Consolidated Financial Results for the Six Months Ended September 30, 2007

Oct 31, 2007

Company name : Nippon Oil Corporation
Stock listings: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Exchanges
Code number : 5001
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1.Results for the six months ended September 30, 2007 (April 1, 2007 to September 30, 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	%
Interim period	3,335,776	4.3	142,723	24.3	159,152	20.6	84,826	32.3
Previous interim period	3,198,343	18.4	114,834	(21.1)	131,987	(12.0)	64,121	(21.7)
Previous fiscal year	6,624,256		159,684		186,611		70,221	

Note:The percentage figures shown in Net sales, Operating income, Ordinary income and Net income represent changes from the previous interim period.

	Net income per share	Net income per share after dilution
	Yen	Yen
Interim period	58.04	—
Previous interim period	44.01	—
Previous fiscal year	48.12	—

Note:Equity in earnings of unconsolidated subsidiaries and affiliates
6months ended September 30, 2007: ￥1,456 million
6months ended September 30, 2006: ￥1,642 million
Year ended March 31, 2007: ￥3,048 million

(2)Financial position (Consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Interim period	4,471,567	1,424,188	29.2	894.76
Previous interim period	4,335,538	1,309,219	27.6	819.41
Previous fiscal year	4,385,533	1,331,981	27.7	829.64

Note:Total shareholders' equity As of September 30, 2007: ￥1,307,349 million As of September 30, 2006: ￥1,198,071 million
As of March 31, 2007: ￥1,212,740 million

(3)Cash flows (Consolidated Basis)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Interim period	172,066	(150,668)	(87,283)	260,923
Previous interim period	98,541	(66,909)	23,325	266,854
Previous fiscal year	205,867	(143,487)	44,408	321,786

2.Dividends

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

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

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal Year	7,190,000	8.5	240,000	50.3	260,000	39.3	144,000	105.1	98.55

4. Others

(1) Changes in 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)	2007FY 1H	1,464,508,343	2006FY 1H	1,464,508,343
	2007FY	1,464,508,343		
(ii) Number of shares of treasury stock	2007FY 1H	3,388,034	2006FY 1H	2,393,338
	2007FY	2,742,825		

[Note]

1.Non-consolidated Results for for the six months ended September 30, 2007 (April 1, 2007 to September 30, 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	%
Interim period	2,986,290	4.2	70,854	33.1	81,329	31.8	45,550	(16.3)
Previous interim period	2,866,465	24.8	53,226	42.9	61,716	44.5	54,442	97.9
Previous fiscal year	5,826,415	―	14,445	―	33,101	―	26,405	―

	Net income per share
	Yen
Interim period	31.12
Previous interim period	37.3
Previous fiscal year	18.06

(2)Financial position (Non-consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Interim period	3,120,615	833,017	26.7	569.30
Previous interim period	3,078,054	823,358	26.7	562.31
Previous fiscal year	3,071,996	786,268	25.6	537.11

Note:Total shareholders' equity As of September 30, 2007: ￥833,017 million As of September 30, 2006: ￥823,358 million
As of March 31, 2007: ￥786,268 million

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

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal Year	6,430,000	10.4	84,000	481.5	97,000	193.0	65,000	146.2	44.42

* 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 for the interim period under review

Analysis of consolidated operating results

On a consolidated basis, the net sales of the Nippon Oil Group ("the Group") for the interim period under review rose 4.3% from the previous interim period to finish at JPY 3,335.8 billion. Operating income increased by JPY 27.9 billion, to JPY 142.7 billion. In addition to progress of cost reduction and efficiency-boosting measures and increased profit in E&P business, this increase is associated with increase in the inventory valuation factors (decrease in cost of goods sold with the use of the gross average method to valuate inventory).When the inventory valuation factor is excluded, operating income rose by JPY 12.6 billion from the previous interim period to finish at JPY 65.5 billion,

The Group also generated non-operating income totaling JPY 16.5 billion (a JPY 0.7 billion decrease from the previous interim period) from dividend income and foreign exchange gain.

Consequently, consolidated ordinary income amounted to JPY 159.2 billion, an increase of JPY 27.2 billion from the previous interim period. When excluding inventory valuation factors, consolidated ordinary income totaled JPY 82.0 billion, an increase of JPY 11.9 billion from the previous interim period.

