NIPPON OIL
Your Choice of Energy

Apr 28, 2008

Company name : Nippon Oil Corporation
Stock listings: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Exchanges
Code number : 5001
URL http : //www.eneos.co.jp/
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Scheduled date of ordinary general meeting of shareholders : Jun 24,2008
Scheduled date of commencement of dividend payments :Jun 25,2008
Scheduled date of filing of Securities Report : Jun 24,2008

1.Results for Year ended March 31, 2008 (from April 1, 2007 to March 31,2008)

(1)Operating results(Consolidated Basis) (Figures less than ￥1 million have been omitted)

	Net Sales		Operating Income		Ordinary Income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2007FY	7,523,990	13.6	263,962	65.3	275,666	47.7	148,306	111.2
2006FY	6,624,256	8.3	159,684	(47.5)	186,611	(39.6)	70,221	(57.8)

	Net income per share	Net income per share after dilution	Return on equity	Ratio of Ordinary income to total assets	Ratio of Operating income to net sales
	Yen	Yen	%	%	%
2007FY	101.49	-	11.8	6.1	3.5
2006FY	48.12	-	5.9	4.3	2.4

Note:Equity in earnings of unconsolidated subsidiaries and affiliates
Year ended March 31,2008: ￥4,366 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
2007FY	4,594,197	1,429,266	28.5	896.06
2006FY	4,385,533	1,331,981	27.7	829.64

Note:Total shareholders' equity
Year ended March 31,2008: ￥1,309,787 million
Year ended March 31,2008: ￥1,212,740 million

(3)Cash flows (Consolidated Basis)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2007FY	103,216	(199,709)	6,374	226,792
2006FY	205,867	(143,487)	44,408	321,786

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	%	%
2006FY	6.00	6.00	12.00	17,568	24.9	1.5
2007FY	6.00	6.00	12.00	17,562	11.8	1.4
2008FY (Forecast)	10.00	10.00	20.00		51.3	

3. Forecasts of consolidated performance in fiscal 2008 (from April 1, 2008 to March 31,2009)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim period	4,040,000	21.1	46,000	(67.8)	50,000	(68.6)	19,000	(77.6)	13.00
Fiscal Year	8,300,000	10.3	114,000	(56.8)	130,000	(52.8)	57,000	(61.6)	39.00

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)	2007FY	1,464,508,343	2006FY	1,464,508,343
（ii） Number of shares of treasury stock	2007FY	2,788,574	2006FY	2,742,825

[Note]

1.Non-consolidated Results for Year ended March 31, 2008 (from April 1, 2007 to March 31,2008)

(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	%
2007FY	6,706,382	15.1	115,325	698.3	132,088	299.0	85,647	224.4
2006FY	5,826,415	12.5	14,445	(82.9)	33,101	(64.7)	26,405	(64.6)

	Net income per share	Net income per share after dilution
	Yen	Yen
2007FY	58.53	―
2006FY	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
2007FY	3,233,615	827,253	25.6	565.13
2006FY	3,071,996	786,268	25.6	537.11

Note:Total shareholders' equity Year ended March 31,2008: ￥827,253 million Year ended March 31,2007: ￥786,268

2.Forecasts of Non-consolidated performance in fiscal 2008 (from April 1, 2008 to March 31,2009)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal Year	7,530,000	12.3	(37,000)	-	(30,000)	-	(23,000)	-	(15.71)

* 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.11 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 13.6% year on year, to JPY 7,524.0 billion. Operating income increased by JPY 104.3 billion, to JPY 264.0 billion. This was largely due, however, to the positive impact on earnings of inventory valuation factors, which contributed to higher earnings compared to 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.

Excluding inventory valuation factors, operating income was JPY 96.1 billion, a decrease of JPY 72.8 billion from the previous fiscal year. This was due to worsening margins for petroleum products and petrochemicals and the impact of a worsening in losses resulting from tax system changes in fiscal 2007. This result came despite progress on cost reductions and enhancing efficiency, as well as increased earnings from the E&P of Oil and Natural Gas business segment.

The Group also recorded non-operating income of JPY 11.7 billion, a decrease of JPY 15.2 billion, due principally to dividend income and translation adjustments.

As a result, consolidated ordinary income rose JPY 89.1 billion, to JPY 275.7 billion. Excluding inventory valuation factors, consolidated ordinary income was JPY 107.8 billion, a decrease of JPY 88.0 billion from the previous fiscal year.

Due primarily to gains on sales of securities, the Company recorded an extraordinary gain of JPY 4.1 billion, an improvement of JPY 18.5 billion over the previous fiscal year.

As a result of the above factors, the Group generated consolidated net income of JPY 148.3 billion, a year-on-year increase of JPY 78.1 billion.

(Billions of yen)

	Refining and Marketing	E&P of Oil and Natural Gas	Construction	Other *	Total
Net sales	6,862.1	234.9	371.0	56.0	7,524.0
Operating income	126.3	126.7	6.1	4.9	264.0

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

(2) Economic Progress and Outcomes

① General economic climate and environment surrounding the Nippon Oil Group

The Japanese economy showed signs of weakness during the fiscal year under review. Despite relatively firm exports, consumer spending lost strength, with the economy hit further by a slowdown in the U.S. economy triggered by the sub-prime loan scandal and a progressively stronger yen. These negatives, moreover, came amidst lackluster capital investment in Japan. In Asia, the economies of China and India continued to grow rapidly, with similar expansion trends also seen in other economies throughout the region.

On the global crude oil scene, growing financial instability in the U.S. prompted investment funds to be moved out of financial and capital markets into crude oil and other commodities. This shift was largely responsible for further entrenching high prices for crude oil, leading to a historic high of over USD 100 per barrel for Dubai crude from the outset of 2008.

