

# Report on Performance in Fiscal 2006

(from April 1, 2005 to March 31, 2006)

Representative Director, President  
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<http://www.eneos.co.jp>

April 27, 2006



**NIPPON OIL**  
Your Choice of Energy

# Outline of Today's Presentation

**1. Highlights of Consolidated Income (FY06)**  
<'05/4-'06/3>

**2. Forecast for Consolidated Income (FY07)**  
<'06/4-'07/3>

**3. Progress of the Third Medium-Term Consolidated  
Management Plan (Third Mid-Term Plan) <'05/4-'08/3>**

# **1. Highlights of Consolidated Income (FY06)**

**<'05/4-'06/3>**

# < Highlights of Consolidated Income (FY06) >

<'05/4-'06/3>

(¥ billion)

	FY05 ( <b>'04/4-'05/3</b> ) (Actual)	FY06 ( <b>'05/4-'06/3</b> ) (Actual)	Change
Crude oil price (\$/Bbl)	36.7	54.0	+17.3
Yen/dollar exchange rate (¥/\$)	107.5	112.7	+5.2
Domestic fuel oil sales, including crude oil (million kl)	57.5	58.2	+0.7
Net sales	4,924.2	6,118.0	+1,193.8
Operating income (Excluding inventory valuation factors)	201.5 (140.8)	303.9 (137.5)	102.4 (-3.3)
Non-operating income and loss, net	10.9	5.2	-5.7
Recurring income (Excluding inventory valuation factors)	212.4 (151.7)	309.1 (142.7)	+96.7 (-9.0)
Extraordinary income and loss, net	8.6	-10.8	-19.4
Net income	131.5	166.5	+35.0
ROE	14.8%	16.0%	+1.2%

# < Net Sales and Operating Income by Operating Segment FY06 (YoY) >

<'05/4-'06/3>

## (1) Net sales

(¥ billion)

Total 6,118.0 (+1,193.8)					
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other
Petroleum fuel	Petrochemical				
5,061.5 (+998.9)	421.1 (+62.8)	5,482.6 (+1,061.7)	180.5 (+112.8)	374.5 (+15.0)	80.4 (+4.3)

Note: Figures in parentheses are YoY changes.  
 (\* Exploration and production)

## (2) Operating income

(¥ billion)

Total 303.9 (+102.4)					
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other
Petroleum fuel	Petrochemical				
157.4 (+ 56.6)	39.8 (-20.4)	197.2 (+36.2)	92.1 (+65.0)	7.2 (+0.5)	7.4 (+0.7)

Note: Figures in parentheses are YoY changes.

# < Changes in Operating Income FY06 (YoY) >

<'05/4-'06/3>

<FY05>

<FY06>

<Operating Income> ¥201.5 billion ⇒ ¥303.9 billion (+¥102.4 billion)

	(¥ billion)
<b>I. Refining and Marketing</b>	<b>+ 36.2</b> (161.0→197.2)
1. Petroleum fuel	<b>+ 56.6</b> (100.8→157.4)
(1) Inventory valuation factors (60.7→166.4)	<b>+ 105.7</b>
(2) Shrinkage in margin due to in-house fuel cost rise, etc.	<b>-40.9</b>
(3) Cost reductions and improvements in efficiency (Increase in expenses)	<b>-8.2</b>
2. Petrochemical	<b>-20.4</b> (60.2→39.8)
(1) Profit margin and others	<b>-21.6</b>
(2) Cost reductions and improvements in efficiency (decrease in expenses)	<b>+ 1.2</b>
<b>II. E&amp;P*<sup>2</sup> of Oil and Natural Gas</b>	<b>+ 65.0</b> (27.1→92.1)
(1) Increase in sales volume	<b>+ 31.7</b>
(2) Increase in sales price	<b>+ 19.6</b>
(3) Effect of purchasing of E&P project company shares held by JNOC* <sup>3</sup>	<b>+ 13.7</b>
<b>III. Construction and Other</b>	<b>+ 1.2</b> (13.4→14.6)
(1) Profit margin	<b>+ 1.1</b>
(2) Cost reductions and improvements in efficiency (decrease in expenses)	<b>+ 0.1</b>

\*1 Time lag between the cost increase and selling prices

\*2 Exploration and production

\*3 Japan National Oil Corporation

## **2. Forecast for Consolidated Income (FY07)** **<'06/4-'07/3>**

# < Forecast for Consolidated Income (FY07) >

<'06/4-'07/3>

		(¥ billion)		
		FY06 ( <i>'05/4-'06/3</i> ) (Actual)	FY07 ( <i>'06/4-'07/3</i> ) (Forecast)	Change
Crude oil price (\$/Bbl)		54.0	56.5	+2.5
Yen/dollar exchange rate (¥/\$)		112.7	115.4	+2.7
Domestic fuel oil sales, including crude oil (million kl)		58.2	53.7	-4.5
Net sales		6,118.0	6,130.0	+12.0
Operating income (Excluding inventory valuation factors)		303.9 (137.5)	115.0 (141.0)	-188.9 (+3.5)
Non-operating income and loss, net		5.2	22.0	+16.8
Recurring income (Excluding inventory valuation factors)		309.1 (142.7)	137.0 (163.0)	-172.1 (+20.3)
Extraordinary income and loss, net		-10.8	-9.0	+1.8
Net income		166.5	70.0	-96.5
ROE		16.0%	6.1%	-9.9%

# < Forecast Net Sales and Operating Income by Operating Segment (FY07) >

<'06/4-'07/3>

## (1) Net sales

(¥ billion)

Total 6,130.0 (+12.0)					
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other
Petroleum fuel	Petrochemical				
5,060.0 (-1.5)	420.0 (-1.1)	5,480.0 (-2.6)	190.0 (+9.5)	380.0 (+5.5)	80.0 (-0.4)

Note: Figures in parentheses are YoY changes.  
(\* Exploration and production)

## (2) Operating income (loss)

(¥ billion)

Total 115.0 (-188.9)					
Refining and Marketing			E&P of Oil and Natural Gas	Construction	Other
Petroleum fuel	Petrochemical				
-28.5 (-185.9)	35.5 (-4.3)	7.0 (-190.2)	94.0 (+1.9)	8.6 (+1.4)	5.4 (-2.0)

Note: Figures in parentheses are YoY changes.

# < Changes in Operating Income FY07 (YoY) >

<'06/4-'07/3>

<FY06>

<FY07>

<Operating Income> ¥303.9 billion ⇒ ¥115.0 billion (-¥188.9 billion)

(¥ billion)

<b>I. Refining and Marketing</b>	<b>-190.2</b> (197.2→7.0)
1. Petroleum fuel	<b>-185.9</b> (157.4→-28.5)
(1) Inventory valuation factors (166.4→ -26.0)	<b>-192.4</b>
(2) Decrease in sales volume	<b>-5.5</b>
(3) Cost reductions and improvements in efficiency (Increase in expenses)	<b>-1.8</b>
(4) Improvement in margin due to recovery of time lag <sup>*1</sup>	<b>+13.8</b>
2. Petrochemical	<b>-4.3</b> (39.8→35.5)
(1) Cost reductions and improvements in efficiency (Increase in expenses)	<b>-1.5</b>
(2) Profit margin and others	<b>-2.8</b>
<b>II. E&amp;P<sup>*2</sup> of Oil and Natural Gas</b>	<b>+1.9</b> (92.1→94.0)
(1) Increase in sales price	<b>+7.9</b>
(2) Others	<b>-6.0</b>
<b>III. Construction and Other</b>	<b>-0.6</b> (14.6→14.0)
(1) Cost reductions and improvements in efficiency (decrease in expenses)	<b>+1.3</b>
(2) Profit margin and others	<b>-1.9</b>

\*1 Time lag between the cost increase and selling prices

\*2 Exploration and production

### **3. Progress of the Third Medium-Term Consolidated Management Plan (Third Mid-Term Plan) <'05/4-'08/3>**

— Prospects for Target Achievement

# <The Third Mid-Term Plan: Prospects for Target Achievement>

<'05/4-'08/3>

		FY06 ( <i>'05/4-'06/3</i> ) (Actual)	FY07 ( <i>'06/4-'07/3</i> ) (Forecast)	FY08 ( <i>'07/4-'08/3</i> ) (Forecast)		FY08 ( <i>'07/4-'08/3</i> ) (Initial Plan)	
Dubai crude oil price	(\$/Bbl)	53.5	55.5	55.0		35	
WTI crude oil price	(\$/Bbl)	56.6	60.9	60.0		40	
Yen/dollar exchange rate	(¥/\$)	112.7	115.4	115.0		105	
			Average crude oil price 54.0	Average crude oil price 56.5			
Recurring income (Excluding inventory valuation factors)	(¥ billion)	309.1 (142.7)	137.0 (163.0)	190.0 (190.0)	+27.0	190.0 (190.0)	
			1. Cost reductions and improvements in efficiency +25.9 2. Increase in petrochemical production volume and others +1.1		+0	1. Cost reductions and improvements in efficiency -16.0 2. E&P* of oil and natural gas and others +16.0	
ROE (Excluding inventory valuation factors)		16.0% (6.6%)	6.1% (7.4%)	10%		10%	
Interest-bearing debt (Net debt/equity ratio)	(¥ billion)	1,212.6 (88%)	1,250.0 (88%)	1,130.0 (71%)		Less than 900.0 (Approx. 70%)	
					<b>FY06-FY08 Total</b> ( <i>'05/4-'08/3</i> ) (Forecast)	<b>FY06-FY08 Total</b> ( <i>'05/4-'08/3</i> ) (Initial Plan)	
Cost reductions and improvements in efficiency	(¥ billion)	-6.9	-2.0	25.9	17.0	33.0	
Capital investment	(¥ billion)	189.8	251.2	129.0	570.0	500.0	

\*Exploration and production

# < Cost Reductions and Improvements in Efficiency (FY06~FY08) <'05/4-'08/3> >

● Due to the following situations, cost-reduction and efficiency-improvement benefits are expected to be ¥16.0 billion less than in the initial plan.

