

# Report on Performance in the First Quarter Ended June 30, 2008

(from April 1, 2008 to June 30, 2008)

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**Director, Senior Vice President**

**Executive Director of the Corporate Management Division I**

<http://www.eneos.co.jp>

**July 31, 2008**



**NIPPON OIL**  
Your Choice of Energy



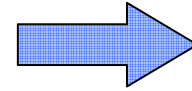
# I. Highlights of Consolidated Financial Results for the First Quarter ended June 30, 2008

# Highlights of Consolidated Income FY08 1Q <'08/4 ~ '08/6>

	FY07 1Q <'07/4-'07/6>		FY08 1Q <'08/4-'08/6>
Crude Oil Price ( \$/Bbl )	63.3	+46.3	109.6
Exchange Rate ( Yen/\$ )	119.4	-16.4	103.0
Sales volume excluding Barter trade & others ( 10,000 KL )	1,591	+107	1,698
Net Sales	JPY billion 1,575.8	JPY billion +461.4	JPY billion 2,037.2
Operating income	79.3	+22.3	101.6
( inventory valuation factors )	54.2	+38.4	92.6
( Excluding inventory valuation factors )	25.1	-16.1	9.0
Non-Operating income and loss,net	8.7	-9.0	-0.3
Ordinary income	88.0	+13.3	101.3
( Excluding inventory valuation factors )	33.8	-25.1	8.7
Special gains and loss,net	6.0	-10.3	-4.3
Net income	52.7	+6.0	58.7

# Changes in Ordinary income by Business Segment (YoY) FY08 1Q <'08/4 ~ '08/6>

	FY07 1Q <'07/4-'07/6>		FY08 1Q <'08/4-'08/6>
	(JPY billion)	(JPY billion)	(JPY billion)
<b>I. Refining &amp; Marketing</b>	<b>64.3</b>	<b>+18.7</b>	<b>83.0</b>
Petroleum Products	45.2	+43.0	88.2
Inventory valuation factors	54.2	+38.4	92.6
Excluding inventory valuation factors	-9.0	+4.6	-4.4
Petrochemicals	19.1	-24.3	-5.2
<b>II. E&amp;P of Oil &amp; Natural Gas</b>	<b>23.6</b>	<b>-5.5</b>	<b>18.1</b>
<b>III. Construction &amp; Others</b>	<b>0.1</b>	<b>+0.1</b>	<b>0.2</b>
<b>Total</b>	<b>88.0</b>	<b>+13.3</b>	<b>101.3</b>
Excluding inventory valuation factors	33.8	-25.1	8.7