② Progress and Outcomes of Business Activities

In this climate, the Nippon Oil Group positioned this period as a time to execute its Third Medium-Term Management Plan (hereafter, 3rd Medium-Term Plan), a three-year plan launched from fiscal 2005. Along with steady generation of cash flows from Refining and Marketing and E&P of Oil and Natural Gas, the Group's core businesses, the Company pursued growth strategies with the aim of developing an integrated operating framework and to become an integrated energy company. In the fiscal year under review, the plan's final year, each business segment implemented a host of measures along these lines, as described below.

Refining and Marketing Segment (including Petrochemicals)

Production-side measures for petroleum products and petrochemicals

In terms of production, the Company first sought to meet growing demand for petroleum products and petrochemicals in Asia by bolstering export capacity for petroleum products and by focusing on preparing a system to boost petrochemical production. Specifically, this first entailed a round of construction to expand tanks, pumps, pipe networks and other product shipment facilities to increase exports of diesel, heavy and other fuel oils at the Sendai and Marifu refineries. This was followed in September 2007 by the installation of a Continuous Catalyst Regenerator platformer and other equipment at the Sendai refinery to boost production of propylene (a raw material for plastics and synthetic fibers) and xylene (a raw material for paraxylene, used in synthetic fibers and PET bottles), and for high-efficiency electric power generation utilizing associated gas. In tandem, the Company expanded equipment for shifting from production of xylene to paraxylene at Mizushima Paraxylene Co., Ltd. As a result, the Nippon Oil Group established a production framework for producing 800,000 tons of propylene and 1.4 million tons of paraxylene per year. In July 2007, the Company also launched construction of a facility at the Muroran refinery that will house equipment for the production of cumen, a raw material used in products such as automotive lamp covers and CDs and DVDs. Construction is scheduled to conclude in the second half of fiscal 2008. Furthermore, the Company, through a joint venture with Sanyo Chemical Industries, Ltd., has two sites, in Ibaraki, Japan and Texas, U.S.A., for the production of ethylidene norbornene (ENB), a raw material used in high-performance rubber, as well as the world’s top share of sales for this product. With demand particularly for automotive applications expected to grow going forward, work to expand ENB production facilities at the U.S. plant was completed in July 2007, in a bid to further boost sales.

As part of measures to make production systems more efficient, the Company merged Nippon Petroleum Refining Co., Ltd., responsible for managing the Muroran, Sendai, Yokohama, Negishi, Osaka, Mizushima and Marifu refineries, with Nippon Petrochemicals Company, Limited, which oversees the Kawasaki Operations Center, on April 1, 2008. This move enabled the Nippon Oil Group to complete the integration of its production system for petroleum products and petrochemicals. Furthermore, the Company decided to begin an in-depth examination of ceasing crude oil refining at Nihonkai Oil Co., Ltd. as of March 2009, to cope with declining domestic demand for petroleum products and establish a more efficient supply structure. Nihonkai Oil owns a refinery in Toyama, Japan, where until recently it produced petroleum products in Japan’s Hokuriku region on behalf of Nippon Oil. Going forward, however, the company’s function will change from that of a refining company to that of an oil terminal operator, although it will continue to be responsible for the stable supply of petroleum products to the region.

Marketing-side measures for petroleum products and petrochemicals
Where marketing is concerned, the Company’s first priority in light of a harsh business climate of soaring crude oil prices and falling domestic demand for petroleum products, was to work to enhance the efficiency of its distribution network for petroleum products and boost the competitive strength of its service stations. To this end, the Company merged ENEOS Frontier, a subsidiary involved in the sale of petroleum products, with Taiheiyo Sekiyu and Takanawa Energy Corporation, integrating the respective head offices and overlapping branches of the companies and reorganizing the resulting service station network. Steps were taken to enhance the profitability of the service stations owned by Nippon Oil, which included the closing of unprofitable stations and the introduction of efficient self-service stations.

As a next step, the Company promoted initiatives for the introduction of biomass fuels, paying close attention to supply stability and ensuring safety with respect to quality. Biomass fuels have captured attention as an effective energy source in combating global warming. Since April last year, Nippon Oil, together with other members of the Petroleum Association of Japan, has begun trial sales of biogasoline containing ETBE (Ethyl Tertiary Butyl Ether), a substance derived from bioethanol. Full-scale marketing is set to begin from fiscal 2010. In collaboration with Toyota Motor Corporation, the Company developed a new bio hydrofined diesel (BHD). In the second half of fiscal 2007, a project was initiated to use this fuel for new hybrid buses, produced by Hino Motors Ltd. and used by the Tokyo Metropolitan Government. As examples of this kind show, Nippon Oil has made strides in exploring the future commercial viability of BHD.

Thirdly, Nippon Oil strengthened marketing activities for petroleum products and petrochemicals, with a particular emphasis on growing demand overseas. On this point, the Company first leveraged expanded export capacity at its refineries in an aggressive drive to export petroleum products. As a result, the Group recorded a year-on-year increase in total export volume to 3.68 million KL, a figure that included commissioned refining in collaboration with partner China National Petroleum Company (CNPC) Group. In lubricants, in addition to increased exports, product exports from newly built lubricant plants in Guangdong, China and Alabama, U.S.A. grew steadily. The result was continued growth in overseas lubricant sales, particularly to China, Southeast Asia, and the U.S. In petrochemical sales, meanwhile, the Company aggressively pursued sales activities targeting Asia, supported by reinforced production capacity at the Sendai refinery, Mizushima Paraxylene and others, leading to increased propylene and paraxylene sales.

Gas, Power, Coal and Renewables

With the aim of becoming an integrated energy company, the Nippon Oil Group is complementing its core petroleum product and petrochemical operations with the supply of gas, electric power, coal and other diverse energy sources to meet customer needs. At the same time, the Company, with sights on the future, is taking steps to develop and mainstream new energy systems.

In gas operations, the Company, in partnership with The Chugoku Electric Power Co., Inc., operates a LNG terminal at the Mizushima refinery, supplying consumers in the area with natural gas and LNG since April 2006. Nippon Oil has also built an LNG terminal on a former depot site in Hachinohe, Aomori Prefecture, selling natural gas and LNG from the site since March 2007. Moreover, to meet future natural gas and LNG demand at the Mizushima refinery’s LNG terminal, the Company is expanding LNG tanks and other facilities onsite, with construction set to conclude in fiscal 2011.