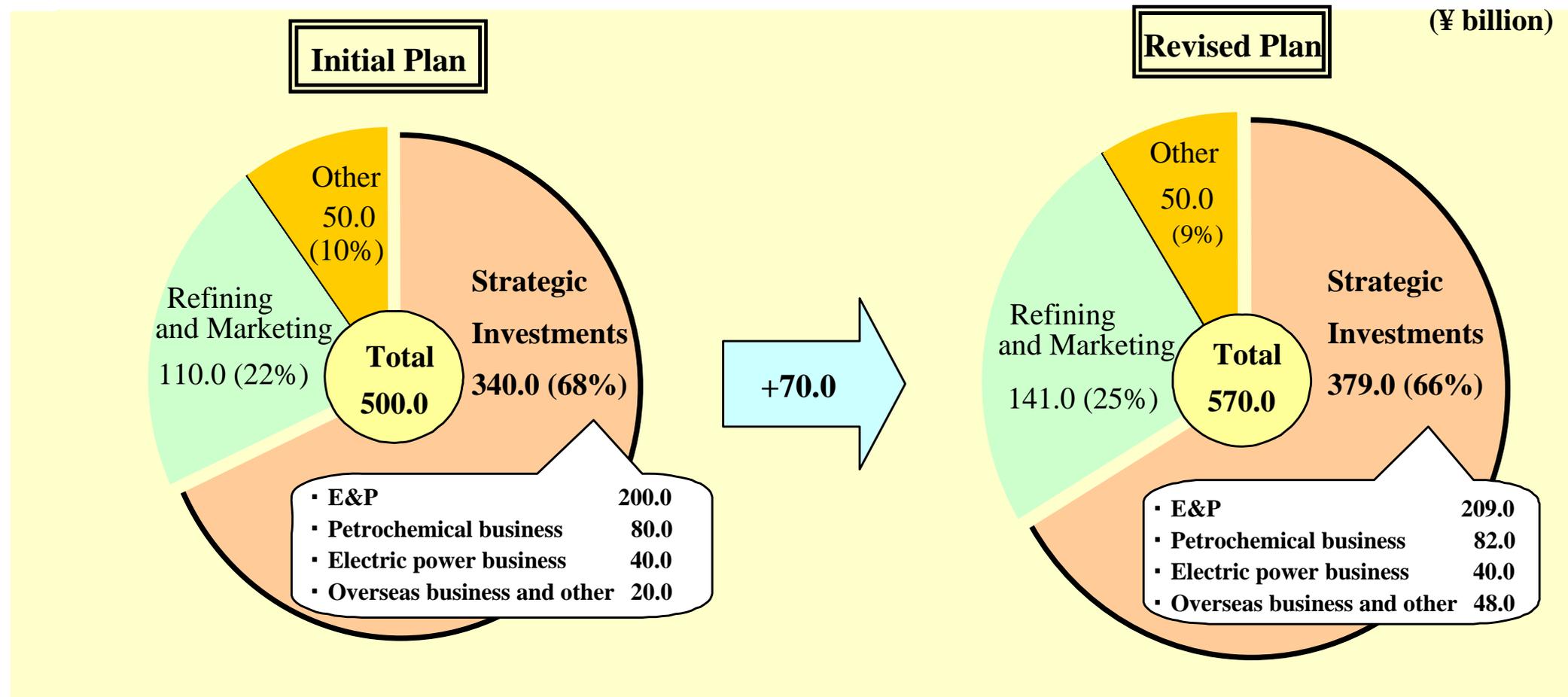
- (1) Safety and environmental measures - ¥ 6.0 billion
  - Rise in capital investments to strengthen safety measures, rise in environmental protection costs, etc.
- (2) Changes in operating environment - ¥ 5.0 billion
  - Rise in distribution costs due to surging crude oil prices, rise in capital investment due to surging equipment expenses, etc.
- (3) Strengthening of the growth strategy, etc. - ¥ 5.0 billion
  - Rise in depreciation expense due to higher capital investment

	FY06 ( <small>'05/4-'06/3</small> ) (Actual)	FY07 ( <small>'06/4-'07/3</small> ) (Forecast)	FY08 ( <small>'07/4-'08/3</small> ) (Plan)	FY06-FY08 ( <small>'05/4-'08/3</small> ) (Current Forecast)		(¥ billion) FY06-FY08 ( <small>'05/4-'08/3</small> ) (Initial Plan)
Distribution expenses	-2.5	-0.8	6.2	2.9	-1.5	4.4
Personnel expenses	-0.1	9.6	2.9	12.4	-1.7	14.1
Equipment expenses, other expenses	-6.9	-11.9	15.3	-3.5	-13.0	9.5
Improvements in efficiency	2.6	1.1	1.5	5.2	0.2	5.0
<b>Total</b>	<b>-6.9</b>	<b>-2.0</b>	<b>25.9</b>	<b>17.0</b>	<b>-16.0</b>	<b>33.0</b>

The concentrated implementation of safety measures at refineries during the two years caused a rise in maintenance costs and others.

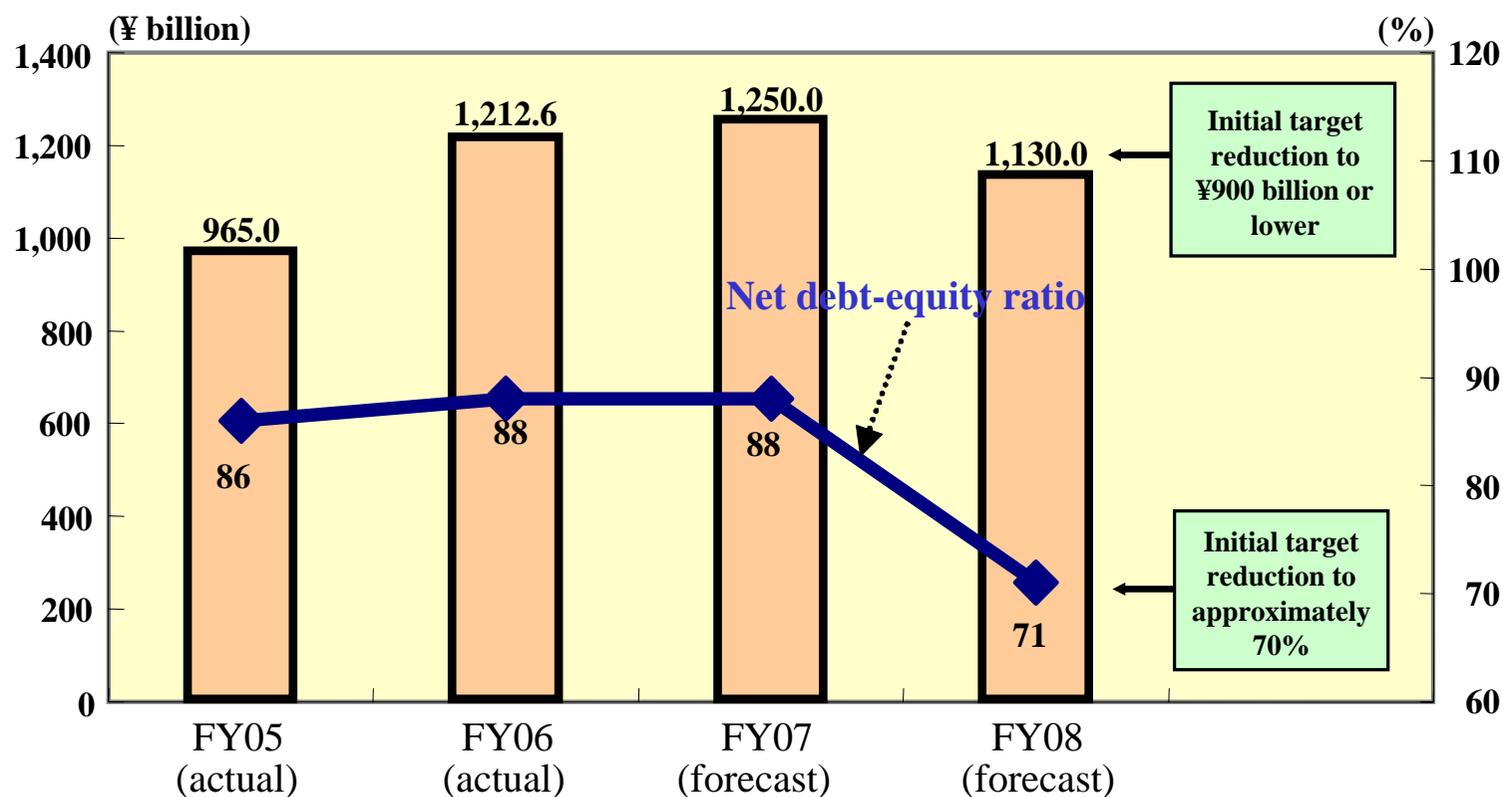
# < Capital Investment Plan (FY06-FY08) <'05/4-'08/3> >

- The capital investment has been increased by ¥70 billion, to a total of ¥570 billion.
  - Additional strategic investments include those for acquiring additional shares in Teikoku Oil and for constructing a lubricant plant in China.
  - Additional investments aimed at strengthening the competitiveness of refining and marketing operations include those for creating self-service stations and for improvements in efficiency and safety at refineries.



# < Reduction of Interest-Bearing Debt (FY06-FY08) <'05/4-'08/3> >

- **Balance of interest-bearing debt:** The balance is expected to be more than ¥200 billion higher than initially planned due to heavier working capital burden from surging crude oil prices.
- **Net debt-equity ratio** : The original target is expected to be attained.



Note: This figures exclude liabilities of overseas financial subsidiaries and certain other Group companies that are offset by compensating balances.

# 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 oil-related products, and exchange rate and interest rate trends.**

# **Report on Performance**

## **in Fiscal 2006**

**(from April 1, 2005 to March 31, 2006)**

# **Appendix**

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**April 27, 2006**



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Fiscal 2006 Measures < Refining and Marketing / Petrochemical Operations >

■ **Third Medium-Term Consolidated Management Plan**

- (1) Upgrade CRI\* to make most effective use of refining capacity
- (2) Further pursuit of a transition from “volume to quality”

NOC production capacity	(thousand t/yr)	
	'04	'05-'07
Propylene	600	800
Paraxylene	1,000	1,400

\*CRI: Chemical refinery integration for refining and petrochemical operations

■ **FY06 Measures**

(1) Making effective use of refining capacity

(These facilities are scheduled to start operating in FY08.)

