NIPPON OIL
Your Choice of Energy

Consolidated Financial Results for the Fiscal 2008

April 30, 2009

Company name: Nippon Oil Corporation
Code number: 5001
Stock listings: Tokyo, Osaka, Nagoya, Fukuoka and Sapporo Exchanges
URL http://www.eneos.co.jp/
Representative Director, President: Shinji Nishio
For further information, please contact: Kyugo Yotsuya, Group Manager, Investor Relations Group
Telephone: +81-3-3502-1184
Scheduled date ordinary meeting of shareholders : June 23, 2009
Scheduled date of filing of commencement of dividend payments : June 24, 2009
Scheduled date of filing of Securities Report : June 23, 2009

Note: Figures less than ¥1 million have been omitted.

1.Results for the Fiscal 2008 (From April 1, 2008 to March 31, 2009)

(1) Operating Results (Consolidated Basis)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2008	7,389,234	(1.8)	(312,506)	-	(275,448)	-	(251,613)	-
FY2007	7,523,990	13.6	263,962	65.3	275,666	47.7	148,306	111.2

	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	%	%	%
FY2008	(172.42)	-	(22.6)	(6.4)	(4.2)
FY2007	101.49	-	11.8	6.1	3.5

Note:Equity in earnings of unconsolidated subsidiaries and affiliates
Year ended March 31,2009: ¥5,822 million
Year ended March 31,2008: ¥4,366 million

(2) Financial Position (Consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	3,969,730	1,016,306	23.1	627.90
FY2007	4,594,197	1,429,266	28.5	896.06

Note:Total shareholders' equity
Year ended March 31,2009: ¥915,405 million
Year ended March 31,2008: ¥1,309,787 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
FY2008	441,202	(324,641)	(86,836)	227,257
FY2007	103,216	(199,709)	6,374	226,792

2.Dividends

	Cash dividend per share					Total dividends amount	payout ratio (consolidated)	Dividends on equity ratio (consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2007	-	6.00	-	6.00	12.00	17,562	11.8	1.4
FY2008	-	10.00	-	10.00	20.00	29,200	-	2.6
FY2009 (Forecast)	-	10.00	-	10.00	20.00		36.4	

3. Forecasts of Consolidated Performance in FY 2009 (From April 1, 2009 to March 31, 2010)

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

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	2,460,000	(42.6)	56,000	(35.2)	55,000	(5.4)	20,000	(0.8)	13.72
Fiscal year	5,530,000	(25.2)	176,000	-	180,000	-	80,000	-	54.87

4.Others

(1) Changes of 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 issued (Common stock)
(i) Number of shares issued (including treasury stock)
FY2008 ended March 31, 2009 : 1,464,508,343 shares
FY2007 ended March 31, 2008 : 1,464,508,343 shares
(ii) Number of shares of treasury issued
FY2008 ended March 31, 2009 : 6,629,916 shares
FY2007 ended March 31, 2008 : 2,788,574 shares

[Reference]

1.Non-consolidated Results for the Fiscal 2008 (from April 1, 2008 to March 31, 2009)

(1) Operating results (Non-consolidated Basis)

(Percentage figures are changes from the previous Fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2008	6,658,071	(0.7)	(441,090)	―	(147,045)	―	14,723	(82.8)
FY2007	6,706,382	15.1	115,325	698.3	132,088	299.0	85,647	224.4

	Net income per share	Net income per share after dilution
	Yen	Yen
FY2008	10.07	―
FY2007	58.53	―

(2) Financial position (Non-consolidated Basis)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2008	2,868,804	746,920	26.0	511.58
FY2007	3,233,615	827,253	25.6	565.13

Note:Total shareholders' equity
Year ended March 31, 2009 : ￥746,920 million
Year ended March 31, 2008 : ￥827,253 million

2.Forecasts of Non-consolidated performance in Fiscal2009 (from April 1, 2009 to March 31,2010)

(Percentage figures are changes from the previous Fiscal year.)

	Net Sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal Year	4,710,000	(29.3)	104,000	―	114,000	―	62,000	321.1	42.47

* 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 and petrochemical products, market trends, currency exchange rates, and interest rates, may cause actual results to differ substantially from the anticipated results. Please see p.12 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 decreased 1.8% year on year to JPY 7,389.2 billion. Operating income worsened by JPY 576.5 billion year on year, and the Group recorded an operating loss of JPY 312.5 billion. However, the loss is largely attributable to factors such as inventory valuation impact (by which inventory valuation under the gross average method pushes up the cost of sales due to a decline in crude oil prices). Operating income excluding inventory valuation impact increased JPY 38.4 billion year on year to JPY 134.5 billion owing to factors including margin improvement for petroleum products, despite lower income from the E&P of Oil and Natural Gas segment.

The Group recorded non-operating income of JPY 37.1 billion, an increase of JPY 25.4 year on year, due to factors including dividend income and translation adjustments.

As a result, ordinary income worsened by JPY 551.1 billion year on year, and the Group recorded a consolidated ordinary loss of JPY 275.4 billion. Ordinary income excluding inventory valuation impact increased by JPY 63.8 billion year on year to JPY 171.6 billion.

Due to impairment loss and other factors, the Group recorded an extraordinary loss of JPY 90.2 billion, which represents a deterioration of JPY 94.3 billion from the previous year.

As a result of the above factors, the Group recorded a consolidated net loss of JPY 251.6 billion, down JPY 399.9 billion from the previous year.