The Group also generated an extraordinary loss of JPY – 3.8 billion (a JPY 3.1 billion more than the previous interim period). This was mainly as a result of a loss on revaluation of fixed assets.

(Billions of yen)

	Refining and Marketing	E & P of Oil and Natural Gas	Construction	Other *	Total
Net sales	3,052.6	113.3	140.5	29.4	3,335.8
Operating income	77.2	63.0	0.3	2.2	142.7

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

Refining and Marketing

During the six-month reporting period, the international scene insofar as crude oil is concerned featured growing political tension among oil-producing countries in the Middle East and Africa, and increased demand for oil worldwide. This resulted in a straight-line upward movement of oil prices from the start of the six-month term, with Dubai crude topping the $76 per barrel mark in September for a new record high. As a consequence of these developments, the average price of a barrel of Dubai crude over the six months exceeded the corresponding prices for the same period of the previous year by approximately $2.00 at $67.5/barrel.

On the foreign exchange market, meanwhile, the dollar traded at an average of around 120JPY/$1, roughly 4JPY higher than the previous year's first-half.

	April to September,2006	April to September,2007	Change
Dubai crude oil price ($/barrel)	65.4	67.5	+2.1
Exchange rate (yen/dollar)	115.4	119.7	+4.3

Overall demand for refined petroleum products declined in Japan during the six-month period, due to a continued decline in demand for gasoline stemming from the increasing popularity of fuel-efficient cars, as well as lower demand for diesel oil caused by a decline in the number of diesel-driven vehicles on the roads. Although demand for heavy fuel oil C and crude oil for use in power stations rose temporarily in response to the cessation of operations at a nuclear power plant in Niigata due to an earthquake, this was more than offset by a steep fall in demand for heavy fuel oil A and heavy fuel oil C for industrial use as a growing number of companies switched over to natural gas and coal, among other energy sources. As a result, overall demand for refined petroleum products within Japan fell below the level for the same period of the previous year. Demand for petrochemical products, on the other hand, maintained a firm trend, centered on Asian countries, where economic growth continued during the reporting period.

Amid these circumstances, the Nippon Oil Group set its primary management targets as the strengthening of the earning power of its core businesses – the refining of petroleum and petrochemical products – and the discovery and development of promising new energy businesses. To this end, during the reporting six-month term, the Group took the steps detailed hereunder.

Firstly, in response to the decrease in demand for petroleum products in Japan and the simultaneous increase in demand for petrochemical products, principally China, we continued to focus our energies on integrating our petroleum refining and petrochemical products processing operations (known as chemical refinery integration, or CRI) and introducing more sophisticated processes. This is part of our plans to leverage the strength of the Group in the integrated production of such petrochemical substances as paraxylene, benzene, and propylene from crude oil, creating an optimal production system that gives us flexibility in responding to changes in demand in both the petroleum and petrochemical product markets.

As part of this initiative, we pushed ahead with the construction of enhanced production facilities at our refinery in Sendai, and this work was completed in September. With this, our annual output capacity of benzene has risen by 60,000 tons and that of xylene which is a raw material for paraxylene, by 300,000 tons. Also, boosting production capacity of paraxylene in Mizushima Paraxylene Co., Ltd. (a joint venture between ourselves and Mitsubishi Gas Chemical Company, Inc.), and as a result, the Nippon Oil Group's total production of paraxylene has reached our targeted level of 1.4 million tons per annum. In this way, through ever more sophisticated CRI measures, the Group aims to raise the level of added value of the products of its refineries, thereby enhancing its earnings base.

Regarding the marketing of our petroleum products in Japan, we are faced with the urgent tasks of improving distribution efficiency, and to this end, we decided to amalgamate three of our sales agencies (subsidiaries of the Company) into one company. With effect from April 1, 2008 The three subsidiaries -- ENEOS Frontier Co., Ltd; Taiheiyo Sekiyu Hanbai Co., Ltd.; and Takanawa Energy Corporation – will be reconstituted as a single sales company, enabling us to reorganize our directly operated network of filling stations, as well as make further progress in reducing operational costs in support divisions. By this means, we will realize improved efficiency and competitiveness in the marketing field.

