries to 200,000BD. Since July 2004, we have conducted commissioned refining operations on behalf of China National United Oil Corporation (China Oil). In April 2006, we raised the contracted volume to 40,000BD, and have agreed to increase it further to 50,000BD from April 2007. As a result of these measures, despite declining demand for petroleum products in the domestic market, the Group will endeavor to maintain and raise the capacity utilization rate of its refineries as it aims to generate and increase earnings.

In addition, we continue to aggressively expand our overseas operations. In Guangzhou, China, we completed a lubricant plant and commenced manufacturing in September 2006, and in the U.S. state of Alabama, we completed and started commercial operation of a production plant for lubricants and grease in October 2006.

We also made progress in new energy-type businesses. In LNG, which is the focus of growing attention as a clean energy source, in April 2006 we started commercial operations at the Mizushima LNG base, which was built in the Mizushima refinery to act as an LNG supply center. In March 2007, we opened another LNG base that was built at a former transshipment depot site in the city of Hachinohe, and we began to serve city gas companies as well as traditional industrial users.

In addition to the above initiatives, to respond to great changes in the operating environment such as higher crude oil prices, changes in the structure of domestic energy demand and the rapid expansion of Asian economies, and to achieve sustained growth, we have expanded strategic alliances with both domestic and Asian companies. In addition to the existing alliance with Idemitsu Kosan Co., Ltd. and Cosmo Oil Co., Ltd., we reached a comprehensive agreement with Japan Energy Corporation in June 2006 for a business alliance extending to a wide range of fields. Under this agreement, the two companies will consider and implement integrated operation of their respective refineries in Mizushima, the provision of each other’s products and joint efforts to rationalize distribution. Also, in January 2007, we reached an agreement with SK Corporation, South Korea’s largest oil company, for a business alliance in such fields as upstream operations, supply, and petrochemicals. Through these alliances and cooperative relationships, we are determined to expand our business in Asia and strengthen our competitiveness further.

In the year under review, net sales of the Refining and Marketing business segment rose 8.6% from the previous fiscal year to JPY 5,954.4 billion. Operating income was down JPY 167.9 billion, to JPY 29.3 billion. This was due to a negative impact on earnings of inventory valuation factors, which contributed to sharply higher earnings in the previous fiscal year. Inventory valuation factors refer to the effect on the cost of goods sold from the valuation of inventory using the gross average method to reflect changes in the price of crude oil. Although the total sales volume of petroleum products decreased due to a record-breaking warm winter and fuel conversion, excluding inventory valuation factors, operating income increased JPY 7.7 billion, to JPY 38.5 billion, due primarily to improved margins for petrochemical products.

Exploration and Production of Oil and Natural Gas
Due to the rise in crude oil prices, profitability improved in the E&P business.

Regarding measures taken by the production business in the fiscal year under review, commercial production began at the onshore SE Mananda field in Papua New Guinea and at the Merganser gas field in the UK North Sea. In terms of new developments, we continued to make preparations for the commencement of production in the Blane oil field in the UK North Sea. At the same time, construction continues on an LNG plant at the Tangguh LNG Project in Indonesia toward the commencement of supply from the end of 2008. In new exploration projects, we made preparations for trial drilling in exploration blocks off the coast of Libya for which we acquired interests in the previous fiscal year.

Regarding the purchase of producing assets, we looked closely at prospects from a technical and an economic perspective. Although we tried to purchase several assets we viewed as promising, ultimately we were unsuccessful as a result of our uncompromising emphasis on profitability.

As a result of the above initiatives, the Group's average production volume of crude oil and natural gas (share of production in each project, oil equivalent basis) was 152,000BD, 2.8% less than the previous fiscal year.

Net sales in the E&P business segment increased by 12.8%, to JPY 203.5 billion, and operating income rose JPY 21.7 billion, to JPY 113.8 billion, mainly due to higher crude oil prices.

Construction
Although private-sector capital investment increased in the year under review, public-sector investment was generally weak, and the road-building and construction industries continued to face a challenging demand environment. In this setting, the Group worked to secure construction orders and to bolster its competitiveness through cost reductions and enhanced efficiency.

Net sales in the Construction business segment rose 8.9% year on year, to JPY 407.9 billion. The segment recorded operating income of JPY 10.1 billion, up JPY 2.9 billion, year on year due to cost reductions and enhanced efficiency.