(Billions of yen)

	Refining and Marketing	E&P of Oil and Natural Gas	Construction	Other	Total
Net sales	6,760.5	218.6	356.5	53.6	7,389.2
Operating income	(434.4)	106.4	7.5	8.0	(312.5)

*Operating income in "Other" includes the Other segment and "Eliminations and corporate."

Economic Progress and Outcomes

1. General Economic Climate and the Environment Surrounding the Nippon Oil Group

In the Japanese economy during the fiscal year under review, in the autumn of 2008 the economy plunged into a serious recession caused by the financial and economic crisis in North America and Europe. This recession was characterized by sharp declines in exports and capital investment and slumping personal consumption.

Meanwhile, in the international crude oil market it was a year of unprecedentedly violent price fluctuations. Prices of crude continued to rise from the previous fiscal year, with the price of Dubai crude reaching a new record high of over US$ 140 per barrel in July of last year. Subsequently, however, crude oil prices plunged as a result of the impact of a worldwide slump in economic activity, with the price of Dubai crude falling to the level of US$ 46 per barrel at the fiscal year-end.

In this business environment, demand for petroleum products in the Japanese market decreased year on year across all oil product grades. This was owing to such factors as reduced automobile use and slumping production activity under the economic recession, as well as the popularization of low fuel consumption vehicles and advances in conversion to gas, electricity, and other energy sources. In addition, demand for petroleum products and petrochemicals in Asia trended downward on the rapid worsening of economic conditions.

2. Progress and Outcomes of Business Activities

In this economic climate, in April of last year the Nippon Oil Group launched the Fourth Medium-Term Management Plan, which positions the three-year period from fiscal 2008 to fiscal 2010 as a period of “Challenge for Change,” defined as a period of “Structural reform of existing businesses and reinforcing foundations for new business” with the aim of developing an integrated operating framework and to become an "integrated energy company." The Company has decided to mount a group-wide effort to establish an unassailable position in the Japanese market and to develop overseas businesses by effectively seizing business opportunities abroad, primarily in Asia. Under the management plan, the Group implemented the following policies and measures across all business segments during fiscal 2008 (the fiscal year under review).

[Refining and Marketing Segment (Including Petrochemicals)]

■ Production-side measures

In the area of production, firstly, amid prospects for a long-range decline in demand for petroleum products in Japan accompanied by expansion of overseas demand for petroleum products centered on Asia, the Group strove to optimize its production systems to adroitly respond to this structural change in the business environment. Nihonkai Oil Co., Ltd. discontinued crude oil processing at its Toyama Refinery in April 2009 and converted the facility into an oil terminal. This decision was taken in light of the refinery's decline in competitiveness and difficulty in generating earnings in recent years, owing to the need to convert the crude oil processed at the refinery to light crude because the refinery had no heavy oil cracking equipment. In other developments, the Company has decided to convert Nippon Petroleum Refining Co., Ltd.'s Osaka Refinery into a refinery for products for export to the Asia-Pacific market and is engaged in discussions with China National Petroleum Corporation (CNPC).

Secondly, to further boost refinery competitiveness, the Group expanded facilities to increase production of high-value-added products in response to changes in the demand structure. The Company completed construction of equipment at the Muroran Refinery to produce the petrochemical product cumen (a material for phenol plastic and polycarbonate resin used in components for PCs, mobile phones, and other information and communication equipment), automotive lamp covers, and other applications. Growth in demand for cumen is expected, primarily for export to Asia. Also, in March 2009 the Company completed installation at the Mizushima Refinery of solvent deasphalting equipment, which is used to extract light oil fraction raw materials such as diesel oil from asphalt and other heavy oil fractions. Operation of this equipment will make it possible to reduce production of heavy fuel oil C, for which demand is sharply declining, and increase production of highly profitable light oil while converting the oil processed at the refinery to heavy crude. It will also enable the Company to contribute to the promotion of energy conservation in the Mizushima Industrial Complex district through the supply of residual oil obtained from the equipment to nearby petrochemical companies for use as boiler fuel.

■ Marketing-side measures

In marketing initiatives, the Company strove to improve the earning capacity of businesses in Japan and expand overseas businesses, and undertook the introduction of plant-derived biomass fuel as a global warming prevention measure.

In the Japanese market, the Company endeavored to establish a more transparent, fairer product pricing structure by introducing in October 2008 a new pricing structure that links the wholesale prices of its gasoline, kerosene, diesel oil, and heavy fuel oil A to prices in the domestic petroleum products wholesale market. Also, the Company reinforced marketing activities for petroleum products, focusing on overseas markets, where medium- to-long-term demand expansion is anticipated. The Company has increased the export capacity of refineries and actively exported petroleum products in previous years, and the fiscal year under review brought an increase in the volume of commissioned refining transactions with the CNPC Group, which contributed to total export volume of 5.52 million kiloliters, a year-on-year increase of more than 50% and the highest export volume ever. Furthermore, in the lubricants business, with the aim of reinforcing marketing activities in Asia and Central and South America the Company acquired a company in Singapore that owns a lubricant production plant and made it a subsidiary. The Company also established a representative office in New Delhi, India and a subsidiary in Sao Paolo, Brazil.