In electric power operations, Nippon Oil, through the Muroran, Yokohama, Negishi, Osaka and Marifu refineries, is presently involved in the wholesale supply of electricity to power companies. Complementing this, the Company conducts the retail marketing of power generated by the Sendai and Negishi refineries and Frontier Energy Niigata Co., Ltd. Meanwhile, Kawasaki Natural Gas Generation Co., Ltd., a joint venture between Nippon Oil and Tokyo Gas Co., Ltd., launched commercial operation of its first power generation plant (400,000kW) in April 2008. Construction on the company’s second plant (also 400,000kW) is in the final stages, with the plant to become operational in October 2008. Once construction is completed, the Nippon Oil Group’s electric power business is expected to boast a total supply capacity of 1.77 million kW.

Where coal operations are concerned, the Company owns interests in Australia's Bulga coal mine through local subsidiary Nippon Oil (Australia) Pty. Ltd. Coal produced mainly from this site is largely sold to power and steel companies in Japan. Demand for coal in Japan for electric power and industry in general has surged, reflecting the operation of new coal-fired electric power plants and the ongoing shift in fuel needs away from petroleum. During the fiscal year under review, these trends resulted in record sales of 8.66 million tons of coal for Nippon Oil

Another area in which Nippon Oil is involved is in the development and promotion of fuel cells, which have gained attention as a new and environmentally friendly energy system. Continuing from last year, the Company has made progress in installing ENEOS ECO LP-1, a residential-use fuel cell system that uses liquefied petroleum gas (LPG) as fuel, ENEOS ECOBOY, a residential-use fuel cell system that uses kerosene. As a result, Nippon Oil had installed 831 fuel cell systems as of March 31, 2008, the top share among Japan's fuel cell business operators. In April 2008, the Company established ENEOS CELLTECH Co., Ltd. as a receiver company to which the stationary fuel cell business of Sanyo Electric Co., Ltd., Nippon Oil's partner in the field of fuel cell development and manufacturing, was transferred. This move will consolidate the technology and expertise fostered by Nippon Oil and Sanyo Electric, leading to faster development speed, improved performance and lower manufacturing costs.

As a result of the foregoing, the Refining and Marketing segment posted net sales of JPY 6,862.1 billion, up 15.2% from the previous fiscal year. Operating income was up JPY 97.0 billion to JPY 126.3 billion. This increase, however, was due to the positive impact of inventory valuation factors, which contributed to higher earnings compared to 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. Excluding inventory valuation factors, operating income was JPY 80.1 billion, down year on year. This result reflected worsening margins for petroleum products and petrochemicals, and came despite progress made on cost reductions and enhancing efficiency.

E&P of Oil and Natural Gas Segment

In the E&P of Oil and Natural Gas segment, one of the Group's key earners, the Company produced 145,000BD of crude oil and natural gas during the fiscal year under review from operations in Vietnam, Malaysia, Australia, the U.S., Canada, the U.K. and other locations.

As part of key measures during the term, Nippon Oil focused first on production operations, where it newly commenced with crude oil production at the Blane oil field, located in both U.K. and Norwegian territory in the North Sea, in September 2007. This was followed in December 2007 with the production of natural gas and condensate in a new exploration block in the U.S. Gulf of Mexico. Regarding the purchase of assets, the Company purchased a portion of interests held by Anadarko Petroleum Corporation in an oilfield in the Gulf of Mexico.

Turning to development operations, Nippon Oil conducted investigative work ahead of the move to development at the Westdon oilfield in the U.K. North Sea and Layang gas field in Malaysia. Regarding the Tangguh LNG Project in Indonesia, where development work is moving ahead toward the start of production in fiscal 2008, the Company purchased a portion of interests held by Kanematsu Corporation, thereby increasing the proportion of rights in the project held by the Group.

In new exploration operations, which Nippon Oil views as sources of long-term earnings, the Company made preparations to conduct test drilling in exploration blocks off the coast of Libya. In addition, Nippon Oil acquired a new exploration block off the southern coast of Vietnam as well as interests in an onshore exploration block in Sarawak, Malaysia. The Company also acquired interests in an offshore exploration block in Thailand, the Group's first in that country, from a subsidiary of PTT, Thailand's state oil company. And in April 2008, Nippon Oil, in collaboration with partner Japan Energy Corporation, acquired interests in an offshore exploration block in the waters surrounding Peninsular Malaysia.

As a result of the above initiatives, the E&P of Oil and Natural Gas business segment posted net sales of JPY 234.9 billion, up 15.4% year on year, and operating income of JPY 126.7 billion, or JPY 12.9 billion more than the previous year. This result largely owed to favorable retail prices. This growth also came despite a decline in the Group's production volume of crude oil and natural gas triggered mainly by lower production at existing projects due to production equipment malfunctions, which was not offset by the contribution of new asset purchases to overall production.

Construction Segment

This segment faced an even more adverse business environment during the year under review, acutely characterized by a continued decline in public-sector construction and soaring prices for raw materials. In this setting, the Nippon Oil Group leveraged its superior technological strengths in an effort to secure construction orders for road-paving, civil engineering, and other construction projects. The Company also promoted greater sales of products such as asphalt mixture, and bolstered cost-reduction and efficiency measures in the drive to maintain profitability. These efforts notwithstanding, net sales in this business segment fell 9.1% to JPY 371.0 billion. Operating income was JPY 6.1 billion, down JPY 4.0 billion year on year, due mainly to sharply higher prices for raw materials triggered by soaring crude oil prices.

Other Segment

In the Other segment, Nippon Oil operates a variety of businesses largely centered on ENEOS brand products, including retail sales of automotive products, real estate leasing, and marketing operations.