Secondly, to adequately meet the growing demand for petroleum products from Asian markets, the Nippon Oil Group in fiscal 2006 invested in the construction of additional equipment at its refineries for products bound for export, raising total shipment capacity to 200,000 barrels/day. By the end of the current fiscal year (March 31, 2008), a further 30,000 barrels/day will have been added. We intend to take a positive approach to increasing the total value of our exports, taking into account developments in demand volume of petroleum products on the Japanese and overseas markets, as well as price movements. The Nippon Oil Group intends to maintain the capacity utilization rate of the Group's refining facilities even as demand for petroleum products continues to decline in Japan. We are making our best efforts to secure adequate earnings over the short term and expand them over the long term.

Turning to our fuel cell business, in April of this year we signed a business collaboration agreement with Cosmo Oil Co., Ltd. We are already engaged in a collaborative arrangement with Japan Energy Corporation in the field of fuel cells, and we hope, by means of such agreements, to assist in realizing an industry de facto standard for fuel cells. In these collaborative developments, efforts are being focused on lowering manufacturing costs, as well as improving durability and reliability, with the goal of making fuel cells commercially feasible and widely available as soon as possible and bringing into being a new and profitable market.

In addition to the initiatives described above, the management of the Nippon Oil Group has been actively exploring possibilities for strategic tie-ups with East Asian petroleum refiners. These are seen as essential to coping with the high price of crude oil, the changes in the energy demand structure of the Japanese economy, the need to respond effectively to changing user demands thrown up by the rapid economic growth of the countries of East Asia, and the necessity of achieving sustainable growth.

In January of 2007 Nippon Oil reached an agreement with SK Corporation -- South Korea's largest oil refiner – on wide-ranging collaboration across upstream operations (exploration & development), distribution of end-products, and the petrochemicals field. Following on from this, in April we signed a memorandum of agreement on a long-term cooperative plan with China National Petroleum Corporation (CNPC), China's largest petroleum refiner. Nippon Oil had already for a number of years been carrying out commissioned refining for CNPC's overseas operational arm China National United Oil Corporation (China Oil), and the annual volume of oil refined had been growing with each passing year. We thus enjoy a cordial relationship of trust with CNPC. This latest memorandum is the first step toward the expansion of trade in crude oil, refined petroleum products, and LPG. We will also be looking closely at a number of proposals for collaboration in the fields of exploration & development, distribution, and other services in the hope of building an even firmer and longer-lasting cooperative relationship.

Through such cross-border collaborations with companies outside Japan, Nippon Oil aims to ensure that it is fully competitive in the increasingly global petroleum marketplace. We are pursuing a strategy of growing our overseas business operations, with the main focus on East Asia.

Consequently, the Nippon Oil Group's consolidated net sales for the interim period under review in the refining and marketing business segment increased 4.3% from the previous interim period to JPY 3,052.6 billion. Operating income increased by JPY 19.6 billion from the previous interim period to finish at JPY 77.2 billion, mainly due to progress of cost reduction and efficiency-boosting measures and the positive effect of the inventory valuation factors (where inventory valuation using the gross average method puts downward pressure on the cost of goods sold). When the inventory valuation factor is excluded, operating loss improved JPY 4.3 billion from the previous interim period of JPY - 4.3 billion.

Exploration and Production of Oil and Natural Gas

Nippon Oil Group was awarded interests in six new exploration blocks in the U.K. North Sea in a licensing round held by the U.K. government in February of 2007. Furthermore, in May 2007, we made a joint bid with Mitsubishi Corporation to purchase a stake in the K2 oil field from Anadarko Petroleum Corporation. In Vietnam, we made the decision to move to the development stage at the Phuong Dong oil field. Meanwhile, the production volume of the current producing oilfield decreased. Consequently, the production volume for the interim period under review decreased from the previous interim period.

Net sales in E&P business segment increased by 17.3% from the previous interim period to finish at JPY 113.3 billion and operating income increased by JPY 8.0 billion to finish at JPY 63.0 billion mainly due to crude oil price increases.

Construction

Despite an increase in private capital investments, Japan's road building and construction industries continued to operate in a tough demand environment as public investment remained weak. Against this backdrop, the Nippon Oil Group proactively worked to secure construction orders and to bolster its competitiveness through cost reductions and enhanced efficiency.

As a result of these efforts consolidated net sales in the construction segment decreased by 3.0 % from the previous interim period to end at JPY 140.5 billion. Operating income increased by JPY 900 million to finish at JPY 300 million (as compared to an operating loss of JPY 600 million in the previous interim period) mainly due to cost reductions and enhanced efficiency, despite the significant rise in raw material prices, a consequence of rising crude oil costs.