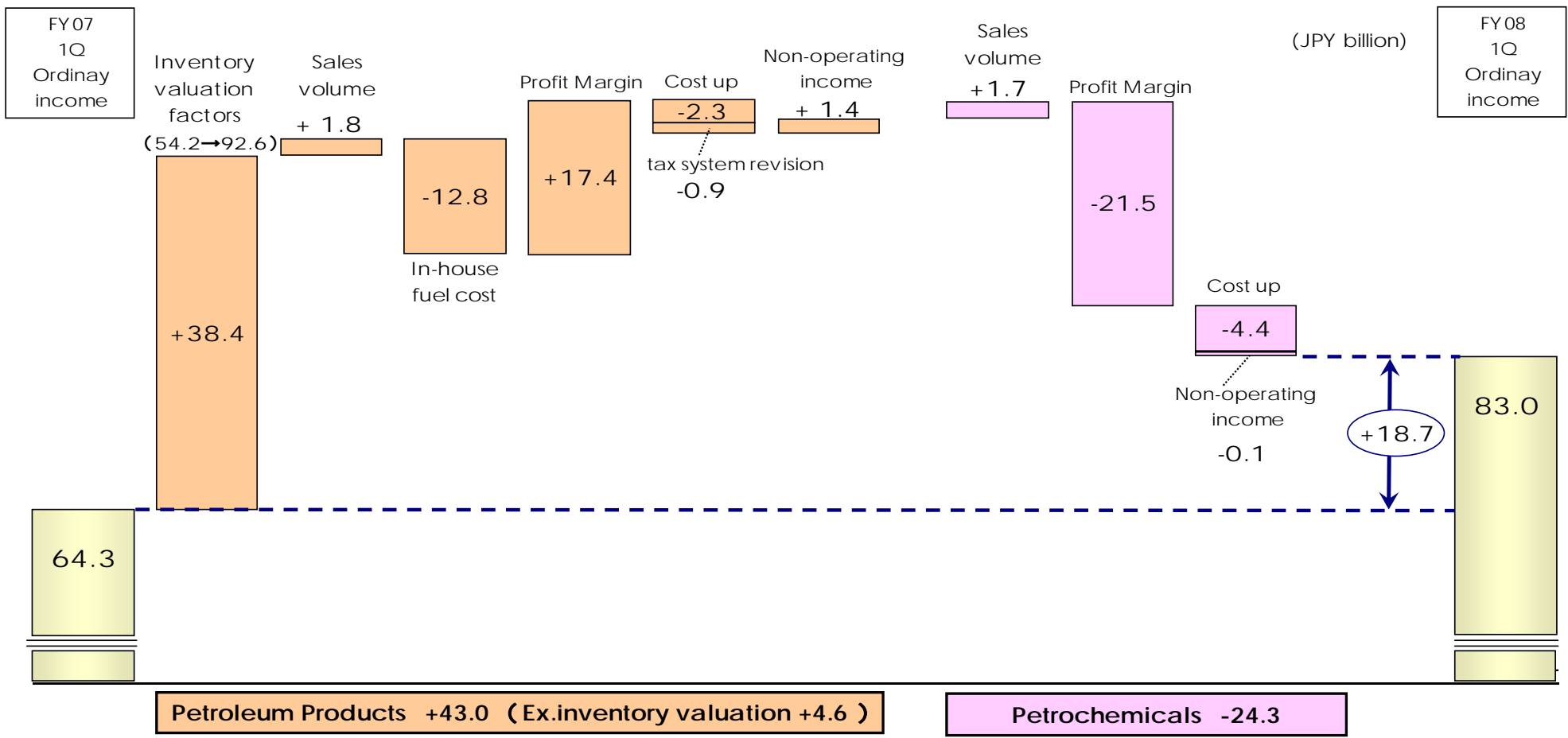


# Analysis of Changes in Ordinary income

## - Refining and Marketing (YoY) FY08 1Q <'08/4 ~ '08/6>

### Ordinary income +18.7 JPY billion

Positive effect of inventory valuation factors on profitability increased due to high crude oil price  
 Margins for petrochemicals decreased