< **CRI\*** >

- (1) Sendai Refinery—Construction of facilities to boost production: xylene (300,000t/yr) propylene (100,000t/yr) and other
- (2) Mizushima Refinery—Start-up of high-purity propylene facility (100,000t/yr): Started operating in October 2005
- (3) Muroran Refinery—Construction of cumene production facility (170,000t/yr): Scheduled to start operating in FY09
- (4) Mitsubishi Gas Chemical Company, Inc.—Alliance in paraxylene business (April 2006): Increasing NOC Group paraxylene production capacity to 350,000t/yr in 2007

< **Commissioned Refining** >

- (5) Expanding scale of commissioned oil refining work for China-Oil (April 2006): From 30,000BD ⇒ 40,000BD

(2) Making improvements in service station (SS) efficiency

- (6) Completed network of 2,500 high-value-added Dr. Drive SS (March 2006)
- (7) Integrated and reorganized network of affiliated SS operators

# <New Energy-Type Business >

## ■ Third Medium-Term Consolidated Management Plan

- (1) Marketing Niche Strategy for Electric Power Production
- (2) Pave the Way for Future Hydrogen (Fuel Cells (FC)) Business

Marketing plan target for household FC that use LPG as fuel:  
 FY06, 150 units—FY08, 1,000 units—FY11, 26,500 units

	(thousand kW)	
	< FY08 >	< FY09 >
IPP	700	700
PPS	200*	1,000*
Cogeneration Systems	230	250
Wind Power	10	10
<b>Total</b>	<b>1,140</b>	<b>1,960</b>

\*On a project company basis

## ■ FY06 Measures

### (1) Electric power business

- 1) Frontier Energy Niigata started operating as a power producer and supplier (PPS) (July 2005)  
 ⇒ Power sold: 100,000kW; Supplied to NOC and Nippon Steel (NOC investment 35%)
- 2) Considering PPS business using high-efficiency power generation facilities installed at the Sendai Refinery  
 ⇒ Generating capacity: Of about 100,000kW generated, a portion will be used in-house and the remainder to PPS business.
- 3) Kawasaki Natural Gas Generation Co., Ltd., began construction of natural gas-fueled power generation plant (February 2006)  
 ⇒ Power generation capacity: Approximately 850,000kW (two units), No. 1 unit scheduled to start operating in April 2008, and No. 2 unit scheduled to start operating in October 2008

### (2) Hydrogen business

- 1) 1kW-class household FC that use LPG as fuel: 141 units already installed  
 → Installation goal for the fiscal year approximately attained  
 ⇒ Scheduled to install 300 units during fiscal 2007
- 2) Commercialization of ENEOS ECOBOY 1kW-class household FC that use kerosene as fuel (March 2006)  
 ⇒ Scheduled to install 100 units during fiscal 2007
- 3) Establishment of the ENEOS Hydrogen Fund charitable trust (¥1.5 billion in funds) (April 2006)

# < Overseas Operations >

## Plans for Production

(thousand BD)

'04: 110 ⇒ '07: 180 ⇒ <'10: 200 (Target)>  
(Production was 150 as of March 31, '05)

## ■ Third Medium-Term Consolidated Management Plan

- (1) E&P Oil and natural gas: Active expansion mainly in core areas
- (2) Overseas lubricants business: Expand sales principally to Japanese users overseas

## ■ Fiscal 2006 Measures

### (1) E&P of oil and natural gas operations

- 1) a. Acquired oil and production assets in the U.S. Gulf of Mexico (April 2005)
- b. Shifted to development activities at the U.K. North Sea Blane Oil Field (July 2005)
- c. Acquired new exploration blocks in U.K. North Sea (September 2005)
- d. Acquired new exploration blocks in Libya (October 2005)
- e. Collaboration with INPEX Holdings Inc. (December 2005)
- f. Start of commercial production at oil fields onshore Papua New Guinea (March 2006)
- 2) Rang Dong oil field associated gas recovery and utilization project in Vietnam approved as a Clean Development Mechanism (CDM) system under the Kyoto Protocol  
⇒ Reduction of CO<sub>2</sub> emissions by 680,000 tons/year (Largest CO<sub>2</sub> emission reduction project in the world registered under the CDM Project to date)

### Targets for Lubricant Oil Product Sales (Total for Asia, Europe, and the Americas)

Actual for FY05: 142,000kl/year	⇒	FY08 target: 220,000kl/year
------------------------------------	---	--------------------------------

### (2) Overseas lubricant oil business

- 3) a. New lubricant manufacturing plants in the southern United States and China, where automakers are establishing a strong presence  
⇒ Alabama, U.S. (October 2006): 39,000kl/year; Guangzhou, China (September 2006): 27,000kl/year
- b. Tianjin Nisseki expanded production capacity  
⇒ Current capacity: 35,000kl/year; Expanded capacity 55,000kl/year by end of 2005
- 4) Start of Dr. Drive service station operations in Beijing, China (January 2006)

## Supplementary Information (2)

# <FY06 Principal Data by Operating Segment>

('05/4 - '06/3)

(Change from the February forecast)

### (1) Net sales

(¥ billion)

Total 6,118.0 (+8.0)					
Refining and Marketing			E&P* of Oil and Natural Gas	Construction	Other
Petroleum fuel	Petrochemical				
5,061.5 (-3.5)	421.1 (+6.1)	5,482.6 (+2.6)	180.5 (+0.5)	374.5 (+4.5)	80.4 (+0.4)

Note: Figures in parentheses are changes from the February forecast.

(\* Exploration and production)

### (2) Operating income

(¥ billion)

Total 303.9 (+8.9)					
Refining and Marketing			E&P of Oil and Natural Gas	Construction	Other
Petroleum fuel	Petrochemical				
157.4 (+ 6.9)	39.8 (+1.0)	197.2 (+7.9)	92.1 (-0.1)	7.2 (+0.2)	7.4 (+0.9)

Note: Figures in parentheses are changes from the February forecast.

# <FY06 Sales Volume (Unconsolidated) >

('05/4 - '06/3)

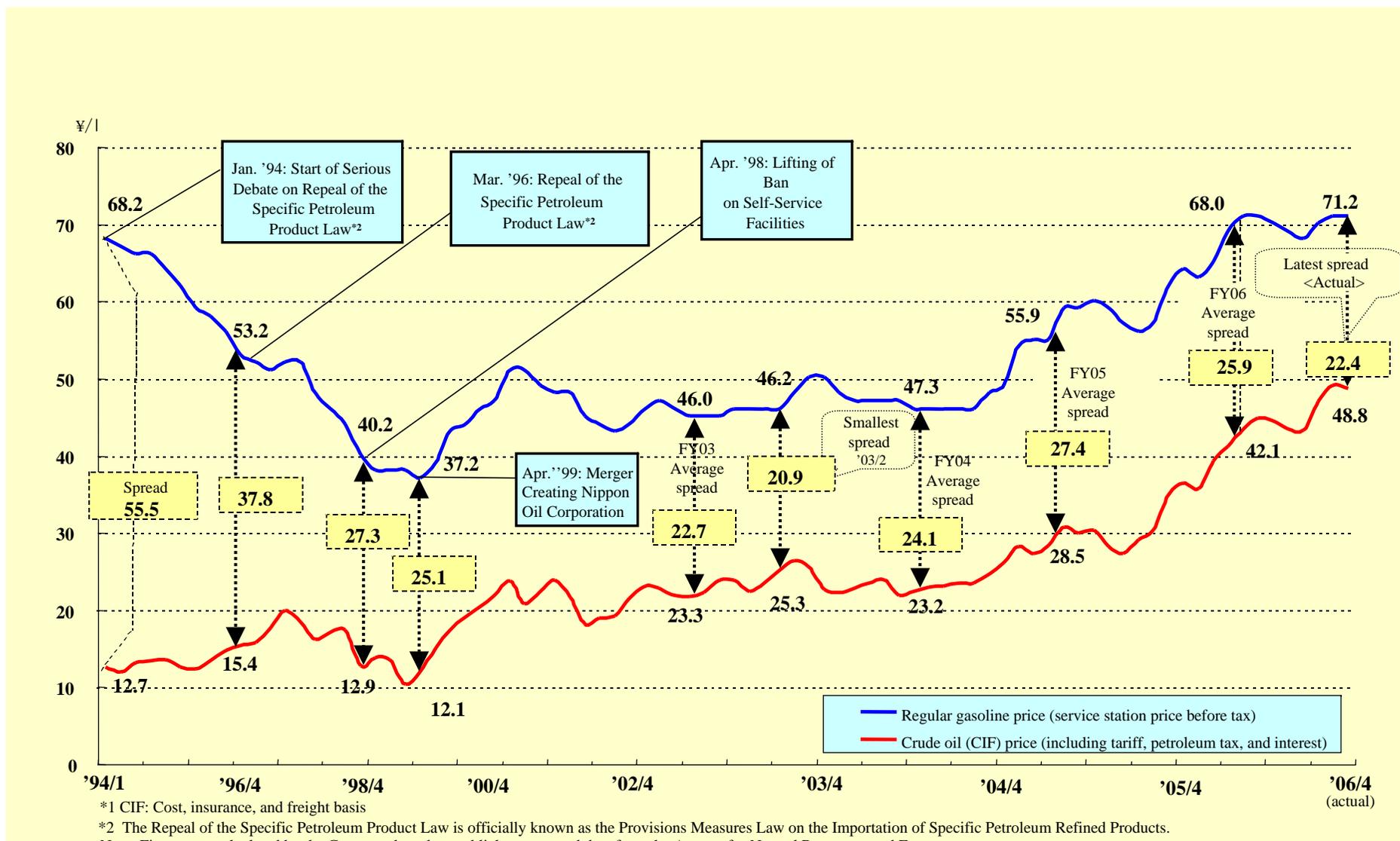
	FY05 ( '04/4-'05/3)	Change	FY06 ( '05/4-'06/3)
	(10,000 kl)	%	(10,000 kl)
Gasoline	1,472	- 1.5	1,450
(High octane)	(278)	( -1.4)	(274)
(Regular)	(1,179)	( -1.6)	(1,161)
Naphtha	628	+5.2	661
Jet fuel	121	- 2.9	117
Kerosine	771	+1.4	782
Diesel fuel	877	- 1.8	861
Heavy fuel oil A	884	- 8.4	809
Heavy fuel oil C	795	+11.3	884
(For electric power)	(355)	(+29.5)	(459)
(For general use)	(440)	( -3.5)	(425)
<b>Total domestic fuel oil sales</b>	<b>5,548</b>	<b>+0.3</b>	<b>5,564</b>
Crude oil	205	+22.6	252
<b>Total domestic fuel oil sales, including crude oil</b>	<b>5,753</b>	<b>+1.1</b>	<b>5,816</b>
Barter joint, other	2,991	+18.0	3,529
<b>Total</b>	<b>8,744</b>	<b>+6.9</b>	<b>9,345</b>