Other
In the field of petroleum product distribution, the operating environment remained challenging in the year under review. In this setting, the Group implemented aggressive marketing activities for a wide array of automobile-related products, with a special focus on ENEOS brand goods. In our real-estate operations, we enhanced our management and service systems and improved existing facilities to increase tenant satisfaction levels.

Consolidated net sales in the Other business segment declined 27.3%, to JPY 58.5 billion, and operating income was down JPY 1.8 billion, to JPY 4.1 billion. This result was primarily attributable to the removal of one consolidated subsidiary from the scope of consolidation.

Outlook for the Current Fiscal Year
The fiscal year ending March 2008 is the last year of the Group's third medium-term consolidated management plan.

We are forecasting consolidated net sales of JPY 6,760 billion, with 2.0% increase year on year and consolidated operating income of JPY 190.0 billion with an increase of JPY 30.3 billion for the current fiscal year.

In addition to the progress of cost reduction and efficiency improvement, bolstered petrochemical production capacity will help to increase the sales volume and excluding inventory valuation factors, we are forecasting consolidated ordinary income of JPY 190.0 billion which is the target of the plan. Please note that this forecast includes negative impact of JPY 15.0 billion yen, from the revision of Japanese tax system in 2007.Also, including inventory valuation factors, we are forecasting consolidated ordinary income of JPY 208.0 billion with an increase of JPY 21.4 billion from the previous fiscal year.

On a non-consolidated basis, we are forecasting net sales of JPY 6,010.0 billion, operating income of JPY 60.0 billion, ordinary income of JPY 70.0 billion and net income of JPY 52.0 billion.

These forecasts assume an average crude oil price of US$ 58.5 a barrel and an average exchange rate of JPY 119.8 to the U.S. dollar for the fiscal year.

Forecasts for net sales and operating income by segment are provided in the following table.

(Billions of yen)

	Refining and Marketing	E & P of Oil and Natural Gas	Construction	Other *	Total
Net sales	6,100.0	210.0	400.0	50.0	6,760.0
Operating income	73.2	101.9	8.6	6.3	190.0

* Operating income in "Other" includes the other segment, Eliminations and Corporate.

Refining and Marketing
The forecasted sales volume of petroleum products, principally fuel for electric power, will decrease due to fuel conversion. However, with the progress of cost reduction and efficiency improvement and increase of sales volume of the petrochemicals, we are forecasting that operating income will increase.

Exploration and Production of Oil and Natural Gas
Due to the decrease of production volume, we are forecasting that operating income will decrease. However, the profit will be still high level due to high crude oil price.

Construction
The industries environment will continue to face a challenging and the forecasted operating income will decrease, despite of the effort cost reductions and enhanced efficiency.

(2) Analysis of Financial Position

Balance Sheet Analysis

At the end of the year under review, consolidated total assets were JPY 4,385.5 billion, an increase of JPY 153.7 billion from the end of the previous fiscal year. This increase was principally attributable to the effect of the last day of the fiscal year falling on a Japanese national holiday, which caused the payment of excise tax payable for the fiscal year to be delayed.

Consolidated net assets totaled JPY 1,332.0 billion, an increase of JPY 92.5 billion from a year earlier. (The change is measured from the total of minority interests in consolidated subsidiaries and shareholders' equity at the end of the previous fiscal year.) This gain was the result of positive factors such as consolidated net income exceeding negative factors such as year-end dividends.

As a result, the equity ratio was 27.7%.

Cash Flow Analysis

As of the end of the year under review, cash and cash equivalents (hereinafter referred to as "cash") totaled JPY 321.8 billion an increase of JPY 107.3 billion. The cash flow movements and factors influencing them during the year under review were as follows:

Net cash provided by operating activities amounted to JPY 205.9 billion as positive factors, such as income before income taxes (JPY 172.2 billion) and non-cash expenses, such as depreciation and amortization (JPY 131.9 billion), exceeded negative factors, such as an increase in working capital. Also, the effect of the last day of the fiscal year falling on a Japanese national holiday caused the payment of excise tax payable for the fiscal year to be delayed.

Net cash used in investment activities amounted to JPY 143.5 billion. This was mainly due to investment in petrochemical product manufacturing equipment at refineries.