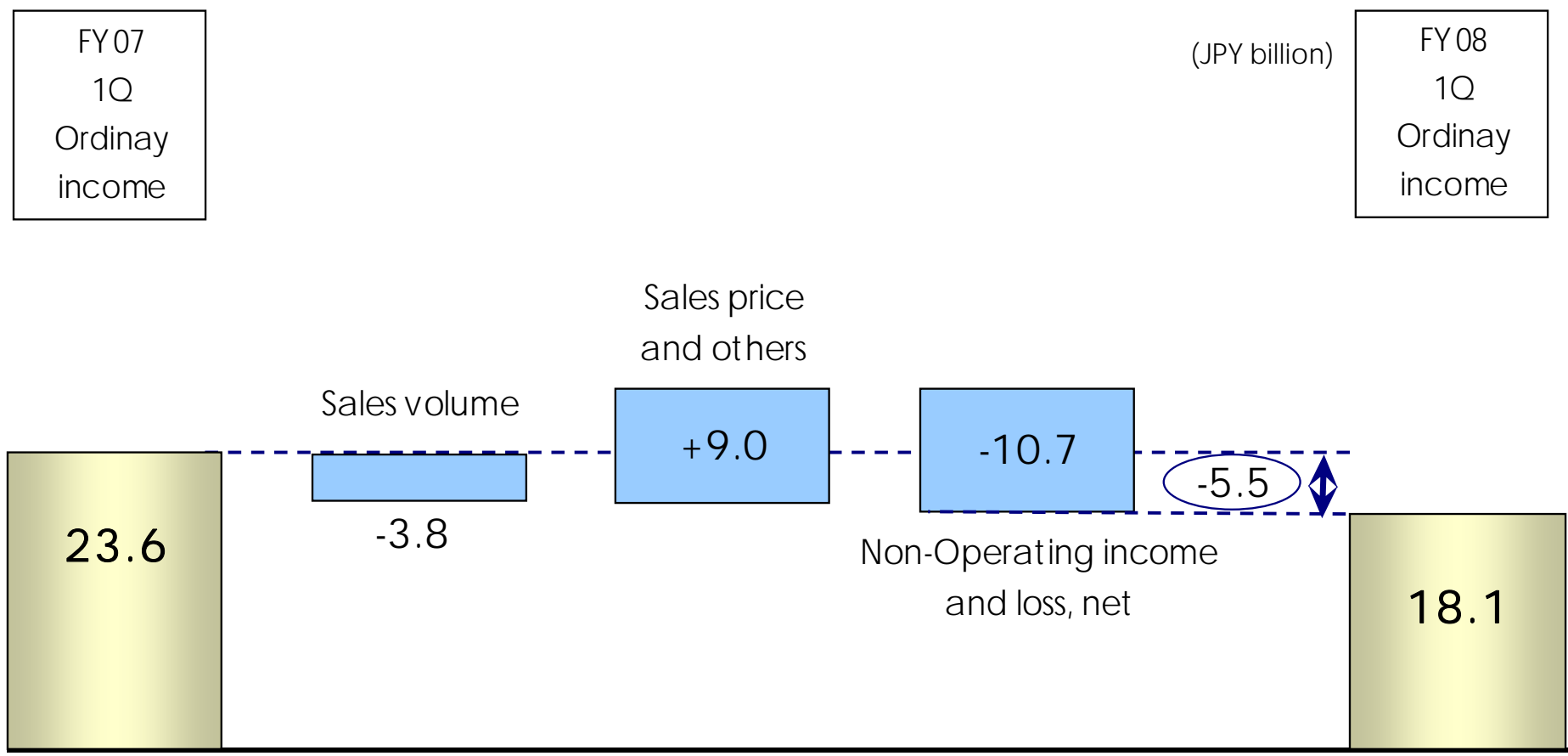


# Analysis of Changes in Ordinary income

- E&P of Oil and Natural Gas (YoY) FY08 <'08/4 ~ '08/6>

## Ordinary income -5.5 JPY billion


Ordinary income decreased due to negative impact of sales volume decrease and increase of non-operating losses (including exchange-rate losses and others) though positive impact of rising crude oil price




## II. Forecast for Consolidated Income (FY08) <'08/4~'09/3>



# Forecast for Consolidated Income (FY08) <'08/4 ~ '09/3>

	Original Forecast 08FY		Revised Forecast 08FY
Crude Oil Price ( \$/Bbl )	95.8	+16.0	111.8
Exchange Rate ( Yen/\$ )	104.8	-0.1	104.7
Sales volume excluding Barter trade & others ( 10,000 KL )	7,020	-20	7,000
	JPY billion	JPY billion	JPY billion
Net Sales	8,300.0	+620.0	8,920.0
Operating income	114.0	+83.0	197.0
( inventory valuation factors )	10.0	+80.0	90.0
( Excluding inventory valuation factors )	104.0	+3.0	107.0
Non-Operating income and loss, net	16.0	-13.0	3.0
Ordinary income	130.0	+70.0	200.0
( Excluding inventory valuation factors )	120.0	-10.0	110.0
Special gains and loss, net	-17.0	±0.0	-17.0
Net income	57.0	+38.0	95.0

# Changes Forecast for Ordinary income by Business Segment (YoY) FY 08 <'08/4 ~ '09/3>

	Original Forecast 08FY		Revised Forecast 08FY
	(JPY billion)		(JPY billion)
<b>I. Refining &amp; Marketing</b>	<b>-12.0</b>	<b>+75.0</b>	<b>63.0</b>
Petroleum Products	-26.0	+101.0	75.0
Inventory valuation factors	10.0	+80.0	90.0
Excluding inventory valuation factors	-36.0	+21.0	-15.0
Petrochemicals	14.0	-26.0	-12.0
<b>II. E&amp;P of Oil &amp; Natural Gas</b>	<b>130.0</b>	<b>-5.0</b>	<b>125.0</b>
<b>III. Construction &amp; Others</b>	<b>12.0</b>	<b>±0.0</b>	<b>12.0</b>
<b>Total</b>	<b>130.0</b>	<b>+70.0</b>	<b>200.0</b>
Excluding inventory valuation factors	120.0	-10.0	110.0

# Changes in Forecast for Ordinary income by Business Segment FY08 <'08/4 ~ '09/3>

I. Refining & Marketing (-12.0 ⇨ 63.0)		+75.0	JPY billion
Petroleum Products	1.Inventory valuation factors(10.0 ⇨ 90.0)	+80.0	
	2.Sales volume	-0.8	+21.0
	3.Profit Margin and others	+21.8	
Petrochemicals	4.Sales volume	-2.0	-26.0
	5.Profit Margin and others	-24.0	
II. E&P of Oil & Natural Gas (130.0 ⇨ 125.0)		-5.0	JPY billion
1.Sales volume		-13.4	
2.Sales price		+22.9	
3.Non-Operating income and loss,net		-14.5	
III. Construction & Others (12.0 ⇨ 12.0)		±0.0	JPY billion

Ex. inventory valuation factors -10.0

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## Cautions with Respect to Forward-Looking Statements

The financial forecasts, management targets, and any other estimates and projections of the Company presented in this report are based on information available to management as of the date set forth within.

Please note that actual results may vary significantly from projected forecasts due to various uncertain factors, and as such, readers should take care when making investment decisions based solely on the forecasts herein.

The factors affecting actual results include but are not limited to economic conditions, crude oil prices, demand for and market conditions of petroleum and petrochemical products, exchange rate and interest rate trends.