Due to the removal of a former consolidated subsidiary from the scope of consolidation, this business segment recorded net sales of JPY 56.0 billion, down 4.1%, for the term under review. Operating income, however, rose JPY 0.9 billion to JPY 5.0 billion, mainly from increased income from real estate sales.

Promotion of Strategic Alliances

Alongside the above initiatives, Nippon Oil is promoting strategic business alliances with petroleum firms at home and abroad. In Japan, the Company is allied with Idemitsu Kosan Co., Ltd., Cosmo Oil Co., Ltd., and Japan Energy Corporation. Nippon Oil is forging cooperative ties with each of these partners to better rationalize refining, the teaming up on the supply system of products and distribution, as well as cooperative ties in fuel cell operations and other fields.

Regarding petroleum firms overseas, the Company reached agreements with SK Corporation (now SK Energy), South Korea’s largest petroleum company, in January 2007, and CNPC, China’s largest oil firm, in April the same year, to explore the potential for business alliances in oil and natural gas E&P, crude oil transport, the teaming up on the supply system of crude and petroleum products, and a wide range of other areas. At present, discussions examining this potential from a variety of different angles are ongoing. With respect to commissioned refining from the CNPC Group, the 50,000BD volume seen to date will grow to 70,000BD from fiscal 2008 to cope with rapidly rising demand in China for petroleum products.

Business Integration With Kyushu Oil Co., Ltd.

Nippon Oil would also like to report on the business integration with Kyushu Oil Co., Ltd. (Nippon Oil investment: 10%) announced publicly in March 2008.

Nippon Oil and Kyushu Oil have a history of close-knit partnerships stretching over many years, from the teaming up on the supply of petroleum products to the management of Oita Para-Xylene Co., Ltd., a joint venture company in the production of paraxylene. Today, Japan’s oil industry is confronting major changes, characterized by the inescapable fact of declining domestic demand on the one hand, and expected growth in demand for petroleum products and petrochemicals overseas, most notably in Asia. Sharing a common awareness of this business environment, Nippon Oil and Kyushu Oil have decided to pursue business integration in October of this year in order to further develop their existing ties.

In addition to streamlining operations in crude oil procurement, refining and distribution, Nippon Oil will use the integration with Kyushu Oil to reorganize its service station network and to aggressively export petroleum products and petrochemicals. In this way, the Company will aim to build a stronger corporate base and establish its global competitiveness.

Promotion of CSR Management

Guided by the Group philosophy of “Creating the energy future and promoting prosperity and harmony with nature,” the Nippon Oil Group conducts activities that stress the importance of corporate social responsibility (CSR) in every business field.

As part of CSR, the Group considers harmony with nature to be a vital mission of every company involved in the supply of energy. Past efforts in this vein have included a project for the recovery and utilization of associated gas at the Rang Dong oilfield in Vietnam, promoting energy efficiency at refineries, and achieving zero emissions, defined as disposal to landfill of waste (i.e., volume of waste that is non-recyclable or cannot be emitted to sea) of less than 1%. The Group also conducts regular soil contamination studies and develops remediation measures as part of its host of environmental CSR initiatives. Similarly, during the period under review, the Nippon Oil Group continued to implement soil contamination surveys and countermeasures for land in its possession. In parallel, the Group continued to pursue environmental measures that include setting “zero emissions plus,” defined as disposal to landfill of waste of less than 0.5%, as a target to further reduce waste volume.

In social contribution activities, as in the previous fiscal year, the Group provided funding support for original basic research in the area of hydrogen energy through the ENEOS Hydrogen Trust Fund, established in the hopes of bringing a hydrogen energy society closer to reality. Among other actions, the Group has set up “ENEOS Forests” in six locations across Japan as part of its forest preservation program, and provided funding for the construction of schools in Vietnam.

Targets Achieved in the Third Medium-Term Management Plan

The Nippon Oil Group formulated a Third Medium-Term Management Plan (hereafter, 3^{rd} Medium-Term Plan), running from fiscal 2005 to fiscal 2007, with the entire Group dedicated to achieving plan objectives.

(A) Achievement of Target Management Indicators

In fiscal 2007, ROE was 11.8%, exceeding a planned target of 10%. However, consolidated ordinary income (excluding inventory valuation factors) for the year was JPY 107.8 billion, falling short of a targeted JPY 190.0 billion. The Group was adversely impacted by the inability to adequately pass on cost increases triggered by soaring crude oil prices as part of wholesale prices, resulting in an exceptionally harsh outcome for particularly for the Refining and Marketing segment with respect to income.

(B) Priority Measures Completed in Realizing Plan Targets

The Nippon Oil Group implemented the following priority measures as the means to realize the goals of its 3rd Medium-Term Plan.

① Cost-reduction and efficiency targets

Although the Group set a target of JPY 33.0 billion to be gained through cost reductions and efficiency improvements for the three-year period from fiscal 2005, actual savings stalled at JPY 17.5 billion. This was due mainly to an increased cost burden accompanying stronger safety measures at refineries and better environmental performance, as well as the impact of escalating prices for crude oil and resources, equipment and raw materials and other external changes in the business environment.

② Capital expenditure plan

Believing that the bulk of cash flows should be allocated to realizing growth strategies, the Company intended to prioritize the investment of JPY 500.0 billion for capital expenditures in growth fields during the duration of the plan. However, capital expenditures ultimately totaled JPY 662.9 billion, mainly due to additional investments for bolstering growth strategies.

③ Interest-bearing debt

The planned goal for interest-bearing debt was to reduce the level to less than JPY 900.0 billion by March 31, 2008. However, due to the impact of an increase in working capital sparked by soaring crude oil prices, interest-bearing debt as of March 31, 2008 was JPY 1,331.6 billion.

Outlook for the Current Fiscal Year

Fiscal 2008, the year ending March 31, 2009, is the first year of the Group’s Fourth Medium-Term Management Plan (hereafter, 4th Medium-Term Plan), a three-year plan set to end in fiscal 2010.