The Company is introducing biomass fuel, an energy source that is attracting attention for its effectiveness in combating global warming. Since fiscal 2007, together with other members of the Petroleum Association of Japan, the Company has engaged in trial sales of biogasoline containing ETBE (Ethyl Tertiary Butyl Ether), a substance derived from bioethanol. In the year under review the Company expanded the number of service stations that sell biogasoline from 13 the previous year to 30 and decided to greatly expand the network to about 1,000 affiliated service stations across an area centered on Tokyo, Kanagawa, Yamanashi, Saitama, and Nagano, beginning in June 2009. Also, in February 2009 the Company established the Bioethanol Innovative Technology Research Consortium together with Mitsubishi Heavy Industries Ltd., Toyota Motor Corporation, Kajima Corporation, Sapporo Engineering Ltd., and Toray Industries Inc. and commenced joint research with the aim of establishing an integrated production technology for cellulosic bioethanol, which makes effective use of plant materials that cannot be utilized for food.

■ Business Integration with Kyushu Oil Co., Ltd.

With the aim of further reinforcing the corporate infrastructure and establishing global competitive power in oil refining and marketing operations, on October 1, 2009 the Company integrated into the Nippon Oil Group Kyushu Oil Co., Ltd., with which it had a close-knit business partnership. The integration enabled the Company to acquire from Kyushu Oil the Oita Refinery, the only oil refinery in the Kyushu region, and thereby reinforce the business structure in preparation for expanding exports of petroleum product and petrochemicals to the Asia-Pacific region and further increase efficiency in both crude oil procurement and distribution.

■ The Sale of Gas, Electricity, and Coal

In addition to its mainstay petroleum products and petrochemicals, the Nippon Oil Group engages in the supply of diverse energy sources, including gas, electricity, and coal.

With regard to gas operations, the Company operates a liquefied natural gas (LNG) terminal at the Mizushima Refinery in partnership with the Chugoku Electric Power Co., Inc., and owns an satellite LNG terminal on a former oil depot site in Hachinohe, Aomori Prefecture, from which it sells natural gas and LNG to customers in nearby areas. To augment supply capacity to meet increased demand, the Company is constructing a new LNG tank at the Mizushima Refinery's LNG terminal that is scheduled for completion in fiscal 2011. Furthermore, to expand the area of natural gas sales coverage using the Mizushima Refinery's LNG terminal as a supply base, in July 2008 the Company decided to establish Okayama Pipeline Company, a joint venture with the Chugoku Electric Power Co., Inc. to lay a natural gas pipeline from the LNG terminal to Okayama City.

In electric power operations, the Company engages in the wholesale supply and retail marketing of electricity at its refineries and business offices nationwide. In the fiscal year under review, Kawasaki Natural Gas Generation Co., Ltd., a joint venture with Tokyo Gas Co., Ltd., commenced operation of a 0.8 million kilowatt natural-gas fired power plant. In addition, attendant on the integration with Kyushu Oil Co., Ltd., the Company acquired the wholesale electricity supply business at the Oita Refinery. As a result, total electric power sales for the Nippon Oil Group reached 1.89 million kilowatts.

In coal operations, the Company sold a total of 7.75 million tons of coal, primarily to electric power companies and steel manufacturers.

■ Activities in New Energy Businesses

To achieve long-range business development as an integrated energy company, the Nippon Oil Group implemented the following measures with the aim of reinforcing new energy businesses, such as fuel cells and solar cells, a market sector from which growth is expected.

With regard to residential-use fuel cell systems, as a result of implementing the Japanese government's Stationary Fuel Cell Large-Scale Demonstration Project and actively undertaking to disseminate these systems, the Company installed 1,338 fuel cell systems during the four-year project implementation period from fiscal 2005 to fiscal 2008, the most among any participants. Following the establishment of ENEOS CELLTECH Co., Ltd. in April 2008, the Company acquired Sanyo Electric Co., Ltd.'s stationary fuel cell business. The aim is to integrate its technologies with those of Sanyo Electric, a business partner in the field of fuel cell manufacturing and development, and to accelerate efforts to increase the reliability and durability of residential-use fuel cells and reduce manufacturing cost. Currently ENEOS CELLTECH Co., Ltd. is expanding its manufacturing facilities in order to establish a production system to manufacture approximately ten thousand fuel cells per year beginning in fiscal 2010. The Nippon Oil Group has decided to adopt the product name ENE-FARM, the unified brand for fuel cells approved by the Fuel Cell Commercialization Conference of Japan, in preparation for full-scale marketing of residential-use fuel cells beginning in fiscal 2009.

With regard to solar cell systems, which are attracting attention as an eco-friendly method for generating power using sunlight, the Company is boosting activities with the objective of full-scale entry into the development, manufacturing, and marketing of solar cell systems. To this end, the Company acquired a 46% equity stake in Space Energy Corporation, a manufacturer of silicon wafers, an important solar cell material. The Company also entered into a strategic alliance concerning the solar cell business with Sanyo Electric Co., Ltd., and in January 2009 established joint venture SANYO ENEOS Solar Co., Ltd. to develop thin-film solar cell manufacturing technologies and to manufacture and market products. Thin-film solar cells require only small amounts of the raw material silicon, and can therefore be manufactured at low cost. For this reason, it is expected that market expansion will be driven principally by large-scale power generation applications at plants, power stations, and other locations.