# **Nippon Oil Corporation**

## **Report on Performance in the First Quarter Ended June 30, 2008** (from April 1, 2008 to June 30, 2008)

### **Supplementary Information**

**July 31, 2008**

# <Contents>

## 1. Data Related Financial Results for FY08 1Q

Net Sales and Ordinary income by Business Segment (YoY) FY08 1Q .....	P3
Net Sales and Ordinary income by Business Segment - Forecast for FY08 .....	P4
Sales Volume (Unconsolidated) .....	P5

## 2. Data Related to markets trend (Gasoline and petrochemicals)

Spread (Retail Gasoline Price - Crude Oil CIF Price) .....	P6
Spread (PX Price - Dubai Crude Oil Price) .....	P7
Spread (Benzene Price - Dubai Crude Oil Price) .....	P8
Spread (Propylene Price - Dubai Crude Oil Price) .....	P9

## 3. Data Related to Business Operations (Refining & Marketing, E&P)

Number of Service Stations (Fixed-Type), Self-Service stations, Dr. Drive Service Stations .....	P10
Refinery Utilization Rates, Number of Depots, E&P of Oil and Natural Gas - Production Volume .....	P11

# Net sales and Ordinary Income by Business Segment (YoY) FY08 1Q

<'08/4 ~ '08/6>

(JPY billion)

	FY07 1Q <'07/4-'07/6>		Changes		FY08 1Q <'08/4-'08/6>	
	Net sales	Ordinary Income	Net sales	Ordinary Income	Net sales	Ordinary Income
Refining and Marketing	1,453.8	64.3	+451.2	+18.7	1,905.0	83.0
excl. inventory valuation factors	-	10.1	-	-19.7	-	-9.6
Petroleum Products	1,330.2	45.2	+429.9	+43.0	1,760.1	88.2
inventory valuation factors	-	54.2	-	+38.4	-	92.6
excl. inventory valuation factors	-	-9.0	-	+4.6	-	-4.4
Petrochemical Products	123.6	19.1	+21.3	-24.3	144.9	-5.2
E&P of Oil and Natural Gas	46.2	23.6	+9.1	-5.5	55.3	18.1
Construction	61.7	-1.4	+3.5	+0.2	65.2	-1.2
Other	14.1	1.5	-2.4	-0.1	11.7	1.4
Total	1,575.8	88.0	+461.4	+13.3	2,037.2	101.3
excl. inventory valuation factors	-	33.8	-	-25.1	-	8.7

# Net Sales and Ordinary Income by Business Segment –Forecast for FY08 <Changes from previous forecast>

(JPY billion)

	Original Forecast 08FY		Changes		Revised Forecast 08FY	
	Net sales	Ordinary Income	Net sales	Ordinary Income	Net sales	Ordinary Income
Refining and Marketing	7,588.0	-12.0	+618.0	+75.0	8,206.0	63.0
excl. inventory valuation factors	-	-22.0	-	-5.0	-	-27.0
Petroleum Products	6,963.0	-26.0	+616.0	+101.0	7,579.0	75.0
inventory valuation factors	-	10.0	-	+80.0	-	90.0
excl. inventory valuation factors	-	-36.0	-	+21.0	-	-15.0
Petrochemical Products	625.0	14.0	+2.0	-26.0	627.0	-12.0
E&P of Oil and Natural Gas	263.0	130.0	+11.0	-5.0	274.0	125.0
Construction	386.0	8.0	+2.0	-1.0	388.0	7.0
Other	63.0	4.0	-11.0	+1.0	52.0	5.0
Total	8,300.0	130.0	+620.0	+70.0	8,920.0	200.0
excl. inventory valuation factors	-	120.0	-	-10.0	-	110.0