The Company is projecting consolidated net sales of JPY 8,300.0 billion, up 10.3% year on year. Operating income is expected to be JPY 114.0 billion, down JPY 150.0 billion, and ordinary income JPY 130.0 billion, down JPY 145.7 billion, both on a year-on-year, consolidated basis. Although margins for petroleum products and petrochemicals are likely to improve, this forecast reflects a contraction in positive effects stemming from inventory valuation factors.

Consolidated net income is JPY 57.0 billion, down JPY 91.3 billion from the previous fiscal year, with consolidated ROE forecast at 4.3%.

On a non-consolidated basis, the Company is projecting net sales of JPY 7,530.0 billion, an operating loss of JPY 37.0 billion, an ordinary loss of JPY 30.0 billion, and a net loss of JPY 23.0 billion.

The above forecasts assume an average crude oil price of US$ 95.8 a barrel and an average exchange rate of JPY 104.8 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	7,588.0	263.0	368.0	63.0	8,300.0
Operating income	(31.5)	131.5	6.5	7.5	114.0

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

Refining and Marketing

Income is expected to be on a par with the previous year. While earnings will likely be lower year on year due mainly to a contraction in inventory valuation factors, margins for petroleum products and petrochemicals are set to improve.

Exploration and Production of Oil and Natural Gas

While lower sales volumes for crude oil and natural gas are expected, income is projected to grow year on year due primarily to favorable retail prices.

Construction

Although a challenging environment with respect to orders is likely to remain, income on a par with the previous year is projected thanks to efforts to reduce costs and improve efficiency.

(2) Analysis of Financial Position

Balance Sheet Analysis

At the end of the year under review, consolidated total assets were JPY 4,594.2 billion, an increase of JPY 208.7 billion from the end of the previous fiscal year. This increase was principally attributable to a sharp increase in inventories due to rising crude oil prices, as well as the purchase of oil and gas field interests in the U.S. Gulf of Mexico by the E&P of Oil and Natural Gas business.

Consolidated net assets totaled JPY 1,429.3 billion, an increase of JPY 97.3 billion from a year earlier. This gain was the result of positive factors such as consolidated net income exceeding negative factors such as year-end and interim dividends.

Interest-bearing debt as of the fiscal year-end was JPY 1,331.6 billion, an increase of JPY 34.5 billion compared to the previous year.
As a result, the equity ratio was 28.5%.

Cash Flow Analysis

As of the end of the year under review, cash and cash equivalents (hereinafter referred to as “cash”) totaled JPY 226.8 billion, representing a year-on-year decrease of JPY 95.0 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 103.2 billion as positive factors, such as income before income taxes (JPY 279.8 billion) and non-cash expenses, such as depreciation and amortization (JPY 152.4 billion), exceeded negative factors, such as an increase in inventories accompanying higher crude oil prices.

Net cash used in investment activities amounted to JPY 199.7 billion. This was mainly due to the purchase of oil and gas field interests by the E&P of Oil and Natural Gas business.

Net cash provided by financing activities amounted to JPY 6.4 billion as the effect of dividend payments was offset by an increase in interest-bearing debt.

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 March 31, 2008
Shareholders’ Equity Ratio	27.1	26.7	27.7	28.5
Shareholders’ Equity Ratio on a Market Value Basis	32.6	31.8	31.9	19.8
Debt Service Years	8.3	35.6	6.3	12.9
Interest Coverage Ratio	6.3	1.6	9.4	4.1

Notes:

1. Definitions of indicators are as follows:

--Equity ratio: equity / total assets

(Figures March 2005 and 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. 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 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 March 2008.

(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, the Company takes 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, the Company works to increase dividends over the medium to long term. Moreover, in the implementation of its capital policy, Nippon Oil takes a flexible approach to acquisitions of treasury stock.

In accordance with these policies, in April 2005 the Company purchased and retired 50 million shares of common stock at a total price of JPY 38.5 billion. At the same time, under the 3rd Medium-Term Plan launched in fiscal 2005, we reevaluated the level of our dividends and decided to target annual cash dividends of JPY 12 per share.

With respect to dividends in the 4th Medium-Term Plan started in fiscal 2008, the Company hopes to pay a dividend of JPY 20 per share from fiscal 2008. This move is designed to further expand returns to shareholders, while realizing the payment of stable dividends irrespective of short-term fluctuations in business performance. The basic dividend target for the 4th Medium-Term Plan is a DOE (dividend on equity) of more than 2% on a consolidated basis.

(3) Business Risks

The Group faces a variety of risks that may play an important role in impacting it 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.

2. Management Policy

(1) Nippon Oil's Basic Management Policy

A. Management Philosophy

The Company has defined the philosophy of the Nippon Oil Group in the terms described below. By faithfully implementing this philosophy, the Group will strive to consistently meet its responsibilities to society.

Group Philosophy

Your Choice of Energy

"Creating the energy future and promoting prosperity and harmony with nature."

Six Values We Respect

Ethics
New ideas
Environmental harmony
Relationships
Global approaches
You

B. Basic Strategy

The basic strategy of the Nippon Oil Group is as follows.

1. Establish a fully integrated operating system

Positioning petroleum as a core business, establish a fully integrated operating system that encompasses upstream (E&P of Oil and Natural Gas) through to downstream (Refining & Marketing) operations. This will strengthen the Group's competitive base both within and outside Japan.

2. Become an integrated energy company

As forms of energy grow more diverse, Nippon Oil will strive to become an integrated energy company, maintaining and expanding future competitiveness and earnings power by cultivating and promoting varied energy businesses.

(2) Target Management Indicators

The Group will take steps to raise consolidated ROE (return on equity).

The petroleum industry is expected to face an increasingly severe operating environment going forward. As part of its Fourth Medium-Term Management Plan set to run for three years from fiscal 2008, the Company is targeting consolidated ordinary income (excluding inventory valuation factors) of ¥200.0 billion and consolidated ROE of 8% by the plan's final year of fiscal 2010. However, by consistently implementing growth strategies, the Company will seek to achieve a medium- to long-term consolidated ROE of 10%.

