NIPPON OIL CORPORATION
Your Choice of Energy

# FLASH REPORT (CONSOLIDATED BASIS)

Nov 11, 2004

Company name : Nippon Oil Corporation
Stock listings: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Exchanges
Code number: 5001
( URL http://www.eneos.co.jp )
Address of headquarters: 3-12,Nishi Shimbashi 1-chome, Minato-ku, Tokyo 105-8412, Japan
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Date for Convening the Board of Directors Meeting for the Settlement of Accounts: November 11, 2004
U.S. accounting standard: not applied

## 1.Results for the six months ended September 30, 2004

### (1)Operating results

(Figures less than ￥1 million have been omitted)

| | Net Sales (% change from the previous interim period) | | Operating income (% change from the previous interim period) | | Recurring income (% change from the previous interim period) | |
|---|---|---|---|---|---|---|
| | Millions of yen | | Millions of yen | | Millions of yen | |
| Interim period | 2,257,666 | (13.2) | 90,185 | (386.4) | 93,981 | (375.2) |
| Previous interim period | 1,994,152 | (7.4) | 18,540 | (△20.1) | 19,775 | (0.3) |
| Previous fiscal year | 4,279,751 | | 55,918 | | 57,089 | |

| | Net income (% change from the previous interim period) | | Net income per share | Net income per share after dilution |
|---|---|---|---|---|
| | Millions of yen | | Yen | Yen |
| Interim period | 57,976 | (470.1) | 38.45 | 37.75 |
| Previous interim period | 10,170 | (—) | 6.76 | — |
| Previous fiscal year | △ 133,526 | | △88.76 | — |

Notes: 1.Equity in earnings (losses) of unconsolidated subsidiaries and affiliates:
Six months ended September 30, 2004: ￥2,378 million
Six months ended September 30, 2003: ￥1,202 million
Year ended March 31, 2004: ￥2,357 million
2.Average number of shares outstanding during fiscal years
Six months ended September 30, 2004: 1,508,565,018
Six months ended September 30, 2003: 1,509,047,418
Year ended March 31, 2004: 1,508,930,524
3.There was no change in accounting methods.
4.Percentages indicate year-on-year increase/(decrease) in net sales, operating income, recurring income, and net income.

### (2)Financial position

| | Total assets | Total shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| Interim period | 3,395,980 | 871,868 | 25.7 | 578.02 |
| Previous interim period | 3,289,374 | 955,627 | 29.1 | 633.30 |
| Previous fiscal year | 3,265,503 | 821,202 | 25.1 | 544.04 |

Notes: Number of shares outstanding at end of the period
Six months ended September 30, 2004: 1,508,383,229
Six months ended September 30, 2003: 1,508,961,920
Year ended March 31, 2004: 1,508,659,792

### (3)Cash flows

| | 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 |
| Interim period | 56,631 | △52,113 | 14,968 | 194,873 |
| Previous interim period | 95,064 | △46,645 | △67,370 | 97,032 |
| Previous fiscal year | 279,969 | △79,060 | △139,309 | 174,535 |

(4)Number of subsidiaries and affiliates

Consolidated subsidiaries: 52,  Unconsolidated subsidiaries accounted for by the equity method: 18,
Affiliates accounted for by the equity method: 29

(5)Changes in the scope of consolidation

There was a new consolidated subsidiary.
Four existing consolidated subsidiaries were excluded.
There were eight new affiliated companies accounted for by the equity method.
A existing consolidated subsidiary was excluded.

２. Forecast for fiscal 2005 (April 1, 2004 to March 31,2005)

| | Net Sales | Recurring income | Net income |
|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen |
| Fiscal year | **4,780,000** | **190,000** | **115,000** |

(Reference) Consolidated net income per share for the fiscal year is forecast to be ￥75.95

* 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.6 of the attached document for more information regarding the aforementioned forecasts.

## Management Performance and Financial Position

### (1) Management Performance

#### Review of Operations for the Interim Period

During the interim period, the Japanese economy showed net steady growth as exports to Asian countries remained strong, personal consumption levels remained firm, and private capital investment increased against the backdrop of recovering corporate profits.