# <FY07 Sales Volume (Unconsolidated)>

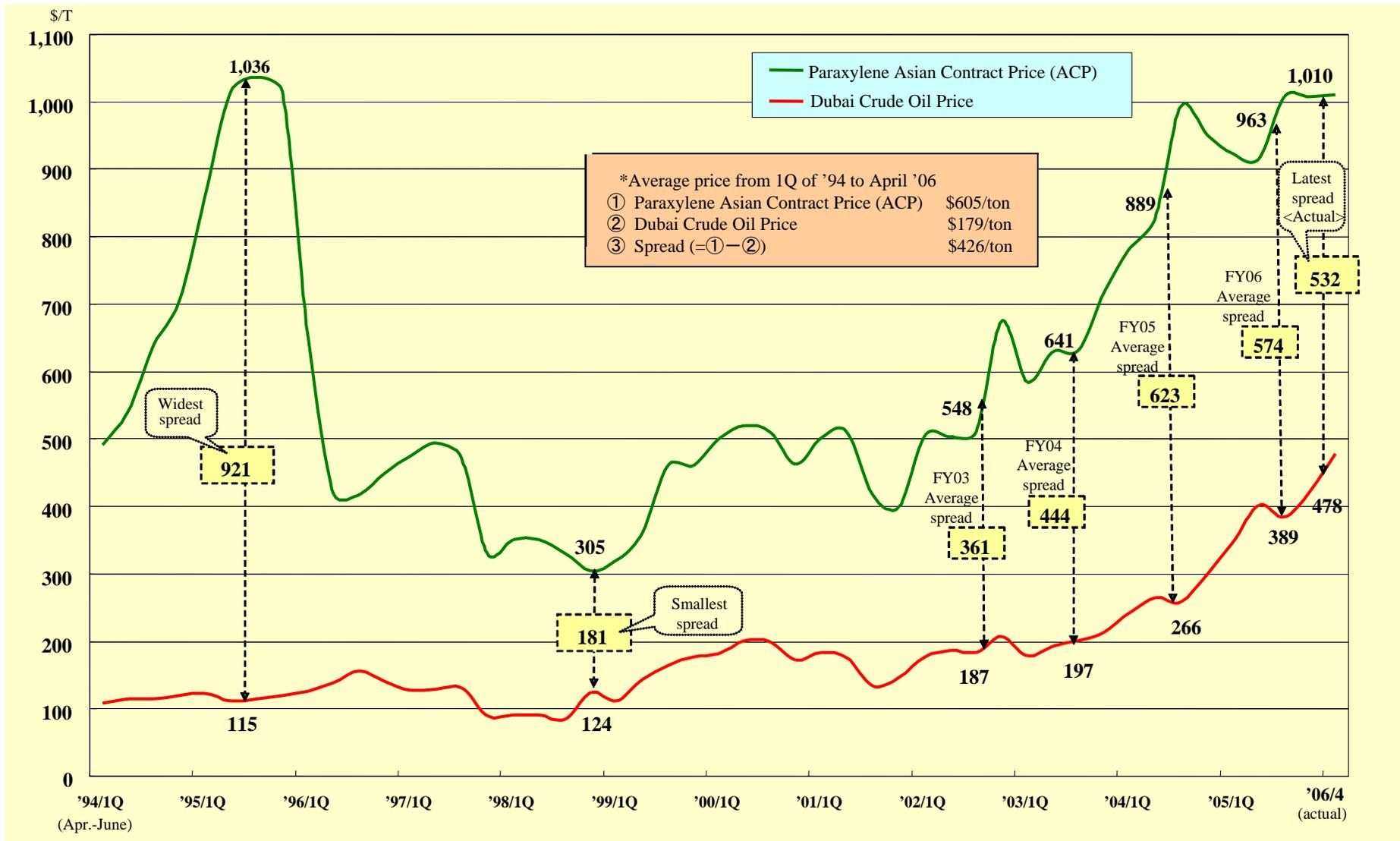
('06/4 - '07/3)

	FY06 ( '05/4-'06/3)	Change	FY07 ( '06/4-'07/3)
	(Actual)		(Forecast)
	(10,000 kl)	%	(10,000 kl)
Gasoline	1,450	+ 2.1	1,480
(High octane)	(274)	(+ 5.2)	(288)
(Regular)	(1,161)	(+ 1.5)	(1,178)
Naphtha	661	- 6.8	614
Jet fuel	117	- 7.1	109
Kerosine	782	- 2.1	766
Diesel fuel	861	- 3.1	834
Heavy fuel oil A	809	- 4.5	773
Heavy fuel oil C	884	- 27.7	639
(For electric power)	(459)	(- 43.0)	(262)
(For general use)	(425)	(- 11.1)	(377)
<b>Total domestic fuel oil sales</b>	<b>5,564</b>	<b>- 6.2</b>	<b>5,215</b>
Crude oil	252	- 38.5	155
<b>Total domestic fuel oil sales, including crude oil</b>	<b>5,816</b>	<b>- 7.6</b>	<b>5,370</b>
Barter joint, other	3,529	+ 8.0	3,810
<b>Total</b>	<b>9,345</b>	<b>- 1.7</b>	<b>9,180</b>

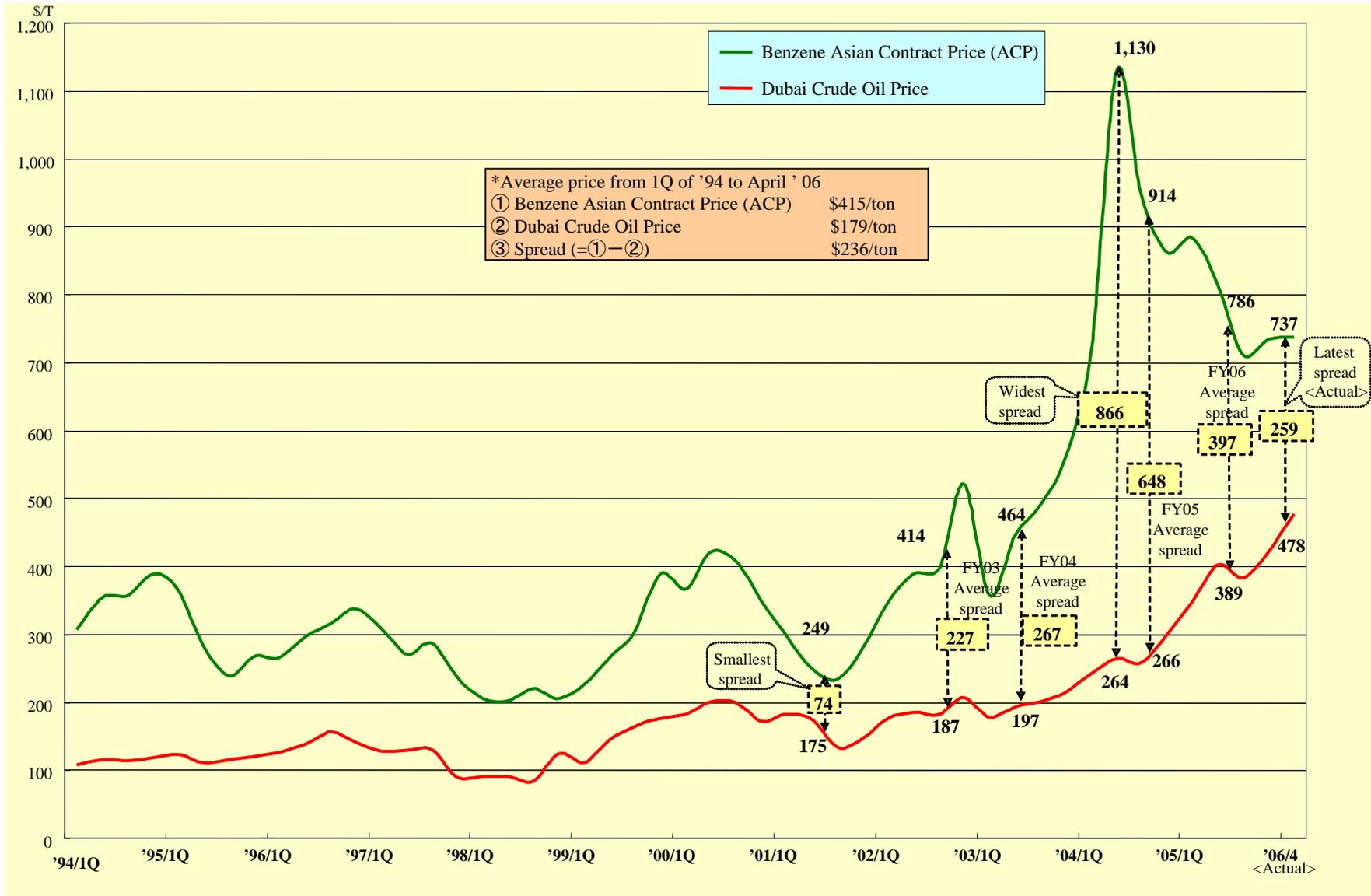
# <Spread (Retail Gasoline Price – Crude Oil CIF\*1 Price) >