Other

Amid a continuingly tough operating environment in the field of petroleum product distribution, the Nippon Oil Group proactively expanded its marketing efforts for a wide array of automobile-related products, with an emphasis on ENEOS branded goods. In our real-estate operations, the Group enhanced its management services systems and made capital improvements to existing facilities in order to increase tenant satisfaction levels.

Consolidated net sales in the other business segment decreased 5.2% from the previous interim period to end at JPY 29.4 billion because one subsidiary was excluded from consolidation. Operating income increased by JPY 1.2 billion from the previous interim period to finish at JPY 2.9 billion mainly due to increase in real-estate sales earnings.

Outlook for the Current Fiscal Year

The current fiscal year ending March 2008 marks the final year of the third medium-term management plan.

The Nippon Oil Group is forecasting a consolidated net sales figure of JPY 7,190.0 billion for the current fiscal year (This equates to an 8.5% increase over the previous fiscal year.) The Group is forecasting a consolidated operating income figure of JPY 240.0 billion (a JPY 80.3 billion increase from the previous fiscal year) and ordinary income figure of JPY 260.0 billion (a JPY 73.4 billion increase from the previous fiscal year) due to an increase in the inventory valuation factor which is anticipated to occur. Excluding the inventory valuation factor, the Group is forecasting a consolidated ordinary income figure of JPY 175.0 billion due to shrinkage in margins for petrochemicals and decrease of petroleum products sales volume. Please note that this forecast includes negative impact of JPY 15.0 billion yen, from the revision of Japanese tax system in 2007.

Consequently, the Group is forecasting a consolidated net income figure of JPY 144.0 billion for the current fiscal year. (JPY 73.8 billion increase from the previous fiscal year) This equates to a ROE of 11.2%.

On a non-consolidated basis, the Nippon Oil is forecasting net sales figure of JPY 6,430.0 billion, operating income figure of JPY 84.0 billion, ordinary income figure of JPY 97.0 billion and net income figure of JPY 65.0 billion for the current fiscal year.

Please note that these forecasts assume an average crude oil price of US$71.7/barrel and an average currency exchange rate of 115 JPY /1$ for the second half of current fiscal year.

The below table provides a breakdown of the net sales and operating income outlook by business segment: <billion JPY>

	Refining and Marketing	E&P of Oil and Natural Gas	Construction	Other	Total
Net Sales	6,500.0	240.0	400.0	50.0	7,190.0
Operating Income	98.6	128.2	8.6	4.6	240.0

Refining and Marketing

The forecasting operating income will increase due to increase in the inventory valuation factor which is anticipated to occur. The Group pressed forward to cost reduction and efficiency boosting measures, however, excluding inventory valuation factors, forecasted profit will decrease mainly due to shrinkage margins for petrochemical products.

E&P of Oil and Natural Gas

Despite the decrease of sales volume of crude oil and natural gas, we are forecasting that the profit will increase from previous fiscal year, due to high crude oil price.

Constructions

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) Financial Position

Balance Sheet

Consolidated assets at the end of the interim period under review amounted to JPY 4,471.6 billion, up JPY 86.1 billion from the end of previous fiscal year. This increase is associated with a significant rise in inventory assets as a result of a rise in crude oil prices and acquisition of oil and gas interest in the U.S. Gulf of Mexico.

Consolidated net assets totaled JPY 1,424.2 billion at the end of the interim period under review, an increase of JPY 92.2 billion from the end of previous fiscal year. This was achieved mainly because the accounting of consolidated net income for the interim period under review surpassed negative factors such as the implementation of a year-end dividend.

Consequently, the Nippon Oil Group’s shareholders’ equity ratio finished at 29.2%.

Cash Flow

Interim period end cash and cash equivalents (hereinafter referred to as “cash”) increased by JPY 60.9 billion from the end of previous fiscal year to JPY 260.9 billion. The Cash flow movements and the factors influencing them in the interim period under review are as follows:

Cash flow from operating activities climbed by JPY 172.1 billion as positive factors to cash such as net income before tax and other adjustments (JPY 155.4 billion) and depreciation expense which does not require cash expenditures (JPY 69.5 billion) surpassed negative factors such as an increase in working capital due to the rise in crude oil prices.

Cash flow from investment activities decreased by JPY 150.7 billion, mainly as a result of capital investments for acquisition of interest of oil and gas in E&P business.