(3) Key Issues

A. Nippon Oil Group's Business Environment

Looking ahead, the future of Japan's economy is clouded with uncertainty, from the impacts of the U.S. economic slowdown, a stronger yen, and escalating resource costs, to an anticipated drop-off in export growth and weakness in consumer spending. And while there are concerns that Asian economies will also be affected by the U.S. slowdown, these economies are nonetheless expected to maintain their basic growth trends, supported by robust demand within the region.

Elsewhere, the global crude oil scene will likely see demand continue to hold firm, buoyed by economic growth in Asia and the Middle East. Furthermore, with no signs of a break in the tense political climate surrounding oil-producing nations in sight, crude oil prices are expected to remain high going forward.

In this climate, one inescapable fact confronting the Group is the continued decline in demand for petroleum products in Japan, as the shift to gas, electricity and coal for energy needs gains momentum and energy conservation assumes greater importance. Demand for petroleum products and petrochemicals in Asia, on the other hand, is forecast to rise as these economies continue to develop.

Given this context, Japan's petroleum industry is expected to see falling domestic demand for petroleum products accompanied by more intense sales competition. In parallel, competition among forms of energy such as oil, gas and electric will likely grow fiercer as well. Moreover, as economies globalize further, this trend is expected to bring with it more international competition among energy firms, as well as spark a more dynamic round of corporate integrations and alliances.

B. The Fourth Medium-Term Management Plan

In light of the conditions above, the Nippon Oil Group has drafted its Fourth Medium-Term Management Plan (hereafter, 4th Medium-Term Plan), which will run for three years from April 2008 through March 2011. Grounded in a medium- to long-term perspective, the three-year period of the 4th Medium-Term Plan is positioned as a time to prepare for the harsh business environment ahead by enacting structural reforms in existing businesses and strengthening the foundations of new businesses. These actions will better define the Group's steps for achieving a major leap in growth in the future. The Group has also raised the slogan "Challenge for Change" as it prepares to take the leap to becoming an integrated energy company.

(A) Financial and Environmental Targets

① Financial Targets

The Company will aim for consolidated ordinary income (excluding inventory valuation factors) of ¥200.0 billion and consolidated ROE of 8% by the close of the 4th Medium-Term Plan in fiscal 2010.

② Environmental Targets

The Group has formulated medium-term environmental management plans in the past, and has worked actively to promote various environmental measures in line with plan goals. However, given the growing importance of addressing environmental issues going forward, environmental targets have been included as part of the 4th Medium-Term Plan.

In concrete terms, specific energy consumption (amount of energy used per volume of oil converted by crude distillation unit) by refining divisions will be reduced by 20% compared to fiscal 1990 by fiscal 2010.

The Company will address environmental issues even more vigorously than before. In addition to reducing CO_2 at the refining phase, this stance will include the provision of eco-friendly products, a power generation business that uses clean energy in the form of natural gas, as well as a CDM project for the recovery and utilization of associated gas at the Rang Dong oilfield in Vietnam.

(B) Policy of Returns to Shareholders

With respect to dividends in the 4th Medium-Term Plan, from fiscal 2008, the Company hopes to pay an annual dividend of ¥20 per share during each year of the plan. This move is designed to further increase returns to shareholders, while realizing the payment of stable dividends irrespective of short-term fluctuations in business performance. The dividend target for the 4th Medium-Term Plan is a DOE (dividend on equity) of at least 2% on a consolidated basis.

(C) Capital Expenditure Plan

The 4th Medium-Term Plan calls for a total of ¥850.0 billion in capital expenditures over the plan’s three-year term. This investment is considered fundamental to the realization of Nippon Oil’s growth strategies.

When investing, capital expenditures that will expand the E&P of Oil and Natural Gas business and that will enhance the competitiveness of the Refining & Marketing business are positioned as strategic investments. Accordingly, a high share of planned investments is earmarked for these businesses. In contrast, steps will be taken to curb regular investment (i.e., investments in refinery maintenance and repair), thus bringing a greater degree of prioritization to the Company's investment activities.

(D) Business Strategies

① Turn Refining & Marketing Around

The Company will improve the earnings power of its Refining & Marketing in Japan, one of its core businesses, from the ground up. Specifically, this will entail achieving business integration with Kyushu Oil Co., Ltd., and the smooth conversion of the Toyama Refinery of Nihonkai Oil Co., Ltd. into an oil terminal. Through these changes, the Company will work to optimally rationalize and enhance efficiency in this business. Steps will also be taken to reduce operating trouble for equipment at production sites as much as possible. At the same time, the Company will promote the installation of facilities compatible with heavier processed crude in a drive to enhance its manufacturing-side competitiveness.

Declining demand for petroleum products in Japan is an unavoidable reality. That said, the Company, while keeping a close eye on price trends at home and abroad, will flexibly and proactively expand petroleum product exports overseas, especially to Asia, where demand for such products is expected to grow. In parallel, full attention will be given to establishing a more transparent and appropriate product pricing structure for the Japanese market.

Beyond reorganizing and consolidating its SS network and a dedicated push to emphasize the creation of high value-added SS, the Company will remain committed to boosting its sales of natural gas and LNG and reinforcing its electric power supply and coal businesses, in order to rapidly respond to customer needs and provide a diverse range of energy products.

② Steady E&P of Oil and Natural Gas Business Expansion

In E&P of Oil and Natural Gas, one of the Group's key earners, the Company will continue to prioritize business promotion in four core regions—the U.S. Gulf of Mexico, the U.K. North Sea, Southeast Asia, and Oceania. The goal, as detailed in the 4th Medium-Term Plan, is to establish a 170,000BD production framework during the plan period. That said, the Company is eyeing medium- to long-term expansion of this business with a more ambitious goal in mind—the development of a framework that will bring more than 200,000BD within reach in fiscal 2015. For this reason, the 4th Medium-Term Plan will pursue greater investment in exploration and development. Where the purchase of assets is concerned, the Company will work to secure outstanding production assets, remaining as careful as ever to scrutinize profitability and investment scale in light of the recent high prices for crude oil, which are unlikely to fall.