The Company furthermore concluded a joint venture agreement with South Korean oil company GS Caltex Corporation to establish Power Carbon Technology, focused on development, manufacturing, and marketing of carbon materials for capacitors. Capacitors are efficient electrical storage devices that can store as electric power energy discharged in situations such as the use of brakes on moving vehicles, and to retrieve large amounts of electricity in a short time. Demand for capacitors is expected to increase for use in construction equipment, trucks, and railcars. Power Carbon Technology plans to build a manufacturing plant in South Korea for capacitor carbon materials and commence production in the spring of 2010. The Company plans to take advantage of expertise accumulated through the manufacture of coke for electrodes at the Marifu Refinery and supply coke produced at the refinery for use as a raw material for capacitor carbon materials.

In addition to the above developments, the Company is effectively combining equipment such as fuel cells, solar cells, and electrical storage devices for residential use and developing and verifying methods for efficiently operating and controlling this equipment to reduce residential CO_2 emissions and provide energy systems optimized for local characteristics and individual lifestyles. As one aspect of this effort, the Company launched the ENEOS Home Energy Creation Project with the cooperation of residential design and energy specialists, and in March 2009 completed construction in Yokohama of an “SOENE house”(energy creating house) to serve as a base for demonstration testing.

As a result of the foregoing developments, in the fiscal year under review the Group posted net sales of JPY 6,760.5 billion in the Refining and Marketing segment, a decrease of 1.5% year on year. The Group posted an operating loss of JPY 434.4 billion, which represents deterioration of JPY 560.7 billion in operating income from the previous year. However, the loss is largely attributable to factors such as inventory valuation factors (by which inventory valuation under the gross average method pushes up the cost of sales due to a decline in crude oil prices). Operating income excluding inventory valuation impact increased JPY 54.2 billion year on year to JPY 12.6 billion owing to factors including margin improvement for petroleum products.

[E&P of Oil and Natural Gas Segment]

In the E&P of Oil and Natural Gas segment, in the fiscal year under review the Company continued to implement the following policies and measures for sustained long-range business development.

In production operations, the Company commenced production of crude oil in Vietnam’s Phuong Dong oilfield in August 2008 and commenced production of natural gas and condensate in Malaysia’s Saderi gas field in September 2008.

In development operations, in May 2008 the Company obtained U.K. government approval of a plan for development in the West Don oilfield in the U.K. North Sea, and commenced construction of production facilities. The Company also newly confirmed a commercially viable gas reservoir in the U.S. Gulf of Mexico and made preparations for shifting to the development stage. With regard to the Tangguh LNG Project in Indonesia, the Company entered the final stage of gas field development and LNG plant construction and plans to commence production in 2009.

In exploration operations, in addition to continuing with preparatory work for exploratory drilling in the Libya offshore concession, the Company discovered a promising new gas reservoir in the U.K. North Sea, and in January 2009 newly acquired four exploration concessions onshore and offshore in Papua New Guinea.

In addition to the above developments, in July 2008 the Company acquired from the Japanese government 50% of the issued outstanding shares in MOC

Exploration (U.K) Ltd., which owns rights to oilfields and gas fields in production in the U.K. North Sea, and made the company a wholly owned subsidiary. Also, the Company, together with a joint operator, is making preparations to launch an integrated LNG operation encompassing everything from natural gas production and transport to liquefaction in Papua New Guinea; in December 2008 the Company increased its rights ownership ratio by acquiring the concession rights for a project owned by Australian gas and electric power supplier AGL Energy Limited.

As a result of the above initiatives, net sales in the E&P of Oil and Natural Gas business segment in the fiscal year under review decreased 6.9% year on year to JPY 218.6 billion and operating income fell JPY 20.3 billion to JPY 106.4 billion. This decline was due to such factors as a decrease in production from existing projects resulting from production equipment malfunctions and an increase in operating costs, notwithstanding higher selling prices resulting from crude oil price increases.

[Construction Segment]

In the Construction segment, NIPPO Corporation, which plays central role in the Group's business operations, faced an adverse business environment owing to a decline in public-sector construction and capital investment restraint. In these circumstances, NIPPO strove to increase earning capacity by engaging in sales activities that leveraged its competitive advantage in technology, and by implementing cost reduction and efficiency measures and focusing on passing along increases in raw material costs due to a spike in crude oil prices in product prices.

As a result of these developments, sales in the Construction segment in the fiscal year under review fell 3.9% year on year to JPY 356.5 billion. However, operating income rose by JPY 1.4 billion to JPY 7.5 billion as a result of factors including lower raw material prices in the fourth quarter.

[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.

Net sales in the Other segment in the fiscal year under review fell 4.3% year on year to JPY 53.6 billion as a result of factors including the impact of lackluster new car sales, while operating income rose JPY 0.3 billion to JPY 5.3 billion.

[Management Integration with Nippon Mining Holdings]

In this section the Company reports on the management integration with Nippon Mining Holdings, as publicly announced in December 2008.

The Nippon Oil Group and the Nippon Mining Holdings Group both operate in the energy, resources, and materials business fields. Amid expectations for still more sweeping changes in the business environment in the coming years, the shared top priority for the two business groups is to appropriately address current issues and pursue sustained growth and development into the future. Since June 2006 the Company has implemented an operational alliance in the oil development, refining, and distribution sectors with Japan Energy Corporation, which is responsible for the Nippon Mining Holdings Group's oil operations. The Company reached the judgment that integration of the management resources of the two business groups in a form that goes beyond the framework of an alliance and further solidification of the business infrastructure and achievement of a breakthrough under a new management philosophy would be the best way to take anticipatory action to prepare for structural change in the business environment and prevail against intense competition.