Cash flow from financing activities decreased by JPY 87.3 billion as negative factors such as repayment of interest-bearing debt and dividend payments.

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

	Year ended March 31, 2005	Year ended March 31, 2006	Year ended March 31, 2007	Year ended September 30, 2007
Shareholders’ Equity Ratio	27.1	26.7	27.7	29.2
Shareholders’ Equity Ratio on a Market Value Basis	32.6	31.8	31.9	34.9
Debt Service Years	8.3	35.6	6.3	-
Interest Coverage Ratio	6.3	1.6	9.4	13.6

Notes:

1. Definitions of indicators are as follows:
   - Shareholders' equity ratio:
     (Net asset - minority interests in consolidated subsidiaries) /Total assets
   - Ratio of shareholders' equity at market price: Total value of stock at market price/Total assets
   - Years needed to retire debt: 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. Current aggregate value of shares 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 Statement 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 Statement of Cash Flows.

Commitment Line Contracts

To raise working capital efficiently, Nippon Oil has concluded a commitment line of JPY 150 billion contract with a syndicate of 5 banks. There were no borrowings under the commitment line at the end of the interim period under review.

Also, Nippon Oil and 3 U.S. subsidiaries have concluded a commitment line of US$200 million contract with a syndicate of 3 banks. There were no borrowings under the commitment line at the end of September 2007.

(3) Dividend policy

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 2005, we reevaluated the level of our dividends and decided to target annual cash dividends of JPY 12 per share.

Based on the profit sharing policies, Nippon Oil had declared the dividends for the interim period under review JPY6 per share under the board of directors meeting held on October 31, 2007. As a result, a full year dividends (including the interim dividends) will be JPY12 per share.

(4) Business Risks

The Nippon Oil 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 Nippon Oil 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 Nippon Oil 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 Nippon Oil 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 Nippon Oil 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 Nippon Oil 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 Nippon Oil 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 Nippon Oil 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 Nippon Oil 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 interim period under review. In addition, the risks above should be not considered a full list of risks that the Group may face in its operations.

2.Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2007		Current interim period September 30, 2007		Change from the previous fiscal year-end	Previous interim period September 30, 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
ASSETS							
Current assets	2,262,528	51.6%	2,259,022	50.5%	(3,505)	2,263,991	52.2%
Cash and cash time deposits	332,113		276,231		(55,881)	268,151	
Trade notes and accounts receivable	818,679		791,200		(27,478)	749,463	
Short-term investments in securities	2,739		—		(2,739)	19,752	
Inventories	889,827		1,007,364		117,537	1,032,912	
Deferred income taxes	50,662		40,963		(9,699)	40,943	
Other current assets	168,505		143,262		(25,242)	152,768	
Fixed assets	2,122,993	48.4%	2,212,533	49.5%	89,540	2,071,534	47.8%
Property, plant and equipment	1,365,244		1,358,157		(7,087)	1,361,678	
Buildings and Structures	249,760		243,452		(6,308)	252,245	
Oil tanks･Machinery and equipment･Other	377,745		372,246		(5,499)	377,945	
Land	675,036		667,257		(7,778)	677,733	
Construction in progress	62,702		75,200		12,497	53,754	
Intangible fixed assets	41,370		37,639		(3,730)	43,553	
Investments and other assets	716,378		816,736		100,358	666,303	
Investment securities	419,747		444,346		24,598	380,687	
long-term receivables	11,514		12,638		1,124	14,955	
Deferred income taxes	16,200		17,821		1,621	18,847	
Other investment and assets	268,916		341,930		73,013	251,813	
Deferred assets	11	0.0%	10	0.0%	(0)	11	0.0%
Bond issuance expenses and other	11		10		(0)	11	
Total assets	4,385,533	100.0%	4,471,567	100.0%	86,034	4,335,538	100.0%