#### Petroleum Fuel and Crude Oil

Overall demand for oil products in Japan decreased slightly as compared to the previous interim period. Gasoline demand showed marked growth as a result of the extreme heat during the interim period and demand for diesel oil also showed turnaround growth. On the other hand, the restart of power generation at nuclear plants resulted in a significant decrease in demand for heavy fuel oil C used in thermal power generation plants.

Amid this environment, the NOC Group made concerted efforts to increase the profitability of its core businesses and to create new energy businesses.

Regarding oil and gas development, commercial production began in November 2003 at the Helang Gas Field which is located off the shore of Sarawak, Malaysia and is operated by the NOC Group. Two more facilities, the Serai Gas Field and the Jintan Gas Field, also began commercial production in June and August of 2004, respectively. As a result of these efforts, the Group was able to complete its goal of building an integrated natural gas operations structure ranging from exploration and development to LNG production and sale.

With respect to refining operations, the NOC Group completed the construction of a desulfurization facility in its Sendai Refinery in August of 2004. The facility utilizes the “ROK-Finer” technology, developed by the Group to greatly reduce the sulfur content of gasoline. The technology was also introduced at the Negishi and Mizushima refineries. As shown, steady preparations are being made in advance of January 2005 when the NOC Group expects to begin delivering sulfur-free regular gasoline and diesel. In addition, a refining consignment agreement was finalized with China National United Oil Corporation in July of

2004 with its purpose to improve the effective use of the Group's refining facilities.

In marketing operations, the NOC Group made a concerted effort to increase the sale of ENEOS VIGO through a national sales campaign aimed at increasing the visibility of the product. At the same time, the NOC Group continued to increase the number of new "Dr. Drive" facilities in light of the goal to establish a 2,500-store national network in the near future.

In line with the goal of creating new energy businesses, independent power producer (IPP) operations began at the Marifu Refinery in April 2004 and the Muroran Refinery in October 2004. As a result, the NOC Group now boasts 700,000 kW electrical power selling capabilities from five refineries in its IPP business. In the area of fuel cells, the NOC Group is looking towards the early commercialization of its product line which consists of a LPG-based 1kW-class household fuel cell system currently in the testing phase, a kerosene-based 10kW class commercial-use fuel cell system and the newly developed kerosene-based 1kW class household fuel cell system developed in April of 2004.

As a result of these efforts in this area, the NOC Group's consolidated net sales for the interim period under review in the petroleum fuel and crude oil business increased 14.1% from the previous interim period to ¥1,941.2 billion. The rapid rise in crude oil prices resulted in the presence of a time-lag associated with the pass-through of crude oil costs to sales price. Although this had a negative effect on profitability, this was compensated by the valuation of inventory using the gross average method which resulted in lower cost of goods sold figures. In addition, the increase in sales volume of gasoline and diesel as a result of the extreme heat during the interim period, as well as the Group's efforts to cut costs and boost efficiency, resulted in an increase of ¥67.6 billion in operating income to ¥78.7 billion during the interim period under review.

### Petrochemical Operations

The profitability of petrochemical related companies within the NOC Group improved during the interim period under review as domestic demand continued to head down the road of recovery, exports surged because of the robust demand in China and other Asian countries, and the pass through of rising raw material costs to product prices progressed. Amid these developments, the NOC Group worked to increase sales levels, including exports, and set prices at appropriate levels in light of current raw material costs. The Group also took thorough cost-cutting and operational rationalization measures, worked to increase the cost-competitiveness of its commodity products operations by coordinating them more closely with oil refining operations, and focused efforts on strengthening and further developing its lineup of specialty and high-performance chemicals.

Consolidated net sales from petrochemical operations rose 29.4% from the previous interim period to ¥155.5 billion. In addition, although raw naphtha prices continued to remain at high levels, the favorable overall market conditions and the Group's efforts to cut costs and boost efficiency increased operating income by ¥4.3 billion from the previous interim period to ¥7.9 billion.

Construction

Despite a rising trend in private capital investment, Japan's road and construction industries continued to operate in a tough business environment as public investment remained weak. Against this backdrop, the NOC Group worked aggressively to win construction bids and sell related products in this field.