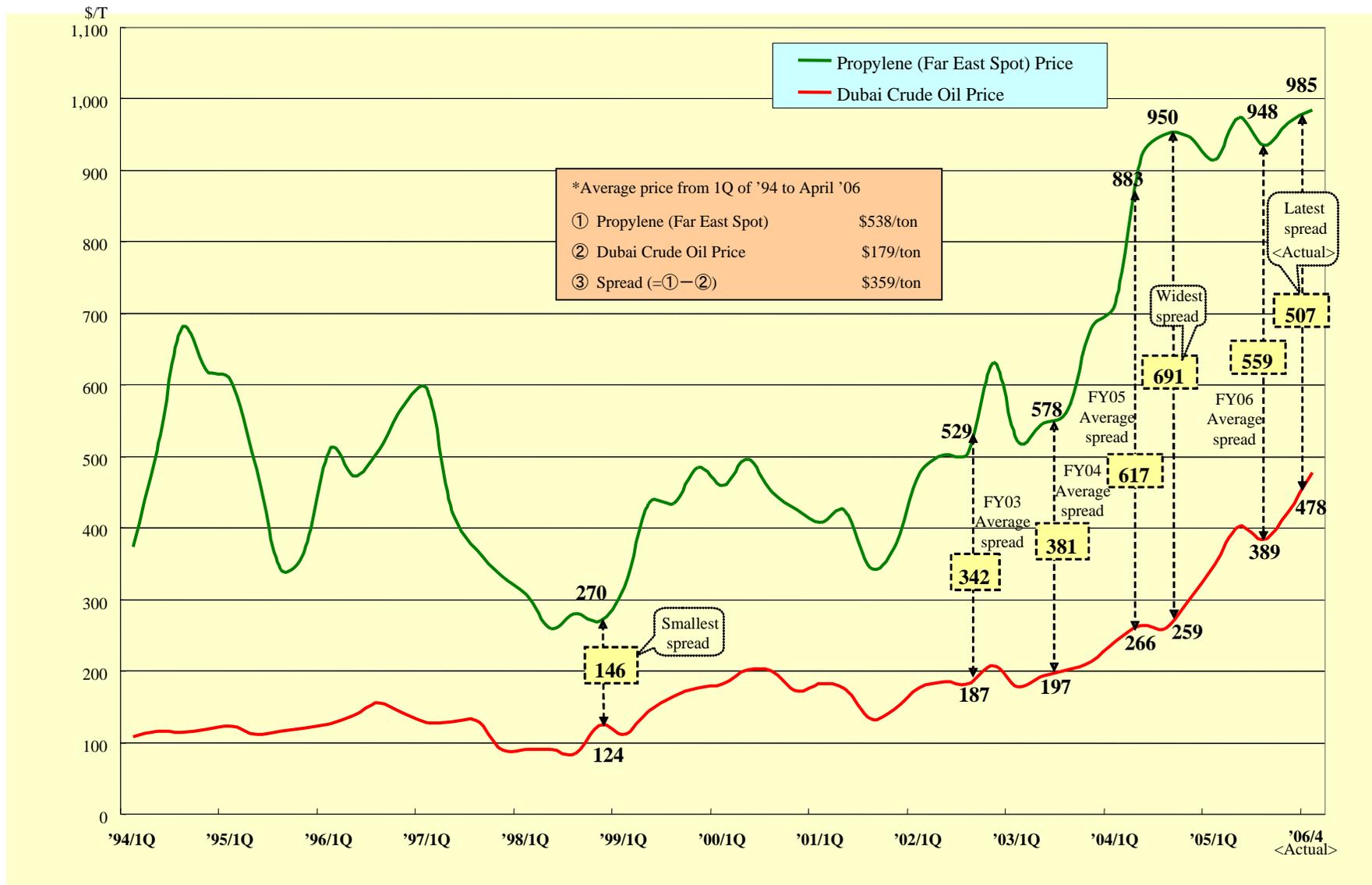
# < Spread (PX Price – Dubai Crude Oil Price) >



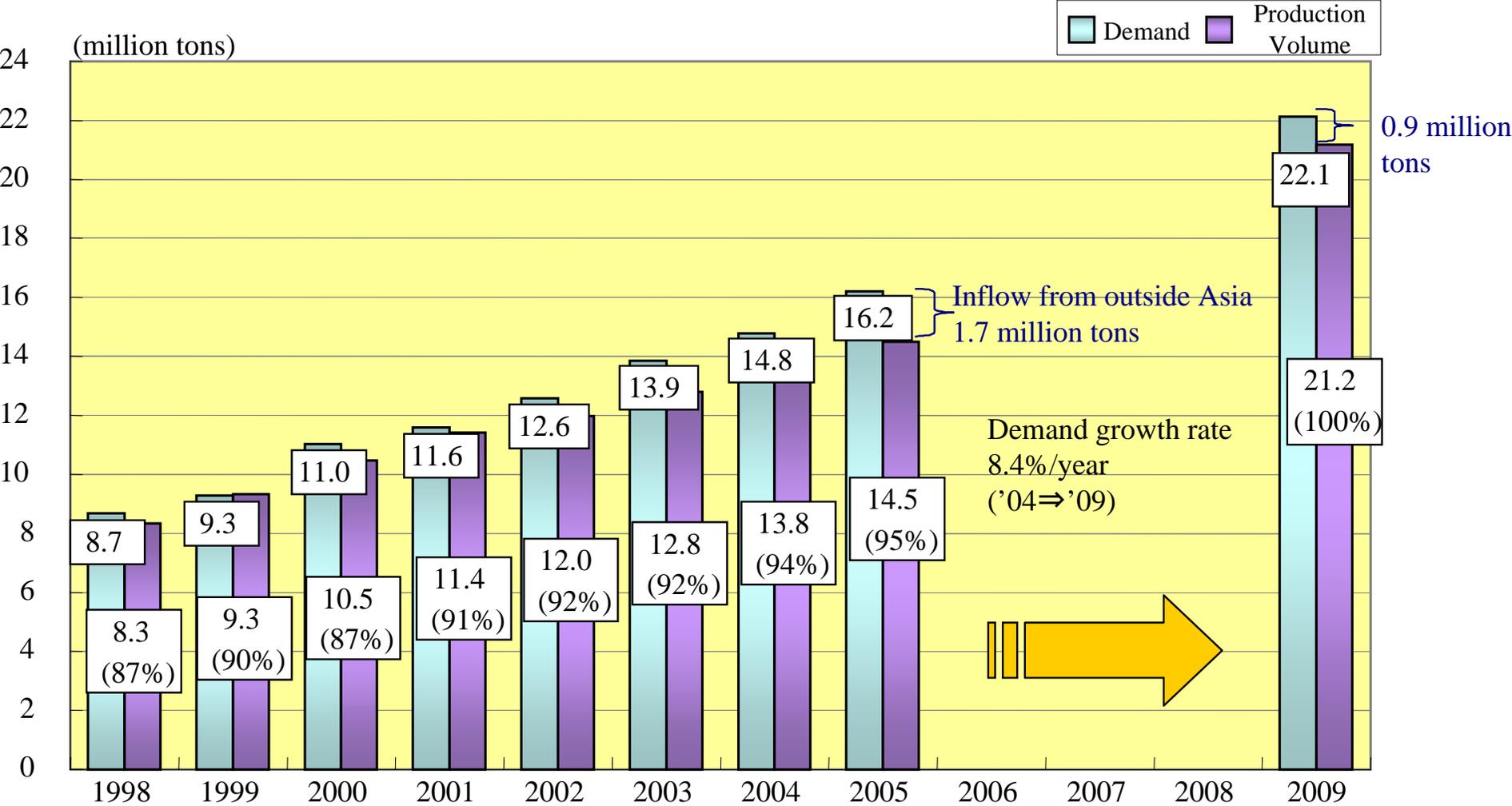
# < Spread (Benzene Price – Dubai Crude Oil Price) >