The specific method of management integration will involve the establishment of an integrated holding company by the Company and Nippon Mining Holdings, Inc. by means of a joint stock transfer scheduled for April 2010. Subsequently, all businesses of both groups will be integrated and restructured under the integrated holding company, followed by the planned establishment for July 2010 of three core business companies in three areas: petroleum refining and marketing, oil and natural gas exploration and production, and metals. The Company will continue to proceed with preparations together with Nippon Mining Holdings, Inc. to ensure smooth management integration.

[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 constantly engages in activities that reflect the importance it places on corporate social responsibility (CSR).

As one aspect of CSR activities, the Group has launched the Medium-Term Environmental Management Plan covering the three-year period from fiscal 2008 to 2010 in the belief that harmony with nature to be an important mission for an energy supplier. Under the plan, the Group will continue efforts at global warming prevention and environmental impact reduction, including efforts to reduce CO_2 emissions throughout the supply chain, the curbing of emissions of volatile organic compounds (VOCs) from oil refineries and depots, and further reduction in the ratio of final waste disposal volume (the final volume of waste that cannot be recycled or reduced by means such as dewatering) to the volume of waste generated.

In social contribution activities, in the year under review, as in the previous year the Group provided funding support for original basic research in the area of hydrogen energy through the ENEOS Hydrogen Trust Fund, established with the aim of broadly disseminating hydrogen energy systems in society. To contribute to the development of the educational environment in Vietnam, where the Nippon Oil Group produces crude oil, the Group donated funds for the construction of a new school building for a junior high school. The Group also held ENEOS environmental classes for children to provide easy-to-understand instruction in topics such as “oil and our lives,” “the global warming problem,” and “hydrogen energy.”

Outlook for the Current Fiscal Year

For fiscal 2009, the Company projects consolidated net sales of JPY 5,530.0 billion, a decrease of 25.2% year on year, with consolidated operating income of JPY 176.0 billion (improvement of JPY 488.5 billion year on year) and consolidated ordinary income of JPY 180.0 billion (improvement of JPY 455.4 billion). However, the improvement is attributable to factors including a profit contribution from inventory valuation impact and improvement in margins on petrochemicals. The Company projects consolidated net income of JPY 80.0 billion (improvement of JPY 331.6 billion year on year) and consolidated ROE of 8.5%.

On a non-consolidated basis, the Company projects net sales of JPY 4,710.0 billion, operating income of JPY 104.0 billion, ordinary income of JPY 114.0 billion, and net income of JPY 62.0 billion.

The above forecasts assume an average crude oil price of US$ 54.4 per barrel and an average exchange rate of JPY 100.0 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	4,947.0	158.0	365.0	60.0	5,530.0
Operating income	113.0	45.0	10.0	8.0	176.0

*Operating income in "Other" includes the Other segment and "Eliminations and corporate."

Refining and Marketing

Although a further decrease in sales volumes of petroleum products, principally fuel for electric power generation, is expected following a decrease in fiscal 2008, the Company projects a year-on-year increase in income due to such factors as the inventory valuation factors and improvement in margins on petrochemicals that accompany higher crude oil prices.

E&P of Oil and Natural Gas

Although sales volumes of crude oil and natural gas are expected to increase, the Company projects deterioration in profitability owing to factors including a decline in selling prices.

Construction

Although with respect to orders the environment is likely to remain challenging , the Company projects an increase in income as a result of sales activities that capitalize on competitive advantage in technology and differentiation from competitors coupled with cost reduction and efficiency improvement efforts.

(2) Analysis of Financial Position

Balance Sheet Analysis

Consolidated total assets at the end of the year under review totaled JPY 3,969.7 billion, a decrease of JPY 624.5 billion from the end of the previous fiscal year. The decrease is principally attributable to a sharp decrease in inventories due to a decline in crude oil prices.

Consolidated net assets at the fiscal year-end totaled JPY 1,016.3 billion, a decrease of JPY 413.0 billion from the previous year. The decrease is attributable to factors including the recording of a consolidated net loss.

Interest-bearing debt at the fiscal year-end was JPY 1,412.4 billion, an increase of JPY 80.8 billion from the previous year. The increase is attributable to factors including the impact of newly consolidated companies.

As a result of these developments, the equity ratio was 23.1%.

Cash Flow Analysis

Cash and cash equivalents (hereinafter “cash”) at the end of the fiscal year under review totaled JPY 227.3 billion, an increase of JPY 0.5 billion from the previous fiscal year-end. Cash flows and factors affecting cash flows are discussed below.

Net cash provided by operating activities was JPY 441.2 billion. The increase is attributable to factors including a decrease in inventories (JPY 584.3 billion) and a decrease in trade notes and accounts receivable (JPY 421.9 billion), which offset factors such as a net loss before income taxes (JPY 365.6 billion) and a decrease in notes and accounts payable (JPY 218.0 billion).

Net cash used in investing activities was JPY 324.6 billion. The decrease is principally attributable to investment in petroleum product production facilities at refineries and investment in the E&P of Oil and Natural Gas Business.

Net cash used in financing activities was JPY 86.8 billion. The decrease is attributable to a decrease in commercial paper due to a decline in the working capital burden in light of lower crude oil prices, dividend payments, and other factors.

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

	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009
Shareholders’ Equity Ratio	26.7	27.7	28.5	23.1
Shareholders’ Equity Ratio on a Market Value Basis	31.8	31.9	19.8	17.9
Debt Service Years	35.6	6.3	12.9	3.2
Interest Coverage Ratio	1.6	9.4	4.1	16.5

Notes:

1. Definitions of indicators are as follows:

--Equity ratio: equity / total assets

(Figures 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 6 banks. There were no borrowings under the commitment line at the end of the interim period under review.