In spite of these efforts consolidated net sales in the construction segment decreased by 8.8% from the previous interim period to ¥126.4 billion. On the income side, although rising crude oil prices significantly increased raw material costs and impacted operating income, the Group's cost cutting and efficiency-boosting measures compensated for this negative. As a result, operating loss decreased from ¥400 million in the previous interim period to ¥100 million.

Other

As conditions in the area of petroleum product distribution operations became severer, the NOC Group proactively developed its marketing of a wide array of automobile-related products, focusing especially on ENEOS branded goods. In its real-estate operations, the Group worked to upgrade its administration and service systems as well as improve facilities so that it is able to provide higher-quality office environments to its clients.

These efforts resulted in consolidated net sales in the other business segment totaling ¥34.6 billion, a 0.4% increase from the previous interim period. On the other hand, operating income decreased by ¥500 million from the previous interim period to ¥2.1 billion partly because of a decline in revenues from real-estate operations. This is despite the Group's best efforts to cut costs and boost efficiency in this business segment.

Consolidated Financial Results

On a consolidated basis, net sales of the NOC Group increased 13.2% from the previous interim period to ¥2,257.7 billion. Despite the impact of a time lag in the pass-through between rising crude oil costs and sale prices, operating income increased ¥71.7 billion from the previous interim period to ¥90.2 billion. The positive news was primarily as a result of strong results in the petrochemical area, further progress in implementing cost-cutting and efficiency-boosting measures, and inventory conditions (decrease in cost of goods sold with the use of the gross average method to valuate inventory).

In line with the NOC Group's second consolidated management plan, the Group set out to implement cost-cutting and operational streamlining measures to reduce expenses by ¥100 billion over a three-year period beginning in FY2003(Apr.2002-Mar.2003). As of the end of the interim period, the Group has managed to reduce overall costs by ¥79.6 billion.

In regards to non-operating income and expenses, the Group posted a gain of ¥3.8 billion during the interim period under review (a ¥2.5 billion increase from the previous period). This reflected such factors as a drop in the interest expense as a result of declines in interest rates and in the balance of interest-bearing debts held by the Group.

As a result of the above, the Group posted a consolidated recurring income figure of ¥94 billion, a ¥74.2 billion increase from the previous interim period.

In regards to extraordinary expense or income, the Group booked a ¥2.8 billion income (a ¥1.4 billion increase from the previous period) mainly as a result of a gain on the disposal of fixed assets; a measure that the Group has been taking to slim-down the balance sheet.

Net income for the interim period under review increased ¥47.8 billion from the previous interim period to ¥58 billion.

Outlook for the Current Fiscal Year

The fiscal year ending March 31, 2005 is the final year of the NOC Group's second consolidated medium-term management plan, and all NOC Group units are aiming to attain the target management indices of the plan, which include increasing ROE to 6.5% and reducing the balance of interest-bearing debt to ¥900 billion. At the end of the interim period under review, the Group still anticipates that these goals will be met.

Consolidated net sales for FY2005 (Apr.2004-Mar.2005) is forecasted to increase 11.7% from the previous period to ¥4,780 billion (¥3,860 billion on a non-consolidated basis), mainly as a result of the rapid rise in crude oil prices.

In regards to consolidated recurring income, the Group forecasts a figure of ¥190 billion (¥51 billion on a non-consolidated basis) as a result of further implementation of cost-cutting and efficiency-boosting measures across the entire NOC Group. Excluding inventory valuation factors, consolidated recurring income is forecasted to be ¥135 billion.

Finally, the Group forecasts consolidated net income of ¥115 billion (¥38 billion on a non-consolidated basis) for the current fiscal year. In addition, the Group forecasts a 13.2% ROE.

Please note that the above figures are calculated under the assumption that the latter half of FY2005 will see crude oil prices of $37.10 per barrel and a currency exchange rate of ¥110 to one US dollar.

Dividends

Since the NOC Group expects to be able to attain the target indices set forth in the second consolidated medium-term management plan, the Group has declared a ¥1 per share increase to interim cash dividends to ¥4 per share.