# < Spread (Propylene Price – Dubai Crude Oil Price) >

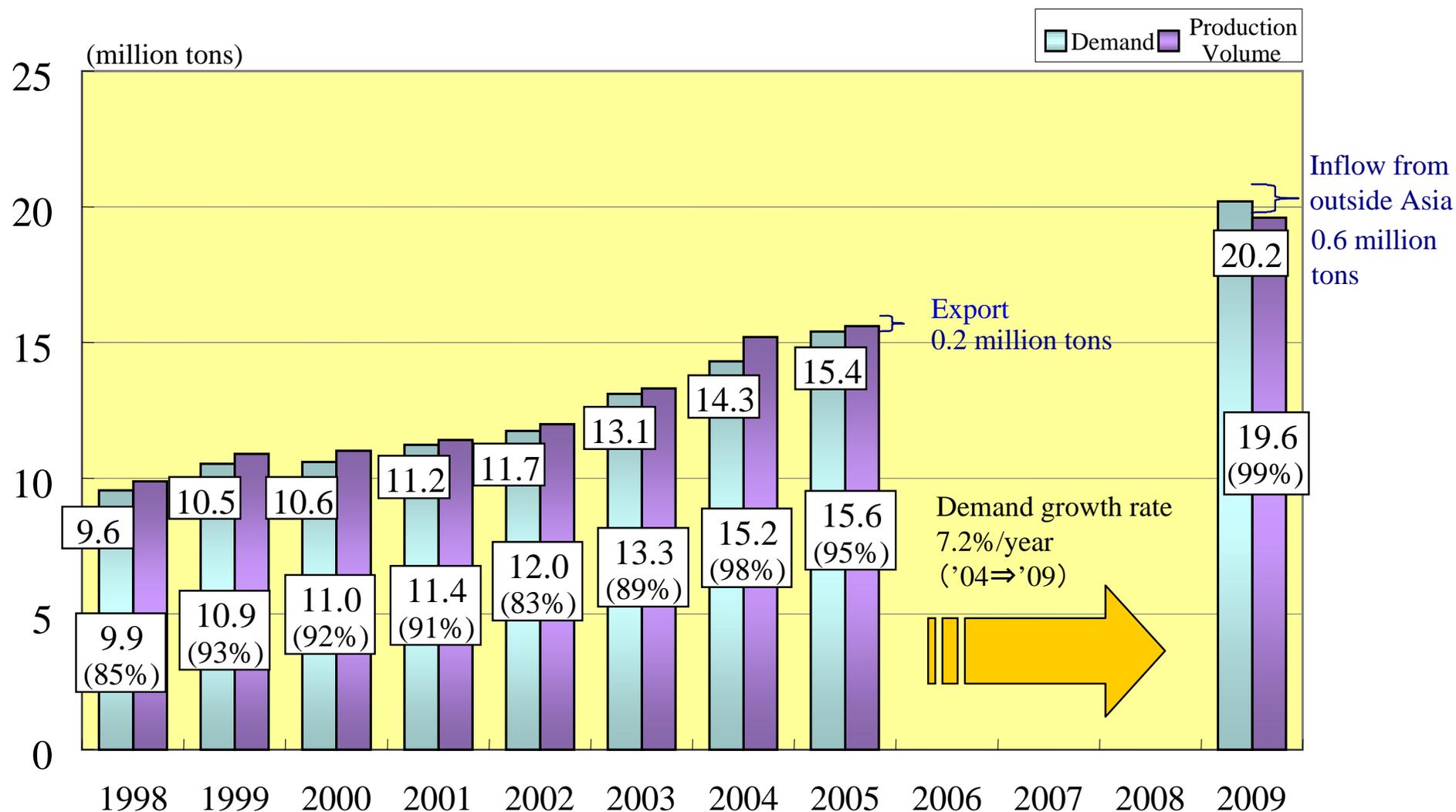


# <Balance of Supply and Demand for Paraxylene in Asia>



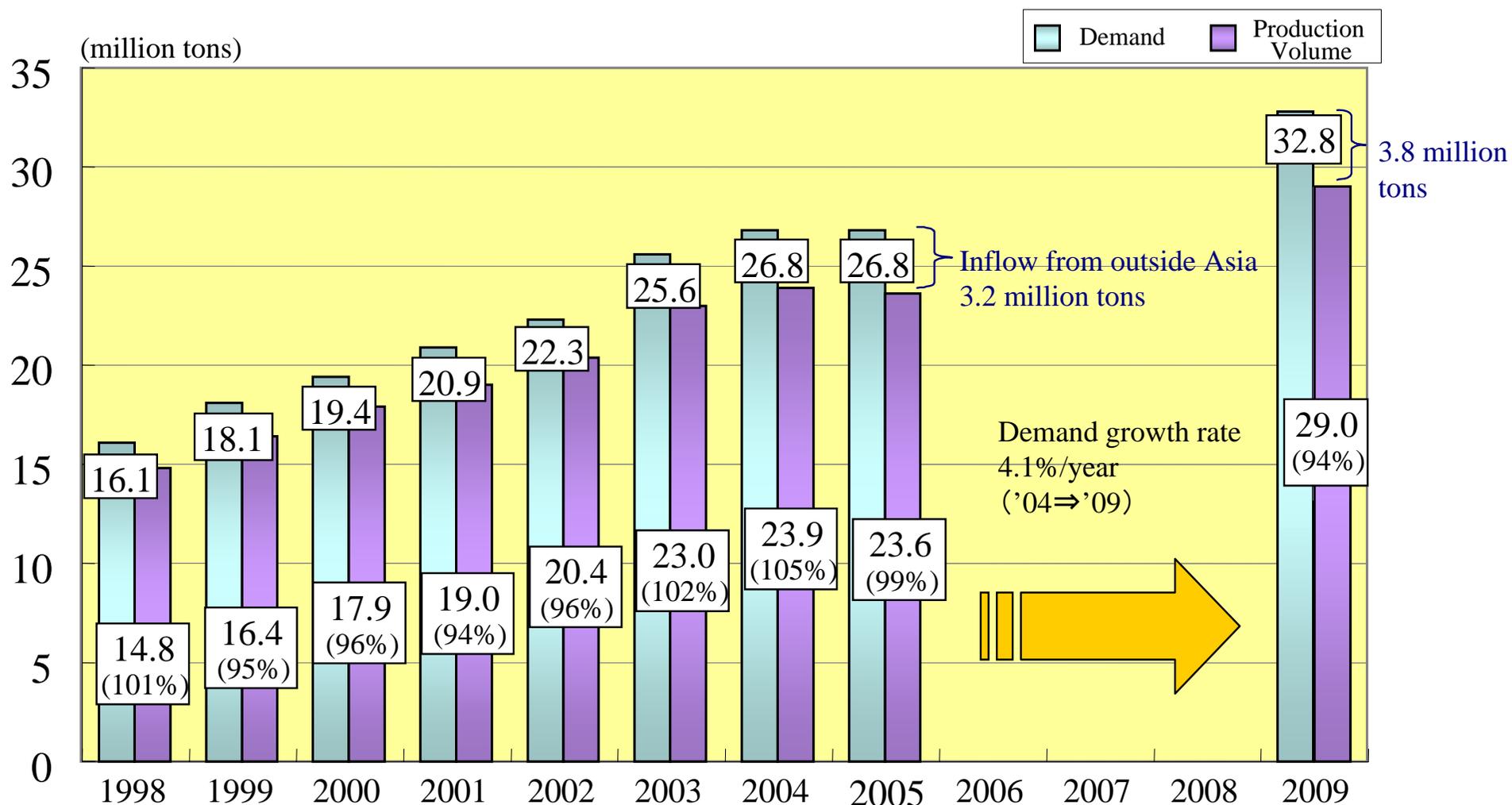
1. Figures in parentheses below production volume are rates of capacity utilization.  
 2. These figures have been compiled by the Company making use of data prepared by external research organizations.

# <Balance of Supply and Demand for Benzene in Asia>



1. Figures in parentheses below production volume are rates of capacity utilization.  
 2. These figures have been compiled by the Company making use of data prepared by external research organizations.

# <Balance of Supply and Demand for Propylene in Asia>



1. Figures in parentheses below production volume are rates of capacity utilization.
2. These figures have been compiled by the Company making use of data prepared by external research organizations.

## Supplementary Information (4)

# <Refining Capacity and Utilization Rates>

	Merger Creating NOC							(million BD)		
	FY97 (’96/4 –’97/3)	FY98 (’97/4 –’98/3)	FY99 (’98/4 –’99/3)	FY00 (’99/4 –’00/3)	FY01 (’00/4 –’01/3)	FY02 (’01/4 –’02/3)	FY03 (’02/4 –’03/3)			
<b>NOC Group<sup>*1</sup></b>	<b>1.35</b> (75%)	<b>1.35</b> (80%)	<b>1.37</b> (78%)	<b>1.35</b> (74%)	<b>1.35</b> (76%)	<b>1.23</b> (81%)	<b>1.22</b> (84%)			
<b>Total for Japan</b>	<b>5.27</b> (79%)	<b>5.32</b> (81%)	<b>5.37</b> (78%)	<b>5.35</b> (77%)	<b>5.27</b> (79%)	<b>4.97</b> (81%)	<b>4.98</b> (81%)			

	FY04 (’03/4 –’04/3)			FY05 (’04/4 –’05/3)			FY06 (’05/4 –’06/3)		
	1H (Apr.-Aug.)	2H (Sep.-Mar.)	Total	1H (Apr.-Aug.)	2H (Sep.-Mar.)	Total	1H (Apr.-Aug.)	2H (Sep.-Mar.)	Total
<b>NOC Group<sup>*1</sup></b>	<b>1.22</b> (79%) <sup>*2</sup>	<b>1.27</b> (88%)	<b>1.27</b> (83%)	<b>1.22</b> (79%)	<b>1.22</b> (92%)	<b>1.22</b> (87%)	<b>1.22</b> (84%)	<b>1.22</b> (93%)	<b>1.22</b> (88%)
<b>Total for Japan</b>	<b>4.92</b> (80%) <sup>*2</sup>	<b>4.89</b> (86%) <sup>*4</sup>	<b>4.89</b> (83%)	<b>4.77</b> (80%) <sup>*5</sup>	<b>4.77</b> (89%)	<b>4.77</b> (84%)	<b>4.77</b> (83%)	<b>4.77</b> ( - )	<b>4.77</b> ( - )

Notes: \*1. Figures through FY99 are the sum of figures for Nippon Oil Company and Mitsubishi Oil Company, which merged in Apr.’99.

\*2. Figures in parentheses are averages for the fiscal years.

\*3. Discontinuation of crude oil processing at the Idemitsu Kosan Hyogo Refinery in Apr. ’03

\*4. Discontinuation of crude oil processing at the Idemitsu Kosan Group Okinawa Refinery in Nov. ’03

\*5. Discontinuation of crude oil processing at Idemitsu Kosan Group Toho Oil in Apr. ’04, and partial discontinuation of crude oil processing at the Nippon Oil Negishi Refinery in Apr.’04 and Showa Shell Oil Group’s Showa Yokkaichi Oil in June ’04

Sources: Ministry of Economy, Trade and Industry; Petroleum Association of Japan; and others

# <NOC's Share of Sales of the Four Light Oil Products> (Consumption Basis)

Type of product	Merger Creating NOC							(%)
	FY00 ( <sup>'99/4</sup> - <sup>'00/3</sup> )	FY01 ( <sup>'00/4</sup> - <sup>'01/3</sup> )	FY02 ( <sup>'01/4</sup> - <sup>'02/3</sup> )	FY03 ( <sup>'02/4</sup> - <sup>'03/3</sup> )	FY04 ( <sup>'03/4</sup> - <sup>'04/3</sup> )	FY05 ( <sup>'04/4</sup> - <sup>'05/3</sup> )	FY06 ( <sup>'05/4</sup> - <sup>'06/3</sup> )	
Gasoline	23.2	22.9	22.8	23.2	23.3	23.9	23.6	
(Premium)	23.4	23.2	24.1	24.6	24.6	25.4	26.2	
Kerosene	23.4	23.3	23.9	24.4	24.3	27.6	27.7	
Diesel fuel	22.8	22.4	22.0	22.7	22.6	23.0	23.3	
Heavy fuel oil A	23.4	23.9	24.3	26.3	28.1	30.4	29.0	
Total	23.2	23.0	23.1	23.9	24.2	25.5	25.3	

Note: Figures are calculated by the Company based on publicly announced data from Agency for Natural Resources and Energy. (NOC's sales volume/domestic demand volume\*)  
\*Domestic demand figures for FY06 are estimated by the Company.