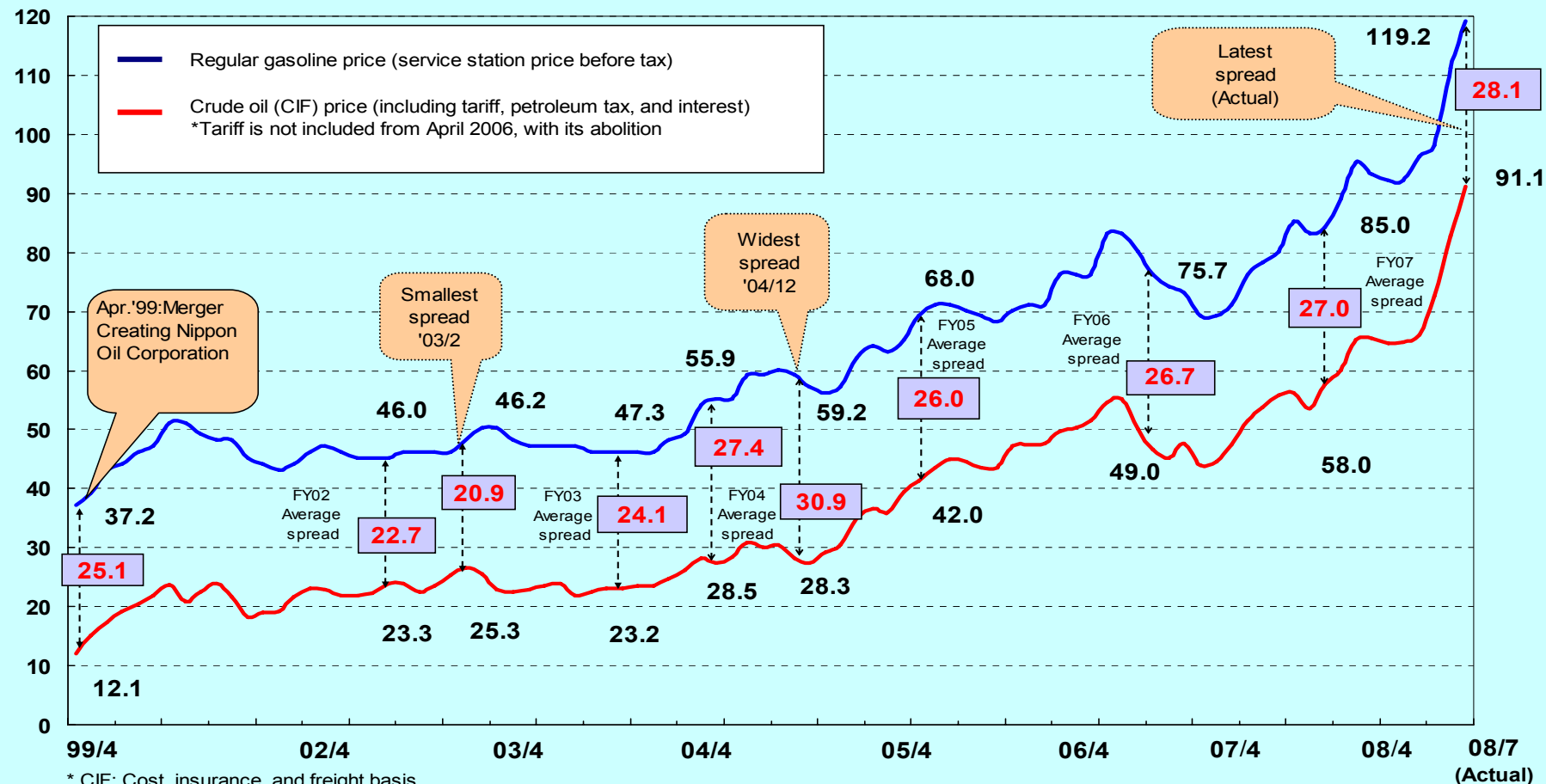
# Sales Volume (Unconsolidated)

	07FY 1Q <'07/4-'07/6>	08FY 1Q <'08/4-'08/6>	Changes(%)
	10,000 KL	10,000 KL	%
<b>Gasoline</b>	<b>340</b>	<b>341</b>	<b>+0.1</b>
Premium	<b>59</b>	<b>55</b>	<b>-6.8</b>
Regular	<b>277</b>	<b>282</b>	<b>+1.6</b>
<b>Naphtha</b>	<b>41</b>	<b>49</b>	<b>+18.1</b>
<b>JET</b>	<b>30</b>	<b>28</b>	<b>-7.0</b>
<b>Kerosine</b>	<b>96</b>	<b>93</b>	<b>-3.7</b>
<b>Diesel Fuel</b>	<b>204</b>	<b>212</b>	<b>+4.1</b>
Heavy fuel oil A	<b>144</b>	<b>136</b>	<b>-4.9</b>
Heavy fuel oil C	<b>163</b>	<b>206</b>	<b>+26.7</b>
For Electric Power	<b>85</b>	<b>142</b>	<b>+66.1</b>
For General Use	<b>78</b>	<b>64</b>	<b>-16.6</b>
<b>Total-Domestic Fuel Oil</b>	<b>1,018</b>	<b>1,065</b>	<b>+4.6</b>
Crude Oil	<b>74</b>	<b>71</b>	<b>-4.2</b>
<b>Lubricants &amp; Specialities</b>	<b>64</b>	<b>58</b>	<b>-9.4</b>
Petrochemicals	<b>95</b>	<b>99</b>	<b>+4.2</b>
<b>Exported Fuel Oil</b>	<b>340</b>	<b>405</b>	<b>+19.1</b>
<b>Total-Excluding Barter trade &amp; others</b>	<b>1,591</b>	<b>1,698</b>	<b>+6.7</b>
Barter trade & others	<b>421</b>	<b>436</b>	<b>+3.6</b>
<b>Total</b>	<b>2,012</b>	<b>2,134</b>	<b>+6.1</b>

# Spread (Retail Gasoline Price – Crude Oil CIF Price)

06/4-6	06/7-9	06/1H	06/10-12	07/1-3	06/2H	06FY	07/4-6	07/7-9	07/1H	07/10-12	08/1-3	07/2H	07FY	08/4-6
25.4	27.2	26.3	29.6	25.1	27.3	26.7	24.3	27.7	26.0	28.5	27.7	28.1	27.0	28.1