In addition, the Group declared a ¥2 per share increase to year-end cash dividends to ¥6 per share, making cash dividends ¥10 per share on an annualized basis.

(2) Financial Position

Balance Sheets

As of the end of the current interim period under review, consolidated assets totaled ¥3,396 billion, an increase of ¥130.5 billion from the end of the previous period. This was because the rapid rise in crude oil prices significantly increased inventory levels.

Consolidated shareholders' equity at the end of the current interim period under review totaled ¥871.8 billion, up ¥50.6 billion from the end of the previous period. Although the implementation of a period-end dividend had a negative impact on this number, positive factors such as the accounting of consolidated interim net income played an important role in increasing the overall figure.

Consequently, the shareholders' equity ratio at the end of the current interim period under review was 25.7%.

Cash Flows

At the end of the current interim period under review, the balance of cash and cash equivalents (hereinafter referred to as "cash") totaled ¥194.9 billion, up ¥20.4 billion from the end of the previous period. The factors influencing cash flows were as follows:

Cash flow from operating activities increased by ¥56.6 billion. Negative factors to cash flow included the greater inventory levels resulting in increased working capital and the actual payment of additional payments amounts associated with the special early retirement program (¥10.8 billion). Fortunately, these negative factors were counteracted by positive factors such as the interim net income before taxes (¥96.8 billion) and other adjustments and the non-expense incurring depreciation allowance (¥52.8 billion).

Cash flow from investing activities decreased by ¥52.1 billion as a result of capital investments made in IPP facilities at refineries and petroleum sale facilities.

Cash flow from financing activities increased by ¥15 billion. Despite dividend payments, the borrowing on working capital as a result of the rapid rise in crude oil prices surpassed any such negative factors.

Trends in the cash flow indicators of the NOC Group are as follows.

| | Year ended March 31, 2002 | Year ended March 31, 2003 | Year ended March 31, 2004 | Year ended September 30, 2004 |
|---|---|---|---|---|
| Shareholders' equity ratio (%) | 26.8 | 27.8 | 25.1 | 25.7 |
| Ratio of market capitalization to total assets (%) | 26.9 | 22.5 | 27.5 | 30.9 |
| Years needed to retire debt (years) | 5.6 | ※ — | 3.4 | — |
| Interest coverage ratio (times) | 5.7 | ※ — | 13.3 | 6.0 |

Notes:

1. Asterisks indicate that the figures for years needed to retire debt and interest coverage have not been shown. This is because during the fiscal year ended March 31, 2003, operating cash flow was negative because of a one-time increase in working capital requirements due to the sharp rise in oil prices stemming from the Iraq problem and the falling of the last day of the previous fiscal year on a Japanese national holiday, which resulted in a large decline in unpaid gasoline and other taxes for the previous year.
2. Definitions of indicators are as follows:
   - Shareholders' equity ratio: Shareholders' equity/Total assets
   - Ratio of market capitalization to total assets: Total value of stock at market price/Total assets
   - Years needed to retire debt: Interest-bearing debt/Operating cash flow
   - Interest coverage ratio: Cash flow from operations/Interest paid

3. All indicators have been calculated based on consolidated financial data.
4. Market capitalization 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).
5. Operating cash flow is the cash flow from operations shown in the Consolidated Statement of Cash Flows.
6. Interest-bearing debt is actual interest-bearing debt, defined as the interest-bearing liabilities shown on the consolidated balance sheets less the funds managed (credit assets) of finance subsidiaries. In addition, interest paid has been calculated by subtracting the amount of interest paid by finance subsidiaries to fund their credit asset portfolios from the amount of interest paid shown in the Consolidated Statement of Cash Flows.

### Commitment Line Contracts

To raise working capital efficiently, NOC has concluded a commitment line contract with a syndicate of 11 banks with which it has transaction relationships. This commitment line provides the Company with funding up to ¥80 billion and US$200 million. One of the consolidated subsidiaries has concluded the same kind of commitment line contract, which provides the company with funding up to ¥1 billion. There were no borrowings under these commitment lines during the fiscal year under review.