Also, Nippon Oil and 3 foreign 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 2009.

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

The Company considers 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. Furthermore, to facilitate the implementation of capital policy, the Company takes a flexible approach to share repurchases.

In accordance with these policies, the Company has decided to pay annual cash dividends of JPY 20 per share (half-year dividends of JPY 10) starting from the fiscal year under review (fiscal 2008) to further increase shareholder returns and realize stable dividends unaffected by fluctuations in short-term business performance.

The Company’s basic dividend target is a dividend on equity (DOE) of 2% or higher on a consolidated basis.

In the current fiscal year, the Company plans to pay annual cash dividends of JPY 20 per share to provide stable dividends in accordance with the above policies.

(4) 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

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

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).

(3) Medium- to long-term Business Strategy

The Nippon Oil Group plans to implement management integration with the Nippon Mining Holdings Group in April 2010 and will make every effort in preparing for smooth management integration.

The Company intends to formulate a new medium-term business strategy for the post-integration period.

(4) Key Issues

1. Environment Surrounding the Nippon Oil Group

With regard to the outlook for the Japanese economy, although the government is adopting large-scale economic measures to overcome the current economic crisis, considerable time may be required for the economy to bottom out and head toward a private demand-driven recovery. In addition, the Asian economy as a whole may follow a deceleration trend for some time.

Under these circumstances, demand for petroleum products in Japan is likely to follow a long-range downward trend owing to a slump in distribution and production activities immediately attendant on the economic recession, as well as structural factors such as a decline in automobile ownership, advancements in energy conservation, and energy conversion to gas, electricity and other energy sources. Nevertheless, although demand for petroleum products and petrochemical products in Asia is expected to remain weak for the time being due to the effects of the current economic recession, it is likely to return to an expansion phase over the medium to long term as the global economy emerges from the current recessionary period.

With long-range domestic demand for petroleum products poised to decline due to these economic circumstances, Japan's oil industry faces the urgent task of addressing the problems of surplus refining capacity and excess service stations. Also, fundamental reinforcement of business infrastructure is required to respond to global competition among energy companies in the area of resource development.

2. Issues Facing the Nippon Oil Group

In the circumstance described above, to achieve the objective of "Enacting structural reforms in existing businesses and strengthening the foundations of new businesses" set forth in the Fourth Medium-Term Management Plan, the Nippon Oil Group intends to spare no effort in tackling the difficult tasks ahead and in making thoroughgoing preparations to accomplish management integration with the Nippon Mining Holdings Group and achieve significant advances as an "integrated energy, resources, and materials group." The Group faces the specific business challenges described below.

First, in Refining and Marketing, the core business segment, the Group intends to continue to adopt policies and measures to ensure stable earning capacity.

On the production side, the Group will strive for safe, stable business operation and implement group-wide efficiency increases across the crude oil procurement, refining, distribution, and marketing processes, including at the

Oita Refinery acquired from Kyushu Oil Co., Ltd. With respect to marketing, the Group intends to further establish a new pricing structure for the Japanese market, as well as reorganizing, consolidating, and bolstering the competitive strength of the service station network, and engaging in flexible product exports in line with demand trends. Furthermore, through the management integration with Nippon Mining Holdings, Inc., the Group intends to realize radical streamlining of oil refining and marketing operations by reducing total refining capacity for both groups by the equivalent of 400,000 barrels per day within two years of integration. It will also consider additional reductions in refining capacity depending on circumstances.

Second, in E&P of Oil and Natural Gas, a pillar of the medium-to-long-term growth strategy, the Group will undertake to maintain and expand production volumes in its production operations and proceed with preparations to rapidly bring businesses currently under development to the production stage. Furthermore, on the basis of full consideration of profitability and risk management, we will continue to concentrate investment and pursue further business development in four core regions: Southeast Asia, Oceania, the U.S. Gulf of Mexico, and the U.K. North Sea.

Third, with regard to new energy businesses, the Group will actively nurture and develop promising businesses to secure long-range growth. The Group will prepare for full-scale marketing of residential-use fuel cells by rapidly developing a mass production system and focusing effort on the expansion of sales channels. In the solar cell business, SANYO ENEOS Solar Co., Ltd. intends to steadily proceed with potential commercialization of thin-film solar cells and make thoroughgoing preparations to commence full-scale operations. In addition, the Group intends to carry on with efforts to strengthen operations in the new energy business sector, such as getting manufacturing and marketing operations for carbon electrodes for capacitors up and running and achieving rapid results. As described above, the Nippon Oil Group is set to steadily implement policies and measures across all business sectors, achieve successful management integration with the Nippon Mining Holdings Group, and contribute to the sustainable development of society and the economy through the stable, efficient, supply of energy, resources, and materials. In so doing, the Nippon Oil Group will maximize growth and corporate value into the future.