# 〈Number of Service Stations (Fixed-Type)〉

	Repeal of the Specific Petroleum Product Law*7				Merger Creating NOC								FY96 FY06
	FY96 (‘95/4 - ‘96/3)	FY97 (‘96/4 - ‘97/3)	FY98 (‘97/4 - ‘98/3)	FY99 (‘98/4 - ‘99/3)	FY00 (‘99/4 - ‘00/3)	FY01 (‘00/4 - ‘01/3)	FY02 (‘01/4 - ‘02/3)	FY03 (‘02/4 - ‘03/3)	FY04 (‘03/4 - ‘04/3)	FY05 (‘04/4 - ‘05/3)	FY06 (‘05/4 - ‘06/3)		
NOC*1	14,895	14,690	14,283	13,739	13,162	12,669	11,987	11,694	11,333	11,059	10,807*5	72.6%	
EMGK*2	9,283	9,276	8,893	8,459	8,101	7,898	7,597	7,278	6,904	6,701	6,547*6	70.5%	
Idemitsu Kosan	9,037	8,879	7,706	7,032	6,493	6,114	5,896	5,624	5,508	5,358	5,304*6	58.7%	
Showa Shell Sekiyu	7,091	6,937	6,728	6,229	5,962	5,642	5,402	5,153	4,968	4,808	4,746*6	66.9%	
Cosmo Oil	6,857	6,802	6,573	6,278	5,916	5,600	5,373	5,152	4,926	4,709	4,586*6	66.9%	
Japan Energy	6,384	6,232	6,079	5,217	4,952	4,646	4,476	4,296	4,150	4,023	3,955*6	62.0%	
Others*3	2,314	2,510	2,418	2,300	2,128	1,916	1,733	1,642	1,593	1,500	1,452*6	62.7%	
<b>Oil companies</b>	<b>55,861</b> (96.9%)	<b>55,326</b> (96.4%)	<b>52,680</b> (93.8%)	<b>49,254</b> (90.4%)	<b>46,714</b> (87.6%)	<b>44,485</b> (85.6%)	<b>42,464</b> (83.4%)	<b>40,839</b> (82.3%)	<b>39,382</b> (80.4%)	<b>38,158</b> (79.5%)	<b>37,397</b> ( - )	<b>66.9%</b> ( - )	
<b>Private brands and other</b>	<b>1,792</b> (3.1%)	<b>2,079</b> (3.6%)	<b>3,469</b> (6.2%)	<b>5,236</b> (9.6%)	<b>6,593</b> (12.4%)	<b>7,472</b> (14.4%)	<b>8,436*4</b> (16.6%)	<b>8,761*4</b> (17.7%)	<b>9,618*4</b> (19.6%)	<b>9,842*4</b> (20.5%)	<b>-</b> ( - )	<b>-</b> ( - )	
<b>Total</b>	<b>57,653</b>	<b>57,405</b>	<b>56,149</b>	<b>54,490</b>	<b>53,307</b>	<b>51,957</b>	<b>50,900*4</b>	<b>49,600*4</b>	<b>49,000*4</b>	<b>48,000*4</b>	<b>-</b>	<b>-</b>	

- Notes:
- \*1. Figures through FY99 are pro forma summations of figures for the former Nippon Oil Company and the former Mitsubishi Oil Company.
  - \*2. Figures are pro forma summations of figures for Esso, Mobil, Tonen General Sekiyu, and Kygnus Sekiyu.
  - \*3. Figures are pro forma summations of figures for Kyushu Oil, Taiyo Petroleum, and Mitsui Oil & Gas.
  - \*4. Estimates by Nippon Oil
  - \*5. As of March 2006
  - \*6. As of December 2005
  - \*7. The Repeal of the Specific Petroleum Product Law is officially known as the Provisions Measures Law on the Importation of Specific Petroleum Refined Products.

Source: Agency of Natural Resources and Energy

## <Number of Company-Owned Service Stations>

	Merger Creating NOC						
	FY00 ( <sup>'99/4</sup> - <sup>'00/3</sup> )	FY01 ( <sup>'00/4</sup> - <sup>'01/3</sup> )	FY02 ( <sup>'01/4</sup> - <sup>'02/3</sup> )	FY03 ( <sup>'02/4</sup> - <sup>'03/3</sup> )	FY04 ( <sup>'03/4</sup> - <sup>'04/3</sup> )	FY05 ( <sup>'04/4</sup> - <sup>'05/3</sup> )	FY06 ( <sup>'05/4</sup> - <sup>'06/3</sup> )
<b>NOC</b>	<b>3,053</b>	<b>2,945</b>	<b>2,857</b>	<b>2,746</b>	<b>2,607</b>	<b>2,518</b>	<b>2,436</b>

## <Number of Self-Service Facilities>

	Merger Creating NOC						
	FY00 ( <sup>'99/4</sup> - <sup>'00/3</sup> )	FY01 ( <sup>'00/4</sup> - <sup>'01/3</sup> )	FY02 ( <sup>'01/4</sup> - <sup>'02/3</sup> )	FY03 ( <sup>'02/4</sup> - <sup>'03/3</sup> )	FY04 ( <sup>'03/4</sup> - <sup>'04/3</sup> )	FY05 ( <sup>'04/4</sup> - <sup>'05/3</sup> )	FY06 ( <sup>'05/4</sup> - <sup>'06/3</sup> )
<b>NOC</b>	<b>21</b>	<b>54</b>	<b>142</b>	<b>342</b>	<b>520</b>	<b>651</b>	<b>794</b>
<b>Total for Japan</b>	<b>191*</b>	<b>422*</b>	<b>1,353*</b>	<b>2,522*</b>	<b>3,423*</b>	<b>3,493*</b>	<b>4,257*</b>

\* This figure includes only self-service retail outlets that are affiliated to oil wholesale companies.

Sources: Agency of Natural Resources and Energy; *The Daily Nenryo Yushi*

## <Number of Dr. Drive Service Stations>

	Merger Creating NOC						
	FY00 ( <sup>'99/4</sup> - <sup>'00/3</sup> )	FY01 ( <sup>'00/4</sup> - <sup>'01/3</sup> )	FY02 ( <sup>'01/4</sup> - <sup>'02/3</sup> )	FY03 ( <sup>'02/4</sup> - <sup>'03/3</sup> )	FY04 ( <sup>'03/4</sup> - <sup>'04/3</sup> )	FY05 ( <sup>'04/4</sup> - <sup>'05/3</sup> )	FY06 ( <sup>'05/4</sup> - <sup>'06/3</sup> )
<b>NOC</b>	<b>44</b>	<b>390</b>	<b>1,283</b>	<b>1,610</b>	<b>1,871</b>	<b>1,963</b>	<b>2,505</b>

## <Number of Depots>

	Merger Creating NOC		'99/4	'00/4	'01/4	'02/4	'03/4	'04/4	'05/4	'06/4
<b>NOC</b>			109	93	75	62	55	51	50	50

## <Number of Employees>

	Merger Creating NOC		'99/3	'00/3	'01/3	'02/3	'03/3	'04/3	'05/3	'06/3
<b>NOC Group</b>			15,964	15,570	14,895	14,368	13,882	14,347 <sup>*2</sup>	13,424	13,628 <sup>*3</sup>
<b>(portion from NOC and NPRC<sup>*5</sup>)</b>			(5,163)	(4,602)	(4,290)	(4,108)	(4,990) <sup>*1</sup>	(4,920)	(4,437)	(4,705) <sup>*4</sup>

Notes: \*1. The number of employees increased because of the merger (in Apr. '02) of the former NiSSEKI Mitsubishi Refining, the former Tohoku Oil, and the former Koa Oil.

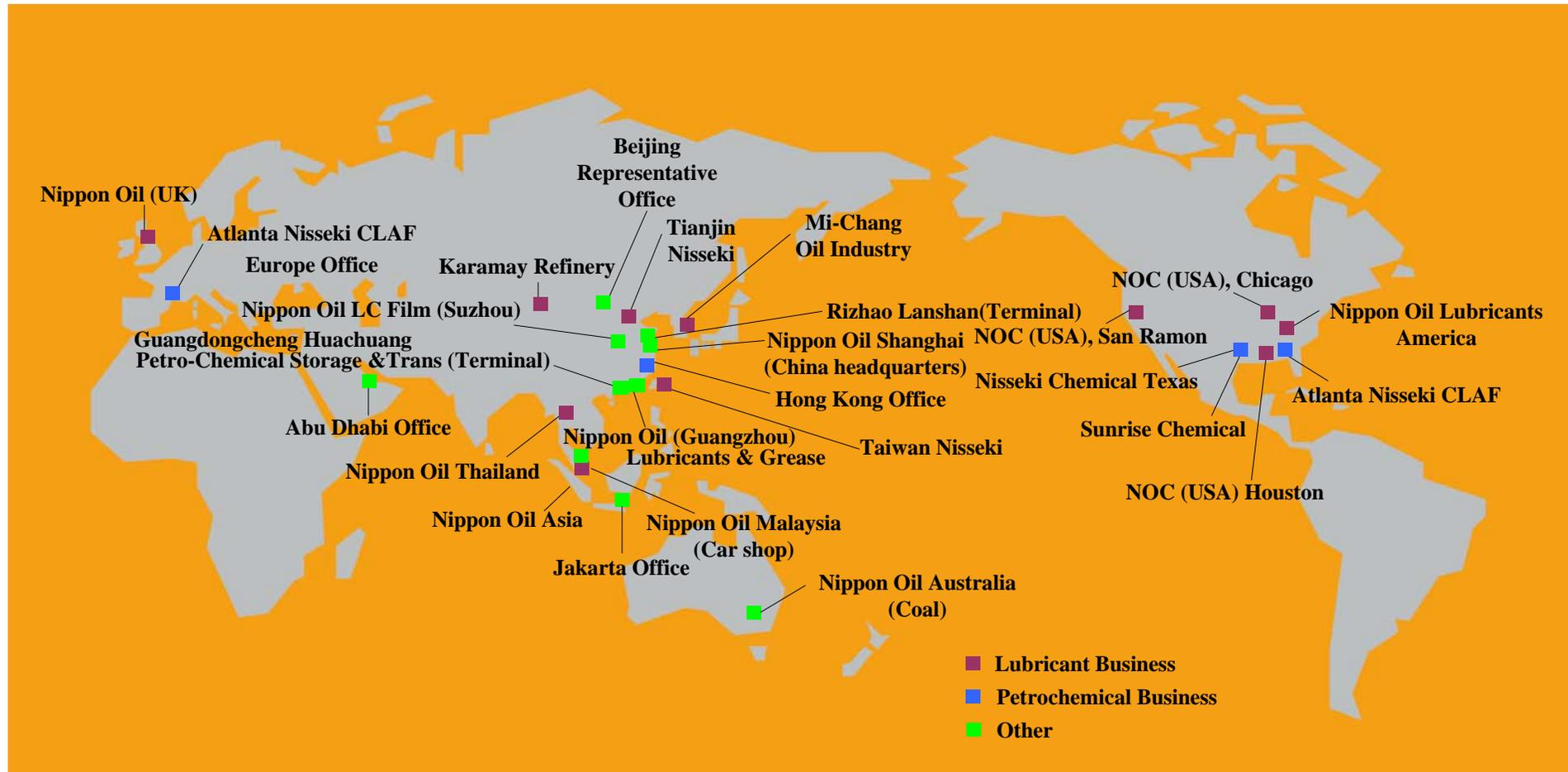
\*2. The number of employees increased as a result of the inclusion of Dai Nippon Construction Co., Ltd., within the scope of consolidation.