# CONSOLIDATED BALANCE SHEETS

| | Previous fiscal year March 31, 2004 | | Current interim period September 30, 2004 | | Change from the previous fiscal year-end | Previous interim period September 30, 2003 | |
|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | Millions of yen | % |
| ASSETS | | | | | | | |
| Current assets | 1,395,336 | 42.7% | 1,520,234 | 44.8% | 124,897 | 1,242,504 | 37.8% |
| Cash and cash time deposits | 178,846 | | 198,296 | | 19,450 | 104,755 | |
| Trade notes and accounts receivable | 578,850 | | 516,662 | | △ 62,188 | 480,692 | |
| Short-term investments in securities | 3,009 | | 2,310 | | △ 699 | 10,295 | |
| Inventories | 498,857 | | 661,032 | | 162,174 | 534,855 | |
| Deferred income taxes | 41,543 | | 31,293 | | △ 10,250 | 30,358 | |
| Other current assets | 94,228 | | 110,639 | | 16,411 | 81,548 | |
| Fixed assets | 1,870,137 | 57.3% | 1,875,722 | 55.2% | 5,584 | 2,046,835 | 62.2% |
| Property, plant and equipment | 1,385,774 | | 1,384,275 | | △ 1,498 | 1,554,487 | |
| Buildings and Structures | ( 282,455 ) | | ( 275,370 ) | | ( △ 7,084 ) | ( 300,118 ) | |
| Oil tanks・Machinery and equipment・Other | ( 340,024 ) | | ( 367,496 ) | | ( 27,472 ) | ( 337,322 ) | |
| Land | ( 701,519 ) | | ( 695,873 ) | | ( △ 5,646 ) | ( 864,192 ) | |
| Construction in progress | ( 61,774 ) | | ( 45,535 ) | | ( △ 16,239 ) | ( 52,854 ) | |
| Intangible fixed assets | 56,396 | | 52,875 | | △ 3,520 | 56,978 | |
| Investments and other assets | 427,967 | | 438,570 | | 10,603 | 435,369 | |
| Investment securities | ( 291,003 ) | | ( 292,347 ) | | ( 1,344 ) | ( 280,626 ) | |
| Deferred income taxes | ( 24,426 ) | | ( 21,216 ) | | ( △ 3,210 ) | ( 27,798 ) | |
| Other investment and assets | ( 112,537 ) | | ( 125,006 ) | | ( 12,469 ) | ( 126,943 ) | |
| Deferred assets | 29 | 0.0% | 23 | 0.0% | △ 5 | 33 | 0.0% |
| Bond issuance expenses and other | 29 | | 23 | | △ 5 | 33 | |
| Total assets | 3,265,503 | 100.0% | 3,395,980 | 100.0% | 130,477 | 3,289,374 | 100.0% |