③ Leverage Alliances to Strengthen Overseas Business

The Company will further bolster its business in overseas markets, particularly in the growing Asian market. On this point, while taking full advantage of strategic partnerships with SK Energy and the CNPC Group, the Company will expand facilities at production sites in Japan and overseas and put a global sales network in place in a bid to increase fuel oil exports and petrochemical sales. In lubricants as well, the Company will continue to steadily enhance its overseas production and sales framework to achieve greater penetration of the ENEOS brand. In refining processes, catalysts and other operations, the Nippon Oil Group intends to aggressively pursue the transfer overseas of a variety of its proprietary technologies.

④ Promote New Technology Businesses

To ensure the Group’s future prosperity, the Company is strengthening its R&D structure in order to fully promote fuel cells and other new technology businesses. In addition to putting a system in place for the mass production of stationary fuel cells and preparing for full-on sales, this push will specifically entail exploring entry into the solar power generation business, where high growth is expected going forward. Investment of R&D resources will also be concentrated in areas that give full play to the Group’s technological strengths, and the Company will work to ramp up the pace of R&D, in a never-ending commitment to achieving results in the earliest possible timeframe.

CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2007		Year ended March 31, 2008		Change from the previous fiscal year-end
	Millions of yen	%	Millions of yen	%	Millions of yen
ASSETS					
Current assets	2,262,528	51.6%	2,487,526	54.1%	224,997
Cash and cash time deposits	332,113		228,907		(103,206)
Trade notes and accounts receivable	818,679		901,675		82,996
Short-term investments in securities	2,739		—		(2,739)
Inventories	889,827		1,157,959		268,132
Deferred income taxes	50,662		51,394		731
Other current assets	168,505		147,588		(20,916)
Fixed assets	2,122,993	48.4%	2,106,662	45.9%	(16,331)
Property, plant and equipment	1,365,244		1,305,860		(59,384)
Buildings and Structures	249,760		227,315		(22,444)
Oil tanks・Machinery and equipment・Other	377,745		413,140		35,394
Land	675,036		648,325		(26,711)
Construction in progress	62,702		17,078		(45,623)
Intangible fixed assets	41,370		36,260		(5,109)
Investments and other assets	716,378		764,541		48,162
Investment securities	419,747		382,771		(36,976)
long-term receivables	11,514		12,439		924
Deferred income taxes	16,200		17,835		1,635
Oil and gas investment	180,023		260,870		80,846
Other investment and assets	88,893		90,624		1,731
Deferred assets	11	0.0%	9	0.0%	(2)
Bond issuance expenses and other	11		9		(2)
Total assets	4,385,533	100.0%	4,594,197	100.0%	208,664

CONSOLIDATED BALANCE SHEETS

	Previous fiscal year March 31, 2007		Year ended March 31, 2008		Change from the previous fiscal year-end
	Millions of yen	%	Millions of yen	%	Millions of yen
LIABILITIES					
Current liabilities	2,072,145	47.2%	2,258,130	49.2%	185,984
Trade notes and accounts payable	515,930		672,950		157,020
Short-term loans	255,640		362,523		106,883
Commercial paper	423,000		428,000		5,000
Accounts payable	589,500		484,825		(104,674)
Allowance for directors' bonuses	589		450		(139)
Other current liabilities	287,484		309,379		21,895
Long-term liabilities	981,406	22.4%	906,800	19.7%	(74,605)
Bonds	134,997		135,047		49
Long-term loans	478,483		411,035		(67,448)
Deferred income taxes	177,192		174,351		(2,841)
Retirement allowances for employees	84,112		64,076		(20,035)
Other long-term liabilities	106,619		122,290		15,670
Total liabilities	3,053,551	69.6%	3,164,930	68.9%	111,379
NET ASSETS					
Shareholder's equity	1,064,016	24.3%	1,194,662	26.0%	130,645
Common stock	139,437	3.2%	139,437	3.1%	—
Capital surplus	275,760	6.3%	275,782	6.0%	21
Retained earnings	651,294	14.9%	782,037	17.0%	130,743
Less treasury common stock,at cost	(2,475)	(0.1%)	(2,595)	△0.1%	(119)
Valuation and translation adjustment	148,723	3.4%	115,125	2.5%	(33,597)
Net unrealized gain on securities	121,830	2.8%	85,725	1.9%	(36,105)
Deferred gain and loss on hedges	19,901	0.4%	18,355	0.4%	(1,546)
Translation adjustments	6,991	0.2%	11,045	0.2%	4,053
Minority interests in consolidated subsidiaries	119,241	2.7%	119,478	2.6%	237
Total Net assets	1,331,981	30.4%	1,429,266	31.1%	97,284
Total liabilities, and net assets	4,385,533	100.0%	4,594,197	100.0%	208,664

CONSOLIDATED STATEMENTS OF INCOME

	2006 FY (April 1 ,2006 ～ March 31, 2007)	2007 FY (April 1 ,2007 ～ March 31, 2008)	Change from the previous fiscal year
	Millions of yen	Millions of yen	Millions of yen
Net sales	6,624,256	7,523,990	899,733
Cost of sales	(6,176,656)	(6,982,966)	(806,309)
Gross Profit	447,600	541,023	93,423
Selling, general and administrative expenses	(287,915)	(277,061)	10,853
Operating income	159,684	263,962	104,277
Non-operating profits	57,657	63,656	5,998
Interest and dividend income	21,130	25,281	4,150
Asset rental income	10,937	9,946	(991)
Equity in earnings of unconsolidated	3,048	4,366	1,318
Foreign exchange gain	5,214	11,238	6,024
Other	17,326	12,823	(4,503)
Non-operating expenses	(30,731)	(51,953)	(21,221)
Interest	(24,789)	(27,261)	(2,472)
Other	(5,942)	(24,691)	(18,749)
Ordinary income	186,611	275,666	89,054
Special gains	16,131	35,565	19,434
Special losses	(30,537)	(31,419)	(881)
Income before income taxes and minority interests	172,205	279,812	107,607
Income taxes	(94,954)	(97,176)	(2,221
Income taxes- deferred	5,624	(21,282)	(26,907)
Minority interests in earnings of consolidated subsidiaries	(12,654)	(13,048)	(393)
Net income	70,221	148,306	78,085