	Previous fiscal year March 31, 2007		Current interim period September 30, 2007		Change from the previous fiscal year-end	Previous interim period September 30, 2006	
	Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
LIABILITIES							
Current liabilities	2,072,145	47.2%	2,079,347	46.5%	7,202	1,998,196	46.1%
Trade notes and accounts payable	515,930		561,053		45,122	517,222	
Short-term loans	255,640		360,184		104,543	238,650	
Commercial paper	423,000		294,000		(129,000)	340,000	
Accounts payable	589,500		567,273		(22,226)	579,073	
Other current liabilities	288,073		296,836		8,762	323,251	
Long-term liabilities	981,406	22.4%	968,030	21.7%	(13,375)	1,028,122	23.7%
Bonds	134,997		134,998		0	175,026	
Long-term loans	478,483		455,042		(23,440)	484,056	
Deferred income taxes	177,192		191,359		14,166	175,647	
Retirement allowances for employees	84,112		74,402		(9,709)	91,556	
Other long-term liabilities	106,619		112,227		5,607	101,834	
Total liabilities	3,053,551	69.6%	3,047,378	68.2%	(6,173)	3,026,318	69.8%
NET ASSETS							
Shareholder's equity	1,064,016	24.3%	1,139,351	25.5%	75,334	1,066,995	24.6%
Common stock	139,437		139,437		—	139,437	
Capital surplus	275,760		275,769		8	275,759	
Retained earnings	651,294		727,337		76,043	653,979	
Less treasury common stock,at cost	(2,475)		(3,193)		(717)	(2,180)	
Valuation and translation adjustment	148,723	3.4%	167,997	3.7%	19,274	131,075	3.0%
Net unrealized gain on securities	121,830		131,306		9,476	113,224	
Deferred gain and loss on hedges	19,901		19,020		(881)	16,184	
Translation adjustments	6,991		17,670		10,679	1,666	
Minority interests in consolidated subsidiaries	119,241	2.7%	116,839	2.6%	(2,402)	111,148	2.6%
Total Net assets	1,331,981	30.4%	1,424,188	31.8%	92,207	1,309,219	30.2%
Total liabilities, and net assets	4,385,533	100.0%	4,471,567	100.0%	86,034	4,335,538	100.0%

CONSOLIDATED STATEMENTS OF INCOME

	Current interim period (April 1, 2006 ～ September 30, 2006)	Current interim period (April 1, 2007 ～ September 30, 2007)	Change from the previous interim period-end	Previous fiscal year April 1, 2006 ～ March 31, 2007
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	3,198,343	3,335,776	137,432	6,624,256
Cost of sales	(2,940,281)	(3,058,250)	(117,969)	(6,176,656)
Gross Profit	258,062	277,525	19,462	447,600
Selling, general and administrative expenses	(143,227)	(134,801)	8,425	(287,915)
Operating income	114,834	142,723	27,888	159,684
Non-operating profits	33,138	36,300	3,161	57,657
Interest and dividend income	13,194	16,433	3,239	21,130
Asset rental income	5,355	4,993	(362)	10,937
Equity in earnings of unconsolidated subsidiaries and affiliates	1,642	1,456	(185)	3,048
Foreign exchange gain	3,843	5,954	2,110)	5,214
Other	9,103	7,463	(1,639)	17,326
Non-operating expenses	(15,985)	(19,870	(3,885)	(30,731)
Interest	(12,840)	(13,380)	(540)	(24,789)
Other	(3,145)	(6,490)	(3,345)	(5,942)
Ordinary income	131,987	159,152	27,165	186,611
Special gains	6,853	9,952	3,099	16,131
Special losses	(7,567)	(13,729)	(6,162)	(30,537)
Income before income taxes and minority interests	131,273	155,376	24,102	172,205
Income taxes	(54,987)	(48,631)	6,356	(94,954)
Income taxes- deferred	(6,257)	(15,854)	(9,597)	5,624
Minority interests in earnings of consolidated subsidiaries	(5,907)	(6,063)	(156)	(12,654)
Net income	64,121	84,826	20,705	70,221

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Previous interim period (April 1, 2006 〜 September 30, 2006)

	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)
Directors' bonuses			(26)		(26)						(26)
Net income			64,121		64,121						64,121
Purchases of treasury stock				(358)	(358)						(358)
Disposal of treasury stock		744		4,108	4,852						4,852
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 in items other than those in shareholders' equity						(9,231)	16,184	1,833	8,786	1,909	10,696
Total of changes in the interim period	—	744	54,461	3,749	58,956	(9,231)	16,184	1,833	8,786	1,909	69,652
Balance as of September 30, 2006	139,437	275,759	653,979	(2,180)	1,066,995	113,224	16,184	1,666	131,075	111,148	1,309,219