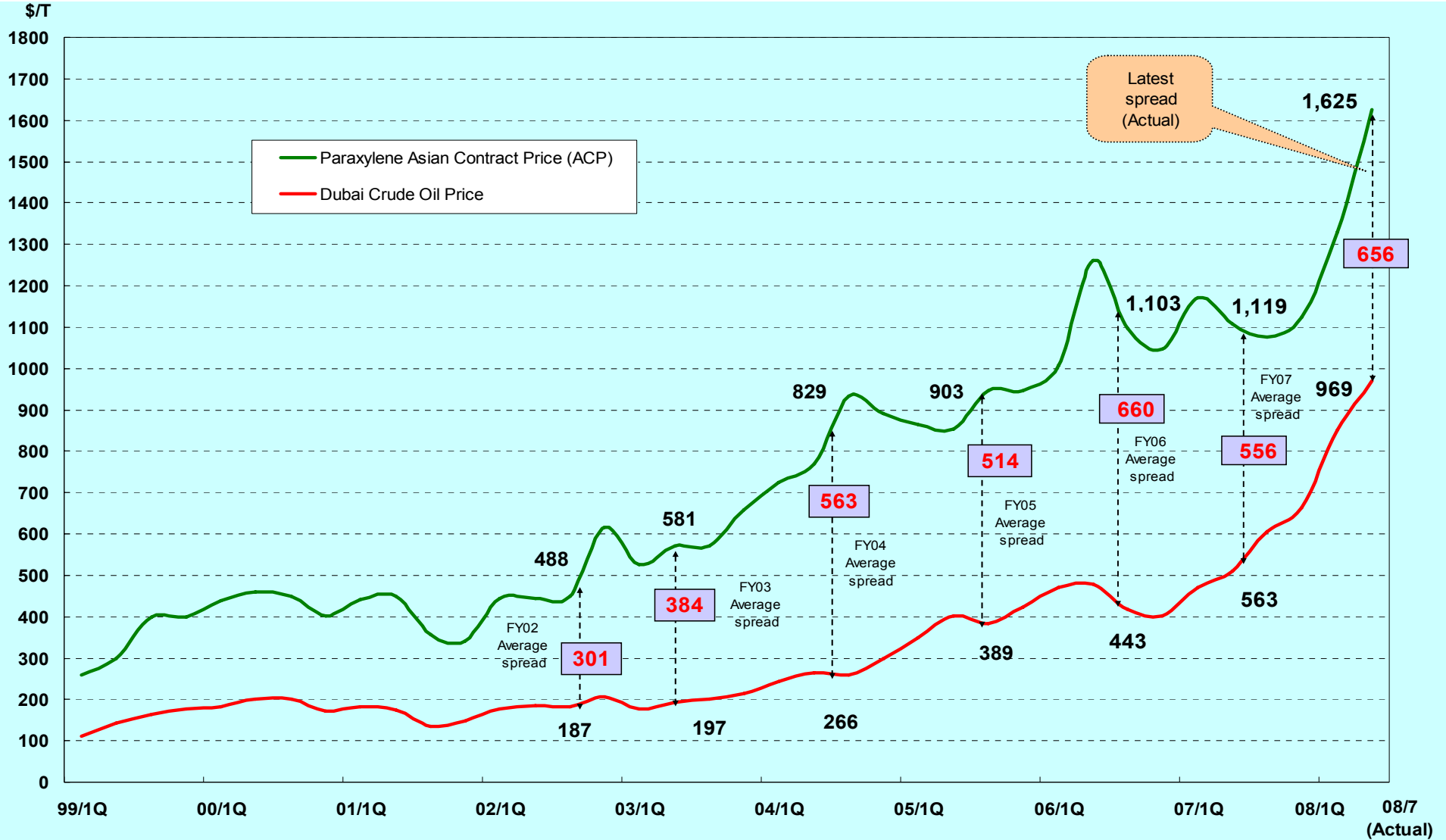
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