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)
Drecrease 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 STATEMENT OF CHANGES IN NET ASSETS

Current fiscal year (April 1 ,2007 ～ March 31 ,2008)

	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			(17,562)		(17,562)						(17,562)
Cash dividends			148,306		148,306						148,306
Purchases of treasury stock				(1,151)	(1,151)						(1,151)
Disposal of treasury stock		(24)		304	280						280
Decrease due to increase in companies accounted by the equity method				17	17						17
stock swap		46		709	755						755
Net Changes of Net assets other than Shareholders' equity						(36,105)	(1,546)	4,053	(33,597)	237	(33,360)
Total of changes in the interim period	―	21	130,743	(119)	130,645	(36,105)	(1,546)	4,053	(33,597)	237	97,284
Balance as of March 31, 2008	139,437	275,782	782,037	(2,595)	1,194,662	85,725	18,355	11,045	115,125	119,478	1,429,266

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Previous interim period April 1 ,2006 ～ March 31, 2007 Millions of yen	Current interim period April 1 ,2007 ～ March 31, 2008 Millions of yen
Ⅰ. Cash flow from operating activities		
Income before income taxes and minority interests	172,205	279,812
Depreciation and amortization	131,872	152,350
(Increase)decrease in notes and accounts receivable	(32,641)	(79,512)
Decrease (increase) in inventories	59,135	(268,024)
Increase (decrease) in notes and accounts payable	8,975	65,234
Impairment loss	6,872	13,141
Other	(11,591)	8,227
Sub-total	334,828	171,229
Interest and dividends received	26,090	27,182
Interest paid	(23,863)	(27,487)
Income taxes paid	(116,150)	(79,675)
Decrease (increase) in long-term temporary payment of tax	(13,893)	11,967
Expenditures for additional early retirement benefits	(1,143)	—
Net cash provided by (used in) operating activities	205,867	103,216
Ⅱ. Cash flows from investing activities		
Decrease(increase) in time deposits	(10,015)	8,027
Additions to property, plant and equipment	(113,486)	(117,203)
Proceeds from sales of property, plant and equipment	23,105	63,562
Net (increase) decrease in marketable and investment securities	(9,159)	(18,607)
Payments for oil and gas investment	33,150	(119,203)
Other	(781)	(16,285)
Net cash (used in) provided by investing activities	(143,487)	(199,709)
Ⅲ. Cash flows from financing activities		
Increase (decrease) in short-term loans	94,411	99,986
(Decrease) increase in long-term loans and bonds	(32,509)	(68,311)
Other	(17,493)	(25,301)
Net cash provided by (used in) financing activities	44,408	6,374
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	308	(4,875)
Ⅴ. Increase(decrease) in cash and cash equivalents	107,096	(94,994)
Ⅵ. Cash and cash equivalents at beginning of the period	214,476	321,786
Ⅶ. Increase in cash and cash equivalents due to inclusion in consolidation	212	—
Ⅷ. Increase in cash and cash equivalents due to merger of consolidated subsidiaries	0	—
Ⅸ. Cash and cash equivalents at end of the period	321,786	226,792

Segment Information

[Business Segment]

(1) Previous 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.

(2) Current fiscal year（April 1, 2007 ～March 31, 2008）

	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	6,862,067	234,889	370,974	56,058	7,523,990	―	7,523,990
（2） Intergroup sales and transfers	10,111	―	4,350	15,843	30,304	(30,304)	―
Total sales	6,872,179	234,889	375,324	71,901	7,554,294	(30,304)	7,523,990
Operating expenses	6,745,829	108,190	369,261	66,893	7,290,174	(30,147)	7,260,027
Operating income (loss)	126,349	126,699	6,062	5,007	264,119	(157)	263,962
Ⅱ Assets, Depreciation and Capital expenditures							
Assets	3,711,223	583,122	395,324	46,483	4,736,152	(141,955)	4,594,197
Depreciation	95,988	45,229	5,805	5,579	152,602	(252)	152,350
Impairment loss	11,599	―	1,542	―	13,141	―	13,141
Capital expenditures	86,555	125,822	10,650	4,364	227,391	―	227,391

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

3. Depreciation and capital expenditures includes exploration- and development-related investment that is accounted for in the "oil and gas investment" item as well as associated amortization expense.

4. Changes in Accounting Methods
Starting this period, persuant to an amendment to the Corporate Tax Law, Nippon Oil Corporation and its domestic consolidated subsidiaries have depreciated tangible fixed assets acquired on and after April 1, 2007 in accordance with the method stipulated in the amended Corporation Tax Law. As a result, for the year ended March 31, 2008, operating expenses were up 2,329 million yen in Refining and Marketing, 3 million yen in E&P of Oil and Natural Gas, 233 million yen in Construction, and 20 million yen in Others. Operating income decreased equivalent amout to increases in operating expenses in each segment.

Pursuant to an amendment to the Corporate Tax Law, after having fully depreciated tangible fixed assets acquired on and before March 31, 2007 up to 5% of the acquisition cost, based on the prior Corporate Tax Law, Nippon Oil Corporation and its domestic subsidiaries have depreciated the difference between 5% of the acquisition cost and the memorandum price, using a straight line method over 5 years and expensed as "Depreciation and amortiation." The straight line depreciation starts from the next year, when the book value of tangible assets acquired on and before March 31, 2007 reaches 5% of the acquisition cost. As a result, for the year ended March 31, 2008, operating expenses were up 10,772 million yen in Refining and Marketing, 445 million yen in Construction, 13 million yen in Others. Operating income decreased equivalent amout to increases in operating expenses in each segment.