Net cash provided by financing activities amounted to JPY 44.4 billion as positive factors, such as the borrowing of working capital as a result of rising crude oil prices, exceeded negative factors, such as dividend payments.

The following table shows the trend in cash flow indices for the NOC Group.

	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007
Shareholders’ Equity Ratio	25.1	27.1	26.7	27.7
Shareholders’ Equity Ratio on a Market Value Basis	27.5	32.6	31.8	31.9
Debt Service Years	3.4	8.3	35.6	6.3
Interest Coverage Ratio	13.3	6.3	1.6	9.4

Notes:

1. Definitions of indicators are as follows:

--Equity ratio: equity / total assets

(Figures from March 2004 to March 2006 are now shown in the row labeled "Equity Ratio," whereas in previous years they were shown in a row labeled "Shareholders' Equity Ratio.")
--Equity ratio on a market value basis: Total value of stock at market price / Total assets
--Debt service years: Interest-bearing debt / Operating cash flow
--Interest coverage ratio: Cash flow from operations / Interest paid

2. All indicators have been calculated based on consolidated financial data.

3. Total value of stock at market price has been calculated by multiplying the Company's stock price at the end of the fiscal year by the number of shares outstanding at the end of the fiscal year (after exclusion of treasury stock).

4. Operating cash flow is the cash flow from operations shown in the Consolidated Statements of Cash Flows.

5. Interest-bearing debt is actual interest-bearing debt, defined as the interest-bearing liabilities shown on the Consolidated Balance Sheets less the funds managed (credit assets) of finance subsidiaries. In addition, interest paid has been calculated by subtracting the amount of interest paid by finance subsidiaries to fund their credit asset portfolios from the amount of interest paid shown in the Consolidated Statements of Cash Flows.

Commitment Line Contracts

To raise working capital efficiently, Nippon Oil has concluded a commitment line contract with a syndicate of 5 banks with which it has transaction relationships. This commitment line provides the Company with funding up to JPY 150.0 billion and US$200 million. There were no borrowings under this commitment line during the fiscal year under review.

(3) Basic Policies Regarding Allocation of Profits / Dividends in the Fiscal Year Under Review and the Next Fiscal Year

We consider the return of profits to shareholders to be an important management priority. To maintain stable dividend payments while increasing enterprise value, we will take into account the need to bolster internal reserves to provide for investments targeting the realization of our growth strategies. With consideration for such factors as business performance and balanced funding, we will work to increase dividends over the medium to long term. Moreover, in the implementation of our capital policy, we will take a flexible approach to acquisitions of treasury stock.

In accordance with these policies, in April 2005 we purchased and retired 50 million shares of common stock at a total price of JPY 38.5 billion. At the same time, under the third consolidated medium-term management plan, started in the previous fiscal year, we reevaluated the level of our dividends and decided to target annual cash dividends of JPY 12 per share. We plan year-end dividends for the fiscal year under review of JPY 6 per share. Therefore, including the interim dividends, dividends applicable to the year will be JPY 12 per share, the same as in the previous year.

(3) Business Risks

The Group faces a variety of risks that may play an important role in impacting its financial condition, managerial performance and cash flow. The main risks are outlined below:

1. Impact of fluctuating currency exchange rates (against the US dollar) and crude oil prices.
   a. Impact on Inventory Assets
   The Group mainly utilizes the cost method based on the gross average method for valuating its inventory assets. With this valuation method, when crude oil prices (in yen) rise above the unit price of inventory, inventory assets begin pushing down the cost of goods sold (in this instance, cost of goods sold increases slower than crude oil prices due to the low price of inventory), thus making it a positive profitability factor.

   On the other hand, when crude oil prices (in yen) fall below the unit price of inventory, the valuation of inventory assets pushes up the cost of goods sold, thus making it a negative profitability factor.

   b. Impact on Exploration and Production of oil and Natural Gas (E&P) In the area of E&P, a rise in crude oil prices (in yen) is a positive factor for profitability because it leads to an increase in revenues. On the other hand, a drop in crude oil prices (in yen) is a negative factor for profitability because it leads to a decrease in revenues.