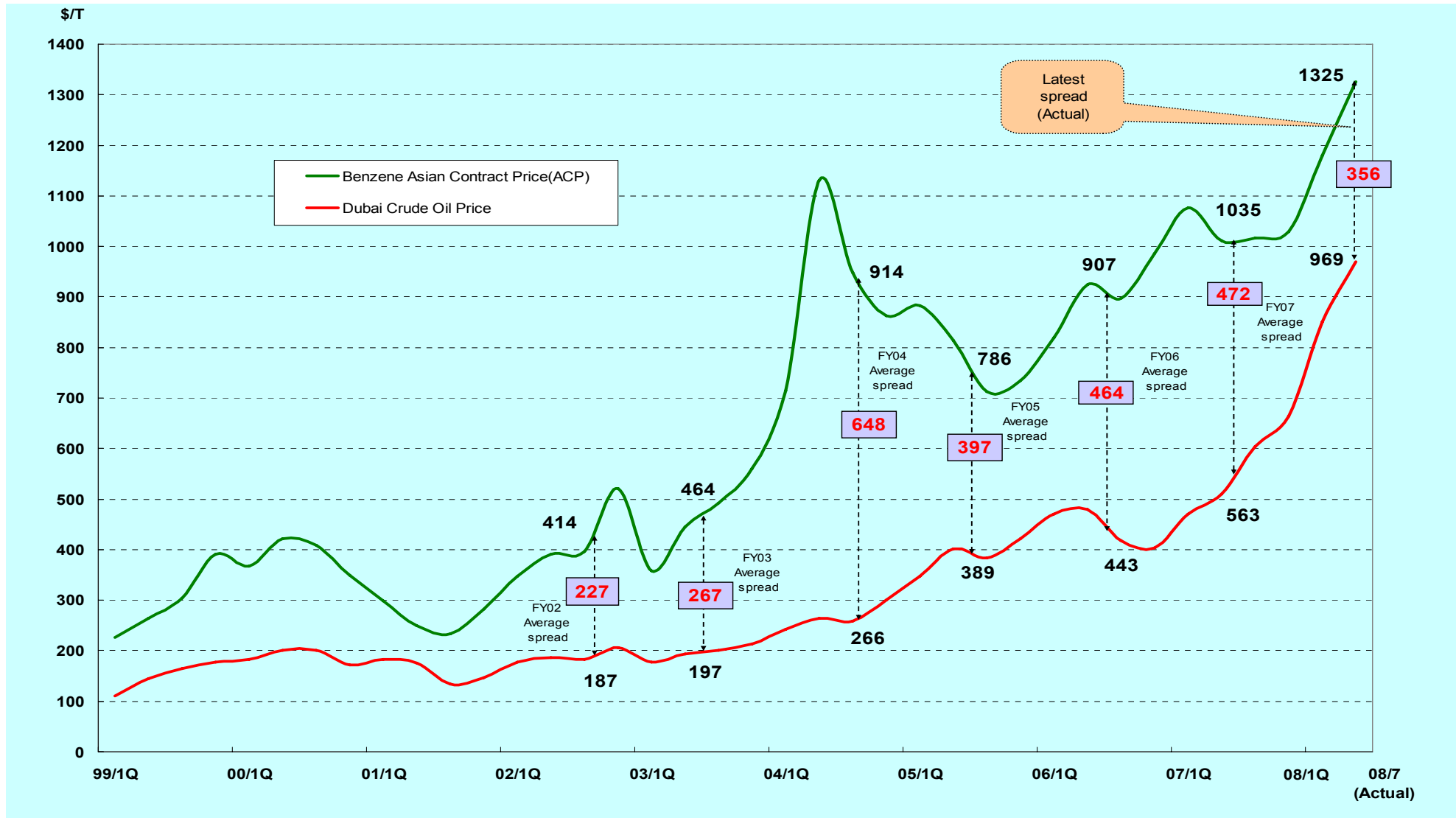
\* CIF: Cost, insurance, and freight basis