Consolidated Balance Sheets

	FY2007 As of March 31, 2008		FY2008 As of March 31, 2009	
	Millions of yen	%	Millions of yen	%
ASSETS				
Current assets	2,487,526	54.1%	1,758,489	44.3%
Cash and cash time deposits	228,907		227,533	
Trade notes and accounts receivable	901,675		540,409	
Inventories	1,157,959		664,560	
Deferred income taxes	51,394		55,132	
Other current assets	147,588		270,854	
Noncurrent assets	2,106,662	45.9%	2,211,234	55.7%
Property, plant and equipment	1,305,860		1,336,444	
Buildings and Structures	227,315		242,972	
Oil tanks・Machinery and equipment・Other	413,140		398,877	
Land	648,325		663,813	
Construction in progress	17,078		30,780	
Intangible noncurrent assets	36,260		48,336	
Investments and other assets	764,541		826,454	
Investment securities	382,771		358,245	
long-term receivables	12,439		10,030	
Deferred income taxes	17,835		173,073	
Oil and gas investment	260,870		211,985	
Other investment and assets	90,624		73,119	
Deferred assets	9	0.0%	5	0.0%
Bond issuance expenses and other	9		5	
Total assets	4,594,197	100.0%	3,969,730	100.0%

Consolidated Balance Sheets

	FY2007 As of March 31, 2008		FY2008 As of March 31, 2009	
	Millions of yen	%	Millions of yen	%
LIABILITIES				
Current liabilities	2,258,130	49.2%	1,890,264	47.6%
Trade notes and accounts payable	672,950		366,208	
Short-term loans	362,523		382,538	
Commercial papers	428,000		242,000	
Accounts payable	484,825		557,017	
Allowance for directors' bonuses	450		440	
Other current liabilities	309,379		342,059	
Noncurrent liabilities	906,800	19.7%	1,063,159	26.8%
Bonds	135,047		185,021	
Long-term loans	411,035		607,894	
Deferred income taxes	174,351		114,417	
Retirement allowances for employees	64,076		54,482	
Other noncurrent liabilities	122,290		101,344	
Total liabilities	3,164,930	68.9%	2,953,424	74.4%
NET ASSETS				
Shareholder's equity	1,194,662	26.0%	918,118	23.1%
Common stock	139,437	3.1%	139,437	3.5%
Capital surplus	275,782	6.0%	275,698	6.9%
Retained earnings	782,037	17.0%	507,371	12.8%
Less treasury common stock, at cost	(2,595)	(0.1%)	(4,389)	(0.1%)
Valuation and translation adjustments	115,125	2.5%	(2,712)	0.0%
Net unrealized gain on securities	85,725	1.9%	25,534	0.7%
Deferred gains and losses on hedges	18,355	0.4%	9,218	0.2%
Translation adjustments	11,045	0.2%	(37,465)	(0.9%)
Minority interests in consolidated subsidiaries	119,478	2.6%	100,900	2.5%
Total Net assets	1,429,266	31.1%	1,016,306	25.6%
Total liabilities, and net assets	4,594,197	100.0%	3,969,730	100.0%

Consolidated Statements of Income

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
	Millions of yen	Millions of yen
Net sales	7,523,990	7,389,234
Cost of sales	(6,982,966)	(7,414,998)
Gross Profit	541,023	(25,763)
Selling, general and administrative expenses	(277,061)	(286,743)
Operating income	263,962	(312,506)
Non-operating income	63,656	80,088
Interest and dividend income	25,281	32,851
Asset rental income	9,946	8,142
Equity in earnings of unconsolidated affiliates	4,366	5,822
Foreign exchange gain	11,238	8,101
Other	12,823	25,170
Non-operating expenses	(51,953)	(43,030)
Interest expenses	(27,261)	(28,727)
Other	(24,691)	(14,302)
Ordinary income	275,666	(275,448)
Extraordinary income	35,565	15,100
Extraordinary losses	(31,419)	(105,221)
Income before income taxes and minority interests	279,812	(365,569)
Income taxes	(97,176)	(49,672)
Income taxes- deferred	(21,282)	170,473
Minority interests in earnings of consolidated subsidiaries	(13,048)	(6,846)
Net income	148,306	(251,613)

Consolidated Statements of Changes in net assets

Previous fiscal year (From April 1, 2007 to 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 adjustments		
	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)
Net income			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 fiscal year	—	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 Changes in net assets

Current Fiscal Year (April 1, 2008 ～ March 31, 2009)

	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 adjustments		
	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, 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
Changes related to changes in accounting policies applied to foreign subsidiaries			(452)		(452)						(452)
Changes in the fiscal year											
Cash dividends			(23,383)		(23,383)						(23,383)
Net income			(251,613)		(251,613)						(251,613)
Purchases of treasury stock				(2,191)	(2,191)						(2,191)
Disposal of treasury stock		(83)		397	313						313
Changes in the scope of consolidation			765		765						765
Changes related to range in application of equity method			17		17						17
Net Changes of Net assets other than Shareholders' equity						(60,191)	(9,136)	△48,510	(117,838)	(18,577)	(136,415)
Total of changes in the fiscal year	―	(83)	(274,214)	(1,794)	(276,091)	(60,191)	(9,136)	(48,510)	(117,838)	(18,577)	(412,507)
Balance as of March 31, 2009	139,437	275,698	507,371	(4,389)	918,118	25,534	9,218	(37,465)	(2,712)	100,900	1,016,306