2. Impact of fluctuations in demand and market conditions for petroleum fuel and petrochemical products
   The demand for petroleum products fluctuates depending on climate conditions (such as an unseasonably cool summers or warm winters) and the economic conditions of the time. Demand for petrochemical products will fluctuate depending on economic growth and trends in Asian markets as export dependence on Asia, in particular China, increases. Sales for the NOC Group’s products will also be impacted by these fluctuations and as such, demand trends are determined to be a profitability factor.

   In addition, the domestic market for petroleum fuel products will fluctuate as a result of the supply and demand environment for domestic petroleum fuel products, local re-selling conditions and movements in the overseas market for petroleum fuel products. Similarly, the market for petrochemical products will fluctuate depending on raw naphtha prices and market conditions in East Asia. Although the NOC Group revises sale prices to reflect these fluctuations, such changes may be considered a profitability factor depending on the market environment.

3. Impact of fluctuating interest rates
   An increase in interest rates is considered a negative profitability factor because it would increase interest expense on loans and other interest-bearing liabilities and consequently worsen the balance of financial expenses. On the other hand, a fall in interest rates is considered a positive profitability factor because it would decrease interest expense on loans and other interest-bearing liabilities and consequently improve the balance of financial expenses.

4. Risks arising from overseas businesses
   The Group’s procurement, production, exporting and sales activities are carried out not

only in Japan, but on a global scale in areas such as North America, Europe and Asia/Oceana. The Group believes that certain risks as outlined below exist in its overseas activities.

a. Country risks – Political and economic turmoil in foreign countries and a freezing of currency exchanges, a default on loans and others triggered by them.
b. Social turmoil arising from strikes, terrorist activities, war, epidemics, etc.
c. Disasters arising out of an act of god.
d. Restrictions arising from new regulations, such as import restrictions and export trade management rules.

The generation of such risks will hinder the NOC Group's overseas business activities and consequently, may lead to worsened financial performance.

5. Impact of trends in public investments and private capital investments

The Group's construction segment relies heavily on contracted paving, civil engineering, and construction projects. The profitability of this segment therefore fluctuates greatly on trends in the public investment and private capital investment (including private residential investments) fields.

6. Impact of stricter environmental regulations

From the standpoint of global environmental protection, new regulations on quality or the need to blend in biomass fuels may result in cost increases to the Group's operations. Costs may be in the form of capital investments into refineries or an increase in variable costs.

7. Risks arising from information systems

Earthquakes, floods and other natural disasters may damage information systems and cease normal business operations. In a situation such as this, production and sales activities of the Group will not only be compromised but it may have a major negative impact on the business of vendors.

8. Operational risks associated with production facilities

The Group operates production facilities not only in Japan but also on a global scale. Natural disasters or unforeseen events at any of these facilities that leads to a ceasing of production may have a negative impact on the overall financial performance of the Group.

Please note that although these risks contain items that may be forward-looking in nature, they are based on information available to the Group at the end of the fiscal year under review. In addition, the risks above should be not considered a full list of risks that the Group may face in its operations.

CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2006		Year ended March 31, 2007		Change from the previous fiscal year-end
	Millions of yen	%	Millions of yen	%	Millions of yen
ASSETS					
Current assets	2,140,951	50.6%	2,262,528	51.6%	121,576
Cash and cash time deposits	214,720		332,113		117,393
Trade notes and accounts receivable	773,589		818,679		45,089
Short-term investments in securities	24,292		2,739		(21,553)
Inventories	951,046		889,827		(61,219)
Deferred income taxes	36,816		50,662		13,846
Other current assets	140,485		168,505		28,019
Fixed assets	2,090,849	49.4%	2,122,993	48.4%	32,144
Property, plant and equipment	1,370,235		1,365,244		(4,990)
Buildings and Structures	252,627		249,760		(2,866)
Oil tanks・Machinery and equipment・Other	360,482		377,745		17,263
Land	680,044		675,036		(5,007)
Construction in progress	77,081		62,702		(14,379)
Intangible fixed assets	43,153		41,370		(1,783)
Investments and other assets	677,460		716,378		38,918
Investment securities	390,658		419,747		29,088
long-term receivables	17,073		11,514		(5,558)
Deferred income taxes	20,685		16,200		(4,485)
Other investment and assets	249,042		268,916		19,873
Deferred assets	14	0.0%	11	0.0%	(2)
Bond issuance expenses and other	14		11		(2)
Total assets	4,231,814	100.0%	4,385,533	100.0%	153,718

CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2006		Year ended March 31, 2007		Change from the previous fiscal year-end
	Millions of yen	%	Millions of yen	%	Millions of yen
LIABILITIES					
Current liabilities	1,941,846	45.9%	2,072,145	47.2%	130,298
Trade notes and accounts payable	580,081		515,930		(64,150)
Short-term loans	262,056		255,640		(6,416)
Commercial paper	299,000		423,000		124,000
Accounts payable	462,579		589,500		126,921
Allowance for directors' bonuses	816		589		(226)
Other current liabilities	337,312		287,484		(49,828)
Long-term liabilities	1,050,400	24.8%	981,406	22.4%	(68,994)
Bonds	160,537		134,997		(25,539)
Long-term loans	491,537		478,483		(13,054)
Deferred income taxes	160,329		177,192		16,862
Retirement allowances for employees	98,849		84,112		(14,736)
Other long-term liabilities	139,146		106,619		(32,526)
Total liabilities	2,992,247	70.7%	3,053,551	69.6%	61,304
Minority interests in consolidated subsidiaries	109,238	2.6%	—	—	—
SHAREHOLDERS' EQUITY					
Common stock	139,437	3.3%	—	—	—
Capital surplus	275,015	6.5%	—	—	—
Retained earnings	599,517	14.2%	—	—	—
Evaluation differences on other securities	122,456	2.9%	—	—	—
Translation adjustments	(167)	△0.0%	—	—	—
Less treasury common stock, at cost	(5,929)	△0.2%	—	—	—
Total shareholders' equity	1,130,328	26.7%	—	—	—
Total liabilities, minority interests, and shareholders' equity	4,231,814	100.0%	—	—	—

CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2006		Year ended March 31, 2007		Change from the previous fiscal year-end
	Millions of yen	%	Millions of yen	%	Millions of yen
NET ASSETS					
Shareholder's equity	—	—	1,064,016	24.3%	—
Common stock	—	—	139,437	3.2%	—
Capital surplus	—	—	275,760	6.3%	—
Retained earnings	—	—	651,294	14.9%	—
Less treasury common stock,at cost	—	—	(2,475)	(0.1%)	—
Valuation and translation adjustment	—	—	148,723	3.4%	—
Net unrealized gain on securities	—	—	121,830	2.8%	—
Deferred gain and loss on hedges	—	—	19,901	0.4%	—
Translation adjustments	—	—	6,991	0.2%	—
Minority interests in consolidated subsidiaries	—	—	119,241	2.7%	—
Total Net assets	—	—	1,331,981	30.4%	—
Total liabilities, and net assets	—	—	4,385,533	100.0%	—

CONSOLIDATED STATEMENTS OF INCOME

	2005 FY (April 1 ,2005 ～ March 31, 2006)	2006 FY (April 1 ,2006 ～ March 31, 2007)	Change from the previous fiscal year
	Millions of yen	Millions of yen	Millions of yen
Net sales	6,117,988	6,624,256	506,268
Cost of sales	(5,521,192)	(6,176,656)	(655,464)
Gross Profit	596,796	447,600	(149,196)
Selling, general and administrative expenses	(292,866)	(287,915)	4,951
Operating income	303,930	159,684	(144,245)
Non-operating profits	43,833	57,657	13,824
Interest and dividend income	11,262	21,130	9,868
Asset rental income	10,657	10,937	280
Equity in earnings of unconsolidated	4,929	3,048	(1,881)
Foreign exchange gain	8,426	5,214	(3,212)
Other	8,557	17,326	8,769
Non-operating expenses	(38,675)	(30,731)	7,943
Interest	(23,160)	(24,789)	(1,628)
Other	(15,514)	(5,942)	9,572
Ordinary income	309,088	186,611	(122,476)
Special gains	15,889	16,131	242
Special losses	(26,645)	(30,537)	(3,892)
Income before income taxes and minority interests	298,332	172,205	(126,126)
Income taxes	(117,551)	(94,954)	22,597
Income taxes- deferred	(2,865)	5,624	8,490
Minority interests in earnings of consolidated subsidiaries	(11,404)	(12,654)	(1,250)
Net income	166,510	70,221	(96,289)