Note: Figures are calculated by the Company based on publicly announced data from The institute of Energy Economics, Japan The Oil Information Center

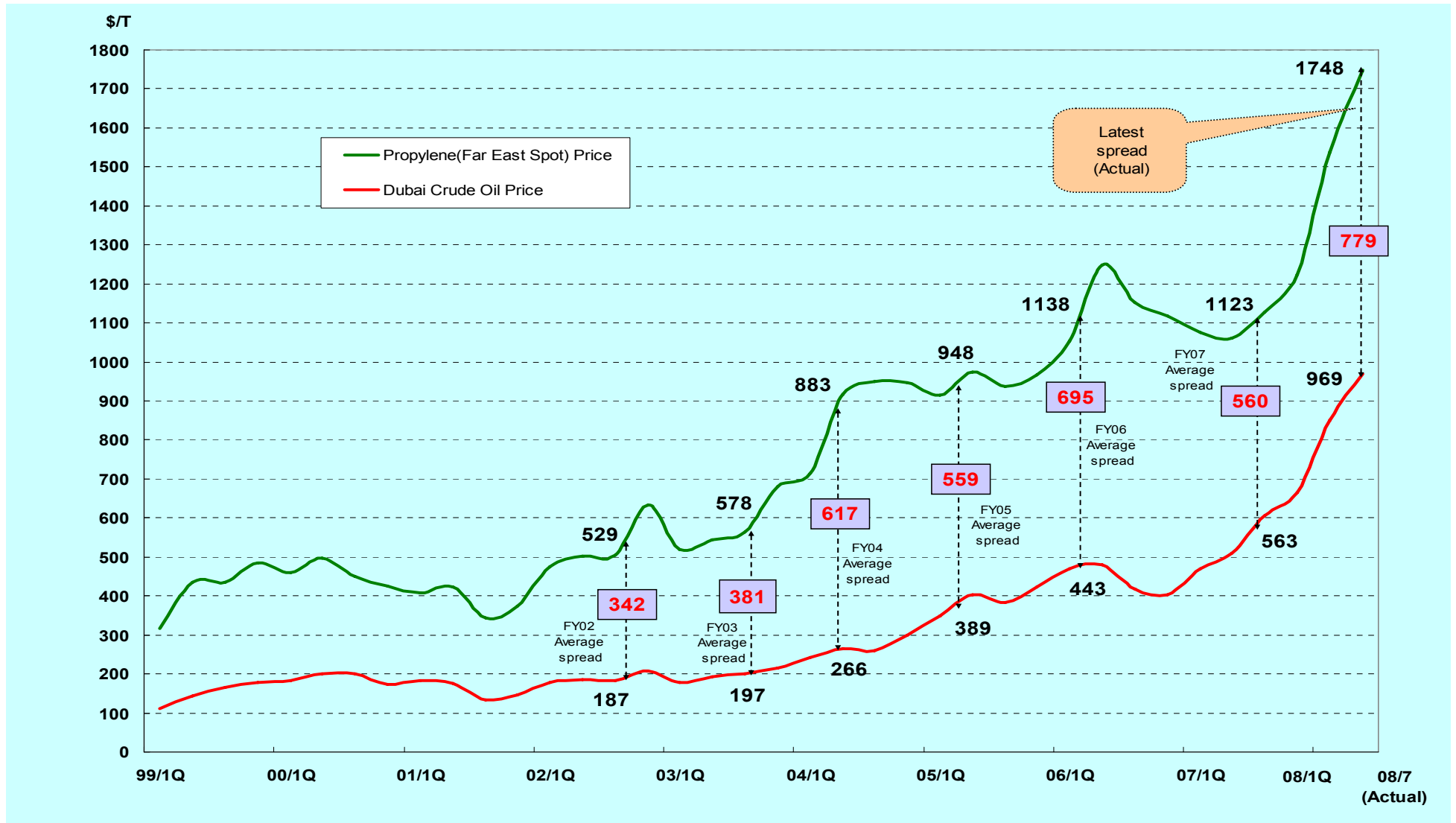
# Spread (PX Price – Dubai Crude Oil Price)



# Spread (Benzene Price – Dubai Crude Oil Price)



# Spread (Propylene Price – Dubai Crude Oil Price)



# Number of Service Stations (Fixed-Type), Self-Service stations and Dr. Drive Service Stations

## <Number of Service Stations(Fixed-Type)>

	04/3	05/3	06/3	07/3	08/3	08/6
<b>Nippon Oil Corporation</b>	<b>11,333</b>	<b>11,059</b>	<b>10,807</b>	<b>10,368</b>	<b>9,919</b>	<b>9,802</b>
<b>Company-Owned Service stations</b>	<b>2,607</b>	<b>2,518</b>	<b>2,436</b>	<b>2,309</b>	<b>2,175</b>	<b>2,132</b>

## <Number of Self Service Stations>

	04/3	05/3	06/3	07/3	08/3	08/6
<b>Nippon Oil Corporation</b>	<b>520</b>	<b>651</b>	<b>794</b>	<b>1,055</b>	<b>1,230</b>	<b>1,253</b>
<b>Total for Japan</b>	<b>3,423</b>	<b>3,493</b>	<b>4,257</b>	<b>5,203</b>	<b>5,924*</b>	<b>-</b>

\* the data of 07/12

Sources: The institute of Energy Economics, Japan The Oil Information Center; *The Daily Nenryo yushi*

## <Number of Dr. Drive Service Stations>

	04/3	05/3	06/3	07/3	08/3	08/6
<b>Nippon Oil Corporation</b>	<b>1,871</b>	<b>1,963</b>	<b>2,505</b>	<b>2,403</b>	<b>2,287</b>	<b>2,262</b>

# Refinery Utilization Rates, Number of Depots and E&P of Oil and Natural Gas - Production Volume

## <Refinery Utilization Rates>

Unit:%

	FY03 ( '03/4-'04/3)	FY04 ( '04/4-'05/3)	FY05 ( '05/4-'06/3)	FY06 ( '06/4-'07/3)	FY07 ( '07/4-'08/3)	08FY 1Q
<b>Nippon Oil Group</b>	<b>83</b>	<b>87</b>	<b>88</b>	<b>84</b>	<b>84</b>	<b>78</b>

## <Number of Depots>

	04/4	05/4	06/4	07/4	08/4	08/7
<b>Nippon Oil Corporation</b>	<b>51</b>	<b>50</b>	<b>50</b>	<b>48</b>	<b>48</b>	<b>46</b>

## <E&P of Oil and Natural Gas - Production Volume>

Unit:Thousand BD

	2003/1-12	2004/1-12	2005/1-12	2006/1-12	2007/1-12	2008/1-3
<b>Nippon Oil Group</b>	<b>66</b>	<b>111</b>	<b>156</b>	<b>152</b>	<b>145</b>	<b>134</b>

\*PC Basis

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