# CONSOLIDATED BALANCE SHEETS

| | Previous fiscal year March 31, 2004 | | Current interim period September 30, 2004 | | Change from the previous fiscal year-end | Previous interim period September 30, 2003 | |
|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | Millions of yen | % |
| LIABILITIES | | | | | | | |
| Current liabilities | 1,433,424 | 43.9% | 1,540,359 | 45.4% | 106,935 | 1,261,899 | 38.4% |
| Trade notes and accounts payable | 347,401 | | 391,578 | | 44,176 | 303,895 | |
| Short-term loans | 175,119 | | 230,560 | | 55,440 | 229,387 | |
| Commercial paper | 121,000 | | 115,000 | | △ 6,000 | 145,000 | |
| Accounts payable | 521,350 | | 509,694 | | △ 11,655 | 382,248 | |
| Other current liabilities | 268,551 | | 293,525 | | 24,974 | 201,367 | |
| Long-term liabilities | 909,763 | 27.9% | 881,227 | 25.9% | △ 28,535 | 958,922 | 29.1% |
| Bonds | 231,968 | | 224,329 | | △ 7,639 | 233,304 | |
| Convertible bonds | — | | — | | — | 69,628 | |
| Long-term loans | 398,556 | | 374,402 | | △ 24,153 | 372,301 | |
| Deferred income taxes | 78,013 | | 80,373 | | 2,359 | 79,947 | |
| Retirement allowances for employees | 111,725 | | 107,508 | | △ 4,217 | 111,427 | |
| Other long-term liabilities | 89,498 | | 94,614 | | 5,115 | 92,313 | |
| Total liabilities | 2,343,187 | 71.8% | 2,421,587 | 71.3% | 78,399 | 2,220,821 | 67.5% |
| Minority interests in consolidated subsidiaries | 101,113 | 3.1% | 102,525 | 3.0% | 1,411 | 112,925 | 3.4% |
| SHAREHOLDERS' EQUITY | | | | | | | |
| Common stock | 139,436 | 4.3% | 139,436 | 4.1% | — | 139,436 | 4.2% |
| Capital surplus | 274,838 | 8.4% | 274,843 | 8.1% | 5 | 274,836 | 8.4% |
| Retained earnings | 371,471 | 11.4% | 422,787 | 12.4% | 51,316 | 519,877 | 15.8% |
| Evaluation differences on other securities | 46,766 | 1.4% | 46,241 | 1.4% | △ 525 | 28,152 | 0.9% |
| Translation adjustments | △ 8,123 | △ 0.3% | △ 7,937 | △ 0.2% | 185 | △ 3,775 | △ 0.1% |
| Less treasury common stock, at cost | △ 3,186 | △ 0.1% | △ 3,502 | △ 0.1% | △ 316 | △ 2,899 | △ 0.1% |
| Total shareholders' equity | 821,202 | 25.1% | 871,868 | 25.7% | 50,665 | 955,627 | 29.1% |
| Total liabilities, minority interests, and shareholders' equity | 3,265,503 | 100.0% | 3,395,980 | 100.0% | 130,477 | 3,289,374 | 100.0% |

## CONSOLIDATED STATEMENTS OF INCOME

| | Previous interim period April 1 ,2003 ～ September 30, 2003 | Current interim period April 1 ,2004 ～ September 30, 2004 | Change from the previous interim period-end | Previous fiscal year April 1 ,2003 ～ March 31, 2004 |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Recurring items | | | | |
| Operating gains and expense | | | | |
| Net sales | 1,994,152 | 2,257,666 | 263,514 | 4,279,751 |
| Cost of sales | △ 1,828,953 | △ 2,030,683 | △ 201,729 | △ 3,928,505 |
| Selling, general and administrative expenses | △ 146,658 | △ 136,797 | 9,860 | △ 295,328 |
| Operating income | 18,540 | 90,185 | 71,645 | 55,918 |
| Non-operating profits and expenses | | | | |
| Non-operating profits | 15,688 | 15,954 | 266 | 28,991 |
| Interest and dividend income | ( 3,084 ) | ( 3,144 ) | ( 59 ) | ( 5,380 ) |
| Foreign exchange losses | ( 1,306 ) | ( 691 ) | ( △ 615 ) | ( 635 ) |
| Equity in earnings of unconsolidated subsidiaries and affiliates | ( 1,202 ) | ( 2,378 ) | ( 1,176 ) | ( 2,357 ) |
| Other | ( 10,094 ) | ( 9,740 ) | ( △ 354 ) | ( 20,618 ) |
| Non-operating expenses | △ 14,452 | △ 12,158 | 2,294 | △ 27,820 |
| Interest | ( △ 10,876 ) | ( △ 9,161 ) | ( 1,715 ) | ( △ 20,829 ) |
| Other | ( △ 3,575 ) | ( △ 2,997 ) | ( 578 ) | ( △ 6,990 ) |
| Recurring income | 19,775 | 93,981 | 74,205 | 57,089 |
| Special Items | | | | |
| Special gains | 11,869 | 15,962 | 4,093 | 19,399 |
| Special losses | △ 10,416 | △ 13,144 | △ 2,728 | △ 226,162 |
| Income before income taxes and minority interests | 21,228 | 96,799 | 75,570 | △ 149,672 |
| Income taxes | △ 8,540 | △ 20,426 | △ 11,885 | △ 14,925 |
| Deferred income taxes | 511 | △ 16,070 | △ 16,582 | 22,780 |
| Minority interests in earnings of consolidated subsidiaries | △ 3,028 | △ 2,325 | 703 | 8,291 |
| Net income | 10,170 | 57,976 | 47,806 | △ 133,526 |