APPROPRIATION OF CONSOLIDATED RETAINED EARNINGS

	Previous fiscal year April 1 ,2005 ～ March 31, 2006 Millions of yen
Capital reserve	
Ⅰ. Balance at beginning of the period	274,852
Ⅱ. Increase in additional paid-in-capital	162
Profit on disposal of treasury stock	162
Ⅲ. Capital reserve at end of the period	275,015
Retained earnings	
Ⅰ. Balance at beginning of the period	489,729
Ⅱ. Increase in retained earnings	166,999
Net income	166,510
Increase due to merger of companies accounted by the equity method	445
Increase due to increase in companies accounted by the equity method	43
Ⅲ. Appropriations of retained earnings	57,211
Cash dividends	17,816
Directors' bonuses	719
Retirement of treasury stock	37,577
Decrease due to decrease in consolidated subsidiaries	624
Decrease due to increase in consolidated subsidiaries	392
Write-off of shares held in a merged company	78
Decrease due to increase in companies accounted by the equity method	2
Ⅳ. Retained earnings at end of the period	599,517

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Current fiscal year (April 1 ,2006 〜 March 31 ,2007)

	Shareholder's equity					Valuation and translation adjustment				Minority interests in consolidated subsidiaries	Total Net Assets
	Common stock	Capital surplus	Retained earnings	Less treasury common stock, at cost	Total Shareholders' equity	Net unrealized gain on securities	Deferred gain and loss on hedges	Translation adjustments	Total Valuation and translation adjustment		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of Mar 31, 2006	139,437	275,015	599,517	(5,929)	1,008,039	122,456	—	(167)	122,288	109,238	1,239,567
Changes in the fiscal year											
Cash dividends			(8,756)		(8,756)						(8,756)
Cash dividends			(8,785)		(8,785)						(8,785)
Directors' bonuses			(26)		(26)						(26)
Net income			70,221		70,221						70,221
Purchases of treasury stock				(703)	(703)						(703)
Disposal of treasury stock		745		4,158	4,903						4,903
Decrease due to increase in consolidated subsidiaries			(753)		(753)						(753)
Decrease due to increase in companies accounted by the equity method			(122)		(122)						(122)
Net Changes of Net assets other than Shareholders' equity						(625)	19,901	7,158	26,434	10,002	36,437
Total of changes in the interim period	—	745	51,776	3,454	55,977	(625)	19,901	7,158	26,434	10,002	92,414
Balance as of March 31, 2007	139,437	275,760	651,294	(2,475)	1,064,016	121,830	19,901	6,991	148,723	119,241	1,331,981

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous interim period April 1 ,2005 ～ March 31, 2006 Millions of yen	Current interim period April 1 ,2006 ～ March 31, 2007 Millions of yen
Ⅰ. Cash flow from operating activities		
Income before income taxes and minority interests	298,332	172,205
Depreciation and amortization	135,133	131,872
(Increase) decrease in notes and accounts receivable	(138,466)	(32,641)
Decrease (increase) in inventories	(317,203)	59,135
Increase (decrease) in notes and accounts payable	119,627	8,975
Impairment loss	3,868	6,872
Other	54,140	(11,591)
Sub-total	155,432	334,828
Interest and dividends received	13,037	26,090
Interest paid	(22,791)	(23,863)
Income taxes paid	(111,559)	(116,150)
	—	(13,893)
Expenditures for additional early retirement benefits	(97)	(1,143)
Net cash provided by (used in) operating activities	34,021	205,867
Ⅱ. Cash flows from investing activities		
Decrease (increase) in time deposits	561	(10,015
Additions to property, plant and equipment	(97,916)	(113,486)
Proceeds from sales of property, plant and equipment	19,876	23,105
Net (increase) decrease in marketable and investment securities	4,581	(9,159)
Other	(42,177)	(33,931)
Net cash (used in) provided by investing activities	(115,073)	(143,487)
Ⅲ. Cash flows from financing activities		
Increase (decrease) in short-term loans	248,488	94,411
(Decrease) increase in long-term loans and bonds	(63,354)	(32,509)
Other	(59,164)	(17,493)
Net cash provided by (used in) financing activities	125,969	44,408
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	9,660	308
Ⅴ. Increase(decrease) in cash and cash equivalents	54,577	107,096
Ⅵ. Cash and cash equivalents at beginning of the period	140,478	214,476
Ⅶ. Increase in cash and cash equivalents due to inclusion in consolidation	19,409	212
Ⅷ. Increase in cash and cash equivalents due to exclusion in consolidation	10	0
Ⅸ. Cash and cash equivalents at end of the period	214,476	321,786