Current interim period (April 1, 2007 〜 September 30, 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, 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
Changes in the fiscal year											
Cash dividends			(8,783)		(8,783)						(8,783)
Net income			84,826		84,826						84,826
Purchases of treasury stock				(836)	(836)						(836)
Disposal of treasury stock		8		101	110						110
Decrease due to increase in companies accounted by the equity method				17	17						17
Net changes in items other than those in shareholders' equity						9,476	(881)	10,679	19,274	(2,402)	16,872
Total of changes in the interim period	—	8	76,043	(717)	75,334	9,476	(881)	10,679	19,274	(2,402)	92,207
Balance as of September 30, 2007	139,437	275,769	727,337	(3,193)	1,139,351	131,306	19,020	17,670	167,997	116,839	1,424,188

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Previous 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 in items other than those in 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 ,2006 ～ September 30, 2006	Current interim period April 1 ,2007 ～ September 30, 2007	Previous fiscal year April 1 ,2006 ～ March 31, 2007
	Millions of yen	Millions of yen	Millions of yen
Ⅰ. Cash flow from operating activities			
Income before income taxes and minority interests	131,273	155,376	172,205
Depreciation and amortization	62,174	69,485	131,872
(Increase) decrease in notes and accounts receivable	24,961	31,735	(32,641)
Decrease (increase) in inventories	(83,961)	(117,262)	59,135
Increase (decrease) in notes and accounts payable	36,029	54,748	8,975
Impairment loss	1,875	7,210	6,872
Other	(3,760)	1,116	(11,591)
Sub-total	168,591	202,410	334,828
Interest and dividends received	15,082	16,831	26,090
Interest paid	(12,753)	(13,714)	(23,863)
Income taxes paid	(71,547)	(45,125)	(116,150)
Decrease (increase) in long-term temporary payment of tax	－	11,664	(13,893)
Expenditures for additional early retirement benefits	(831)	－	(1,143)
Net cash provided by (used in) operating activities	98,541	172,066	205,867
Ⅱ. Cash flows from investing activities			
Decrease (increase) in time deposits	(990)	(4,977)	(10,015)
Additions to property, plant and equipment	(64,756)	(50,600)	(113,486)
Proceeds from sales of property, plant and equipment	11,700	10,811	23,105
Net (increase) decrease in marketable and investment securities	(3,639)	(6,472)	(9,159)
Payments for oil and gas investment	(9,979)	(92,811)	(33,150)
Other	757	(6,617)	(781)
Net cash (used in) provided by investing activities	(66,909)	(150,668)	(143,487)
Ⅲ. Cash flows from financing activities			
Increase (decrease) in short-term loans	5,186	(20,709)	94,411
(Decrease) increase in long-term loans and bonds	26,554	(49,481)	(32,509)
Other	(8,415)	(17,093)	(17,493)
Net cash provided by (used in) financing activities	23,325	(87,283)	44,408
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	(2,793)	5,023	308
Ⅴ. Increase(decrease) in cash and cash equivalents	52,164	(60,862)	107,096
Ⅵ. Cash and cash equivalents at beginning of the period	214,476	321,786	214,476
Ⅶ. Increase in cash and cash equivalents due to inclusion in consolidation	212	－	212
Ⅷ. Increase in cash and cash equivalents due to exclusion in consolidation	0	－	0
Ⅸ. Cash and cash equivalents at end of the period	266,854	260,923	321,786

Segment Information

[Business Segment]

(1) Previous interim period（April 1, 2006 ～ September 30, 2006）

	Refining and Marketing	E&P of Oil and Natural Gas*	Construction	Other	Total	Eliminations and Corporate	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	2,926,036	96,591	144,757	30,958	3,198,343	－	3,198,343
（2） Intergroup sales and transfers	3,670	－	689	8,814	13,174	(13,174)	－
Total sales	2,929,707	96,591	145,446	39,772	3,211,518	(13,174)	3,198,343
Operating expenses	2,872,116	41,549	146,059	38,044	3,097,770	(14,261)	3,083,508
Operating income (loss)	57,591	55,042	(613)	1,728	113,747	1,087	114,834

*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, and financial services

(2) Current interim period（April 1, 2007 ～September 30, 2007）

	Refining and Marketing	E&P of Oil and Natural Gas*	Construction	Other	Total	Eliminations and Corporate	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	3,052,633	113,330	140,457	29,354	3,335,776	－	3,335,776
（2） Intergroup sales and transfers	4,062	－	2,456	8,440	14,959	(14,959)	－
Total sales	3,056,695	113,330	142,913	37,795	3,350,735	(14,959)	3,335,776
Operating expenses	2,979,491	50,352	142,617	34,842	3,207,303	(14,250)	3,193,052
Operating income (loss)	77,204	62,978	295	2,953	143,432	(708)	142,723

*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, and financial services

(3) Previous fiscal year（April 1, 2006 ～March 31, 2007）

	Refining and Marketing	E&P of Oil and Natural Gas*	Construction	Other	Total	Eliminations and Corporate	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

*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.