## APPROPRIATION OF CONSOLIDATED RETAINED EARNINGS

| | Previous interim period April 1 ,2003 ～ September 30, 2003 | Current interim period April 1 ,2004 ～ September 30, 2004 | Previous fiscal year April 1 ,2003 ～ March 31, 2004 |
|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen |
| Capital reserve | | | |
| Ⅰ. Balance at beginning of the period | 274,829 | 274,838 | 274,829 |
| Ⅱ. Increase in additional paid-in-capital | 6 | 5 | 8 |
| **Profit on disposal of treasury stock** | ( － ) | ( 5 ) | ( － ) |
| Consolidation profit | ( 6 ) | ( － ) | ( 8 ) |
| Ⅲ. Capital reserve at end of the period | 274,836 | 274,843 | 274,838 |
| Retained earnings | | | |
| Ⅰ. Balance at beginning of the period | 513,199 | 371,471 | 513,199 |
| Ⅱ. Increase in retained earnings | 13,235 | 57,976 | 2,956 |
| Net income | ( 10,170 ) | ( 57,976 ) | ( － ) |
| Increase due to increase in companies accounted by the equity method | ( 3,065 ) | ( － ) | ( 2,956 ) |
| Ⅲ. Appropriations of retained earnings | 6,557 | 6,660 | 144,685 |
| Net Loss | ( － ) | ( － ) | ( 133,526 ) |
| Cash dividends | ( 6,045 ) | ( 6,043 ) | ( 10,579 ) |
| Directors' bonuses | ( 509 ) | ( 425 ) | ( 509 ) |
| Decrease due to decrease in companies accounted by the equity method | ( － ) | ( 167 ) | ( － ) |
| Decrease due to increase in companies accounted by the equity method | ( － ) | ( 24 ) | ( － ) |
| **Write-off of shares held in a merged company** | ( － ) | ( － ) | ( 67 ) |
| Loss on disposal of treasury stock | ( 2 ) | ( － ) | ( 2 ) |
| Ⅳ. Retained earnings at end of the period | 519,877 | 422,787 | 371,471 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Previous interim period April 1 ,2003 ～ September 30, 2003 | Current interim period April 1 ,2004 ～ September 30, 2004 | Previous fiscal year April 1 ,2003 ～ March 31, 2004 |
|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen |
| Ⅰ. Cash flow from operating activities | | | |
| Income before income taxes and minority interests | 21,228 | 96,799 | △ 149,672 |
| Depreciation and amortization | 50,751 | 52,793 | 107,045 |
| Decrease (increase) in notes and accounts receivable | 137,728 | 65,443 | 28,610 |
| (Increase) decrease in inventories | △ 24,606 | △ 162,152 | 11,101 |
| Decrease (increase) in notes and accounts payable | △ 58,250 | 51,140 | 85,285 |
| Other | △ 10,441 | △ 25,697 | 231,250 |
| Sub-total | 116,410 | 78,326 | 313,620 |
| Interest and dividends received | 5,356 | 4,624 | 7,853 |
| Interest paid | △ 11,775 | △ 9,706 | △ 21,597 |
| Income taxes paid | △ 14,927 | △ 5,835 | △ 19,906 |
| Expenditures for additional early retirement benefits | — | △ 10,778 | — |
| Net cash provided by (used in) operating activities | 95,064 | 56,631 | 279,969 |
| Ⅱ. Cash flows from investing activities | | | |
| Decrease (Increase) in time deposits | △ 678 | 849 | 7,680 |
| Additions to property, plant and equipment | △ 57,694 | △ 60,710 | △ 119,507 |
| Proceeds from sales of property, plant and equipment | 10,481 | 16,470 | 15,640 |
| Net decrease (increase) in marketable and investment securities | 7,112 | 27 | 21,081 |
| Other | △ 5,865 | △ 8,749 | △ 3,955 |
| Net cash (used in) provided by investing activities | △ 46,645 | △ 52,113 | △ 79,060 |
| Ⅲ. Cash flows from financing activities | | | |
| Increase (decrease) in short-term loans | 17,440 | 2,422 | △ 7,038 |
| Increase (decrease) in long-term loans and bonds | △ 74,751 | 22,539 | △ 117,484 |
| Other | △ 10,059 | △ 9,993 | △ 14,786 |
| Net cash (used in) provided by financing activities | △ 67,370 | 14,968 | △ 139,309 |
| Ⅳ. Effect of exchange rate changes on cash and cash equivalents | 94 | 980 | △ 2,955 |
| Ⅴ. Increase(decrease) in cash and cash equivalents | △ 18,858 | 20,466 | 58,644 |
| Ⅵ. Cash and cash equivalents at beginning of the period | 109,638 | 174,535 | 109,638 |
| Ⅶ. Increase in cash and cash equivalents due to inclusion in consolidation | 6,252 | — | 6,252 |
| Ⅷ. Decrease in cash and cash equivalents due to exclusion in consolidation | — | △ 128 | — |
| Ⅸ. Cash and cash equivalents at end of the period | 97,032 | 194,873 | 174,535 |