Segment Information

[Business Segment]

(1) Previous fiscal year（April 1, 2005 ～March 31, 2006）

	Refining and Marketing	E&P of Oil and Natural Gas*	Construction	Other	Total	Eliminations	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales							
（1） Sales to third parties	5,482,648	180,503	374,482	80,353	6,117,988	―	6,117,988
（2） Intergroup sales and transfers	9,285	―	1,285	15,285	25,856	(25,856)	―
Total sales	5,491,933	180,503	375,768	95,638	6,143,844	(25,856)	6,117,988
Operating expenses	5,294,753	88,412	368,607	89,785	5,841,559	(27,501)	5,814,058
Operating income (loss)	197,180	92,090	7,160	5,853	302,285	1,645	303,930
Ⅱ Assets, Depreciation and Capital expenditures							
Assets	3,412,601	404,078	391,319	135,765	4,343,765	(111,950)	4,231,814
Depreciation	85,026	38,946	4,792	6,374	135,139	(5)	135,133
Impairment loss	3,834	―	34	―	3,868	―	3,868
Capital expenditures	84,892	63,903	4,628	4,985	158,411	―	158,411

*Exploration and Production of Oil and Natural Gas

Notes:
1. Business segments are based on the classifications used by the Company internally for management of its businesses.

2. Principal products by business segment are as follows:
(1) Refining and Marketing: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and heavy fuel oil, as well as
Petrochemical products, including benzene, paraxylene, and other products
(2) E&P of Oil and Natural Gas: Exploration, development and Production of oil and natural gas
(3) Construction: Asphalt paving, civil engineering construction, building construction
(4) Other: Activities include sales of automotive products, such as tires, lease financing, insurance agency business, real estate rentals, travel agency business, computer-related operations, financial services

3. Depreciation and capital expenditures includes exploration- and development-related investment in petroleum fuel and crude oil business that is accounted for in the "Investments and other assets" item as well as associated amortization expense.

(2) Current fiscal year（April 1, 2006 ～March 31, 2007）

	Refining and Marketing	E&P of Oil and Natural Gas*	Construction	Other	Total	Eliminations	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales							
（1） Sales to third parties	5,954,390	203,516	407,893	58,456	6,624,256	―	6,624,256
（2） Intergroup sales and transfers	9,259	―	1,371	17,369	28,000	(28,000)	―
Total sales	5,963,649	203,516	409,265	75,826	6,652,257	(28,000)	6,624,256
Operating expenses	5,934,308	89,704	399,181	71,762	6,494,956	(30,384)	6,464,571
Operating income (loss)	29,341	113,811	10,083	4,064	157,300	2,384	159,684
Ⅱ Assets, Depreciation and Capital expenditures							
Assets	3,542,084	441,442	428,095	116,197	4,527,820	(142,287)	4,385,533
Depreciation	81,694	39,625	4,861	5,758	131,939	(67)	131,872
Impairment loss	5,943	430	496	2	6,872	―	6,872
Capital expenditures	107,438	43,246	8,496	6,036	165,219	―	165,219

Notes:

1. Business segments are based on the classifications used by the Company internally for management of its businesses.

2. Principal products by business segment are as follows:
 (1) Refining and Marketing: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and heavy fuel oil, as well as
 Petrochemical products, including benzene, paraxylene, and other products
 (2) E&P of Oil and Natural Gas: Exploration, development and Production of oil and natural gas
 (3) Construction: Asphalt paving, civil engineering construction, building construction
 (4) Other: Activities include sales of automotive products, such as tires, lease financing, insurance agency business, real estate rentals, travel agency business, computer-related operations, financial services

3. Depreciation and capital expenditures includes exploration- and development-related investment in petroleum fuel and crude oil business that is accounted for in the "Investments and other assets" item as well as associated amortization expense.