Consolidated Statements of Cash Flows

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
	Millions of yen	Millions of yen
Ⅰ. Cash flow from operating activities		
Income before income taxes and minority interests	279,812	(365,569)
Depreciation and amortization	152,350	170,106
Decrease(increase) in notes and accounts receivable	(79,512)	421,856
Decrease(increase) in inventories	(268,024)	584,338
(Decrease)increase in notes and accounts payable	65,234	(218,015)
Impairment loss	13,141	75,404
Other	8,227	(128,625)
Sub-total	171,229	539,495
Interest and dividends received	27,182	33,567
Interest paid	(27,487)	(27,506)
Income taxes paid	(79,675)	(105,115)
Increase (decrease) in long-term temporary payment of tax	11,967	760
Net cash provided by (used in) operating activities	205,867	441,202
Ⅱ. Cash flows from investing activities		
Increase in time deposits	8,027	1,559
Additions to property, plant and equipment	(117,203)	(102,983)
Proceeds from sales of property, plant and equipment	63,562	21,012
Net (increase) decrease in marketable and investment securities	(18,607)	(48,417)
Payments for oil and gas investment	(119,203)	(66,084)
Other	(16,285)	(129,729)
Net cash (used in) provided by investing activities	(199,709)	(324,641)
Ⅲ. Cash flows from financing activities		
(Decrease)increase in short-term loans	99,986	(199,399)
Increase(decrease) in long-term loans and bonds	(68,311)	155,117
Other	(25,301)	(42,554)
Net cash provided by (used in) financing activities	6,374	(86,836)
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	(4,875)	(36,941)
Ⅴ. (decrease)increase in cash and cash equivalents	(94,994)	(7,216)
Ⅵ. Cash and cash equivalents at beginning of the period	321,786	226,792
Ⅶ. Increase in cash and cash equivalents due to inclusion in consolidation	-	7,034
Ⅷ. Increase in cash and cash equivalents due to merger of consolidated subsidiaries	-	648
Ⅸ. Cash and cash equivalents at end of the period	226,792	227,257

Explanatory Notes to Consolidated Financial Statements

Consolidated Balance Sheets

	FY2007 As of March 31, 2008	FY2008 As of March 31, 2009
	millions of yen	millions of yen
Merchandise and finished goods	447,024	279,760
Goods in process	94,713	88,689
Raw material and inventory goods	616,221	296,109
Accumulated depreciation and amortization	2,068,553	2,200,794
Allowance for doubtful accounts	9,635	9,941

Consolidated Statement of Income

Breakdown of Extraordinary income (losses)

	FY2007 From April 1, 2007 to March 31, 2008	FY2008 From April 1, 2008 to March 31, 2009
	millions of yen	millions of yen
Income on sales of property, plant and equipment	24,850	14,610
Income on sales of securities	8,048	56
Loss on retirement of noncurrent assets	(7,662)	(8,155)
Loss on disposal of noncurrent assets	(4,484)	(3,950)
Impairment loss	(13,141)	(75,404)
Loss on valuation of investment securities	(518)	(7,861)

Segment Information

[Business Segment]

(1)Previous fiscal year（From April 1, 2007 to 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
Assets, Depreciation, Impairment loss 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 the Refining and Marketing, 3 million yen in the E&P of Oil and Natural Gas, 223 million yen in the Construction, and 20 million yen in the Other. 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 the Refining and Marketing, 445 million yen in the Construction, 13 million yen in the Other. Operating income decreased equivalent amout to increases in operating expenses in each segment.

(2) Current Fiscal Year（From April 1, 2008 to March 31, 2009）

	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	6,760,525	218,623	356,540	53,545	7,389,234	―	7,389,234
（2）Intergroup sales and transfers	8,806	―	28,526	24,983	62,316	(62,316)	―
Total sales	6,769,332	218,623	385,066	78,528	7,451,551	(62,316)	7,389,234
Operating expenses	7,203,735	112,245	377,567	73,179	7,766,728	(64,986)	7,701,741
Operating income (loss)	(434,402)	106,377	7,499	5,349	(315,176)	2,670	(312,506)
Assets, Depreciation, Imairment loss and Capital expenditures							
Assets	3,218,077	489,758	359,281	51,549	4,118,666	(148,936)	3,969,730
Depreciation	123,880	39,711	6,318	767	170,678	(571)	170,106
Impairment loss	11,311	63,279	813	―	75,404	―	75,404
Capital expenditures	94,687	75,163	8,675	991	179,517	―	179,517

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

(1) Application of the Accounting Standard for Measurement of Inventories

Nippon Oil Corporation and its domestic consolidated subsidiaries have applied the Accounting Standard for Measurement of Inventories (Accounting Standards Board of Japan Statement No. 9, issued July 5, 2006) starting in the fiscal year under review. As a result, operating expenses for the fiscal year under review increase by 28,127 million yen in the Refining and Marketing, 1,560 million yen in the Construction, and 339 million yen in the Other segment. Operating loss increased by 28,127 million yen in the Refining and Marketing , operating income decreased by 1,560 million yen in the Construction, and operating income decreased by 339 million yen in the Other .

(2) Change in the Useful Life of Tangible Fixed Assets

Nippon Oil Corporation and its domestic consolidated subsidiaries took the revision of the Corporation Tax Law as an occasion to review the useful life of their respective oil refining facilities and other machinery and equipment, taking into consideration the conditions of use of said facilities and other factors. As a result of the revision, the statutory useful life of these facilities has changed starting from the fiscal year under review. Consequently, for the fiscal year under review depreciation increased by 5,820 million yen in the Refining and Marketing and decreased by JPY 41 million yen in the Construction. Operating expenses increased by 5,561 million yen in the Refining and Marketing and decreased by 41 million yen in the Construction. Operating loss increased by 5,561 million yen in the Refining and Marketing, and operating profit increased by 41 million yen in the Construction .