# Segment Information

## Business Segment

Previous interim period（April 1 ,2003 ～ September 30, 2003）

| | Petroleum fuel and crude oil | Petrochemical operations | 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 | 1,700,937 | 120,135 | 138,579 | 34,499 | 1,994,152 | — | 1,994,152 |
| （2） Intergroup sales and transfers | 79,809 | 9,446 | 348 | 7,213 | 96,817 | (96,817) | — |
| Total sales | 1,780,746 | 129,581 | 138,928 | 41,713 | 2,090,969 | (96,817) | 1,994,152 |
| Operating expenses | 1,769,696 | 125,942 | 139,320 | 39,048 | 2,074,007 | (98,395) | 1,975,611 |
| Operating income (loss) | 11,050 | 3,639 | △ 392 | 2,664 | 16,962 | 1,578 | 18,540 |

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) Petroleum fuel and crude oil: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and fuel oil, as well as oil exploration and development
(2) Petrochemical operations: Petrochemical products, including ethylene, paraxylene, and other products
(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, and food product business

Current interim period（April 1 ,2004 ～ September 30, 2004）

| | Petroleum fuel and crude oil | Petrochemical operations | 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 | 1,941,216 | 155,470 | 126,347 | 34,632 | 2,257,666 | — | 2,257,666 |
| （2） Intergroup sales and transfers | 105,164 | 7,780 | 488 | 7,742 | 121,175 | (121,175) | — |
| Total sales | 2,046,380 | 163,250 | 126,835 | 42,375 | 2,378,842 | (121,175) | 2,257,666 |
| Operating expenses | 1,967,687 | 155,356 | 126,905 | 40,230 | 2,290,180 | (122,699) | 2,167,481 |
| Operating income (loss) | 78,693 | 7,894 | △ 70 | 2,144 | 88,661 | 1,523 | 90,185 |

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) Petroleum fuel and crude oil: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and fuel oil, as well as oil exploration and development
(2) Petrochemical operations: Petrochemical products, including ethylene, paraxylene, and other products
(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, and food product business

Previous fiscal year（April 1 ,2003 ～ March 31, 2004）

| | Petroleum fuel and crude oil | Petrochemical operations | 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 | 3,606,365 | 247,927 | 353,636 | 71,822 | 4,279,751 | — | 4,279,751 |
| （2） Intergroup sales and transfers | 170,345 | 19,842 | 741 | 13,840 | 204,769 | (204,769) | — |
| Total sales | 3,776,710 | 267,769 | 354,378 | 85,662 | 4,484,521 | (204,769) | 4,279,751 |
| Operating expenses | 3,743,048 | 259,089 | 348,905 | 80,792 | 4,431,835 | (208,002) | 4,223,833 |
| Operating income (loss) | 33,662 | 8,680 | 5,472 | 4,870 | 52,686 | 3,232 | 55,918 |

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) Petroleum fuel and crude oil: Petroleum products, including gasoline, naphtha, kerosene, diesel fuel, and fuel oil, as well as oil exploration and development
(2) Petrochemical operations: Petrochemical products, including ethylene, paraxylene, and other products
(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, and food product business