[Regional Segment]

(1) Previous interim period（April 1, 2006 ～ September 30, 2006）

	Japan	Asia/Oceania	North America	Europe	Total	Eliminations and Corporate	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
（1)Sales to third parties	3,059,051	94,833	25,977	18,481	3,198,343	―	3,198,343
（2)Intergroup sales and transfers	37,941	496,830	174,479	644,576	1,353,827	(1,353,827)	―
Total sales	3,096,992	591,664	200,456	663,057	4,552,171	(1,353,827)	3,198,343
Operating expenses	3,038,291	547,434	200,546	651,128	4,437,401	(1,353,892)	3,083,508
Operating income (loss)	58,700	44,229	(90)	11,929	114,770	64	114,834

Note: Countries and areas are segmented based on their geographic proximity.

Asia/Oceania Singapore, Vietnam, Malaysia, Myanmar, Thailand, China, Australia
North America United States, Canada
Europe United Kingdom, Netherland

(2) Current interim period（April 1, 2007 ～September 30, 2007）

	Japan	Asia/Oceania	North America	Europe	Total	Eliminations and Corporate	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
（1)Sales to third parties	3,187,453	88,631	43,744	15,945	3,335,776	―	3,335,776
（2)Intergroup sales and transfers	18,353	205,229	―	2,965	226,548	(226,548)	―
Total sales	3,205,806	293,861	43,744	18,911	3,562,324	(226,548)	3,335,776
Operating expenses	3,125,944	248,752	34,412	10,531	3,419,641	(226,588)	3,193,052
Operating income (loss)	79,861	45,109	9,331	8,380	142,683	40	142,723

Note: Countries and areas are segmented based on their geographic proximity.

Asia/Oceania Singapore, Vietnam, Malaysia, Myanmar, Thailand, China, Australia
North America United States, Canada
Europe United Kingdom, Netherland

(3) Previous fiscal year（April 1, 2006 ～March 31, 2007）

	Japan	Asia/Oceania	North America	Europe	Total	Eliminations and Corporate	Consolidated
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
（1)Sales to third parties	6,338,227	196,709	53,497	35,821	6,624,256	－	6,624,256
（2)Intergroup sales and transfers	53,830	900,513	286,483	1,138,583	2,379,411	(2,379,411)	－
Total sales	6,392,057	1,097,223	339,981	1,174,405	9,003,668	(2,379,411)	6,624,256
Operating expenses	6,348,195	1,003,789	339,490	1,152,748	8,844,223	(2,379,651)	6,464,571
Operating income (loss)	43,862	93,433	491	21,657	159,444	240	159,684

Note: Countries and areas are segmented based on their geographic proximity.

Asia/Oceania	Singapore, Vietnam, Malaysia, Myanmar, Thailand, China, Australia
North America	United States, Canada
Europe	United Kingdom, Netherland

[Overseas sales]

(1) Previous interim period（April 1, 2006 ～ September 30, 2006）

Presentation of overseas sales and percentage of overseas sales in consolidated basis are omitted, since the total overseas sales i 10% for the period in the above.

(2) Current interim period（April 1, 2007 ～September 30, 2007）

Ⅰ Overseas sales (Millions of yen)	370,885
Ⅱ Consolidated sales (Millions of yen)	3,335,776
Ⅲ Overseas sales as a percentage of consolidated sales(%)	11.1

Note: Countries and areas are segmented based on their geographic proximity.

Major countries and areas that belong to segments other than Japan are as follows:

China, Singapore, United States

Overseas sales consist of export sales of the Company and its domestic consolidated companies and sales(other than exports to Japan) of its foreign consolidated subsidiaries. subsidiaries.

(3) Previous fiscal year （April 1, 2006 ～March 31, 2007）

Presentation of overseas sales and percentage of overseas sales in consolidated basis are omitted, since the total overseas sales i 10% for the period in the above.