\*3. The number of employees increased because of an increase in the number of consolidated subsidiaries.

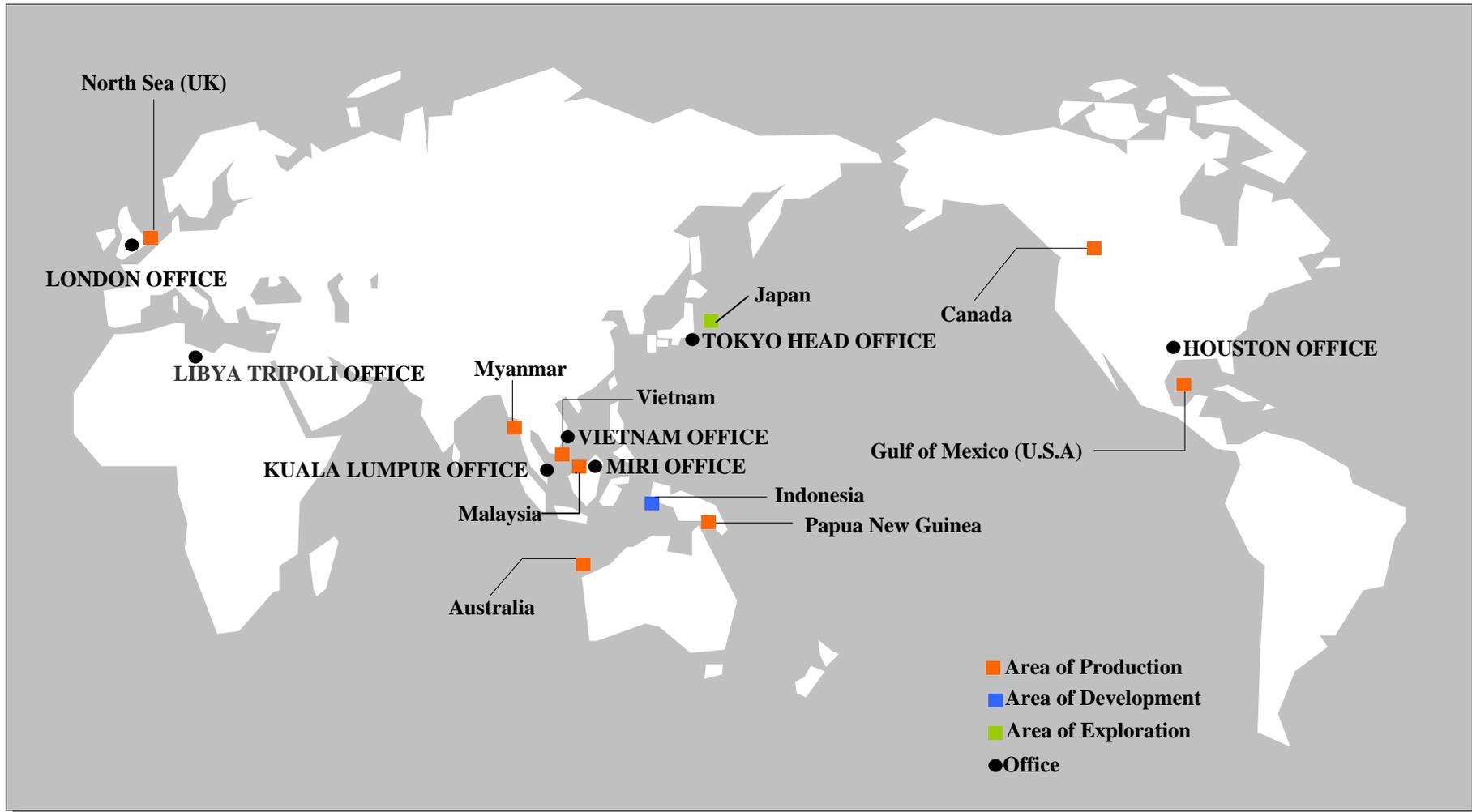
\*4. The number of employees increased because of the merger of Nippon Petroleum Gas Company, Limited.

\*5. NPRC: Nippon Petroleum Refining Company, Limited

## <Principal Overseas Operating Bases>



# <Principal E&P of Oil and Natural Gas Projects>



# < Outline of Principal E&P of Oil and Natural Gas Projects >

(Average for Jan.-Dec.'05)

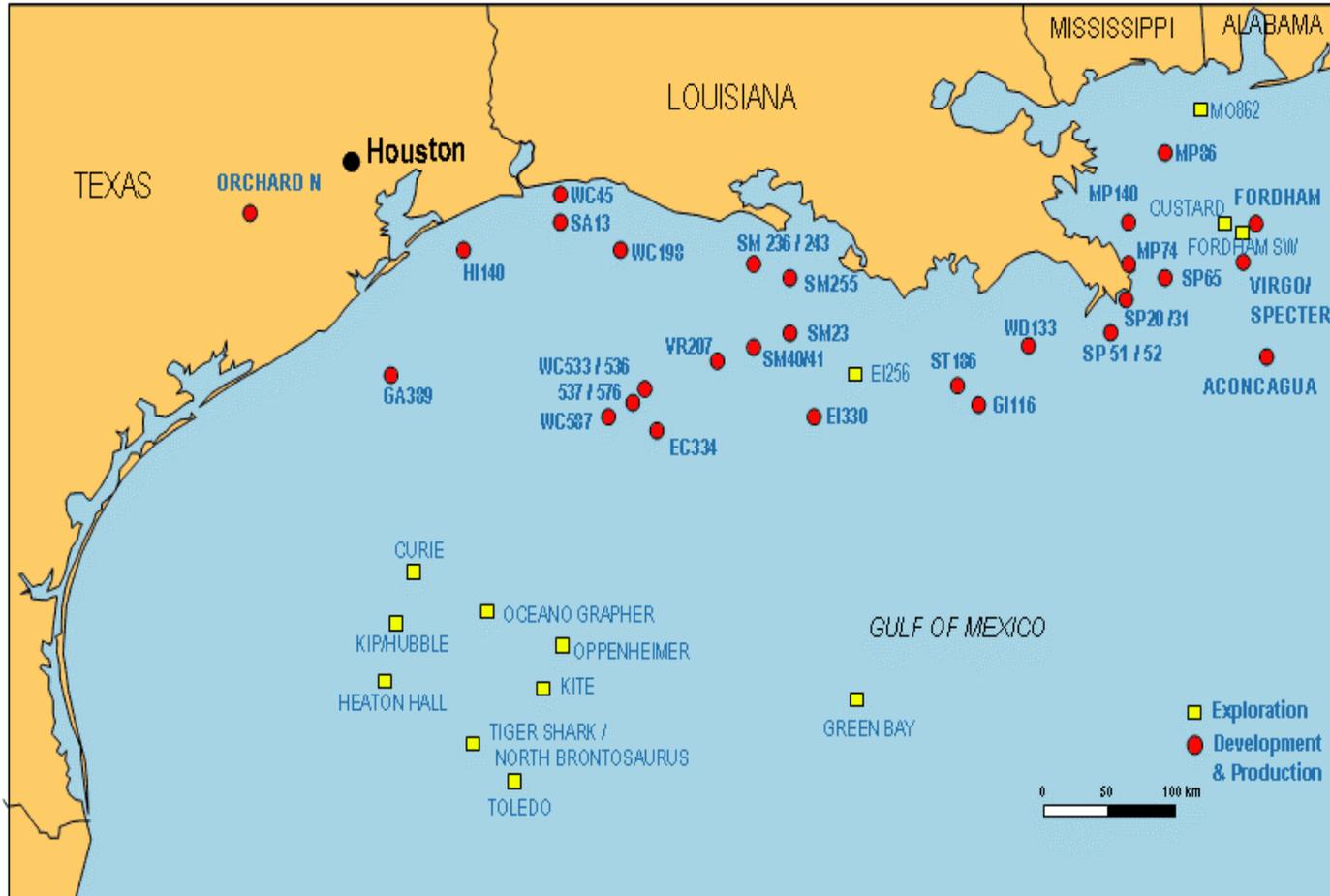
Project Name/Company	Total Production	Oil Rights (1,000BD)		Reserves <sup>*1</sup>
	(1,000BD)	PC Basis	NOC Ownership Basis	PC Basis (1 million Bbl)
<b>Gulf of Mexico (U.S.A.)</b>				
Nippon Oil Exploration U.S.A. Limited	38	9	9	33
<b>North Sea, U.K.</b>				
MOC Exploration (U.K.) Limited	115	7	3	
NOEX Production U.K.	169	10	10	44
<b>Vietnam</b>				
Japan Vietnam Petroleum Co., Ltd.	57	19	16	
<b>Myanmar</b>				< Southeast Asia Total >
Nippon Oil Exploration (Myanmar), Limited	82	12	6	
<b>Malaysia</b>				
Nippon Oil Exploration (Malaysia), Limited	57	32	22	
Nippon Oil Exploration (Sarawak), Limited	157	41	28	468
<b>Papua New Guinea</b>				< Oceania Total >
Japan Papua New Guinea Petroleum Company, Limited	47	2	1	
<b>Australia</b>				
NOEX Australia Pty Ltd.	53	13	13	17
<b>Canada<sup>*2</sup></b>				
Mocal Energy Limited	214	11	11	274
<b>Total</b>	<b>988</b>	<b>156</b>	<b>119</b>	<b>836</b>

\*1. Proved reserves and probable reserves as of Dec.'05. Including reserves from projects currently under development.

\*2. Synthetic oil

# < Individual E&P Project Overview >

## (Gulf of Mexico)



**Fiscal 2006 Production Volume**  
**9,000BOED**  
(oil: 1,500b/d, gas: 45mmcf/d)

**Project Company**  
**Nippon Oil Exploration U.S.A. Limited**  
**(NOEX USA) (100%)**

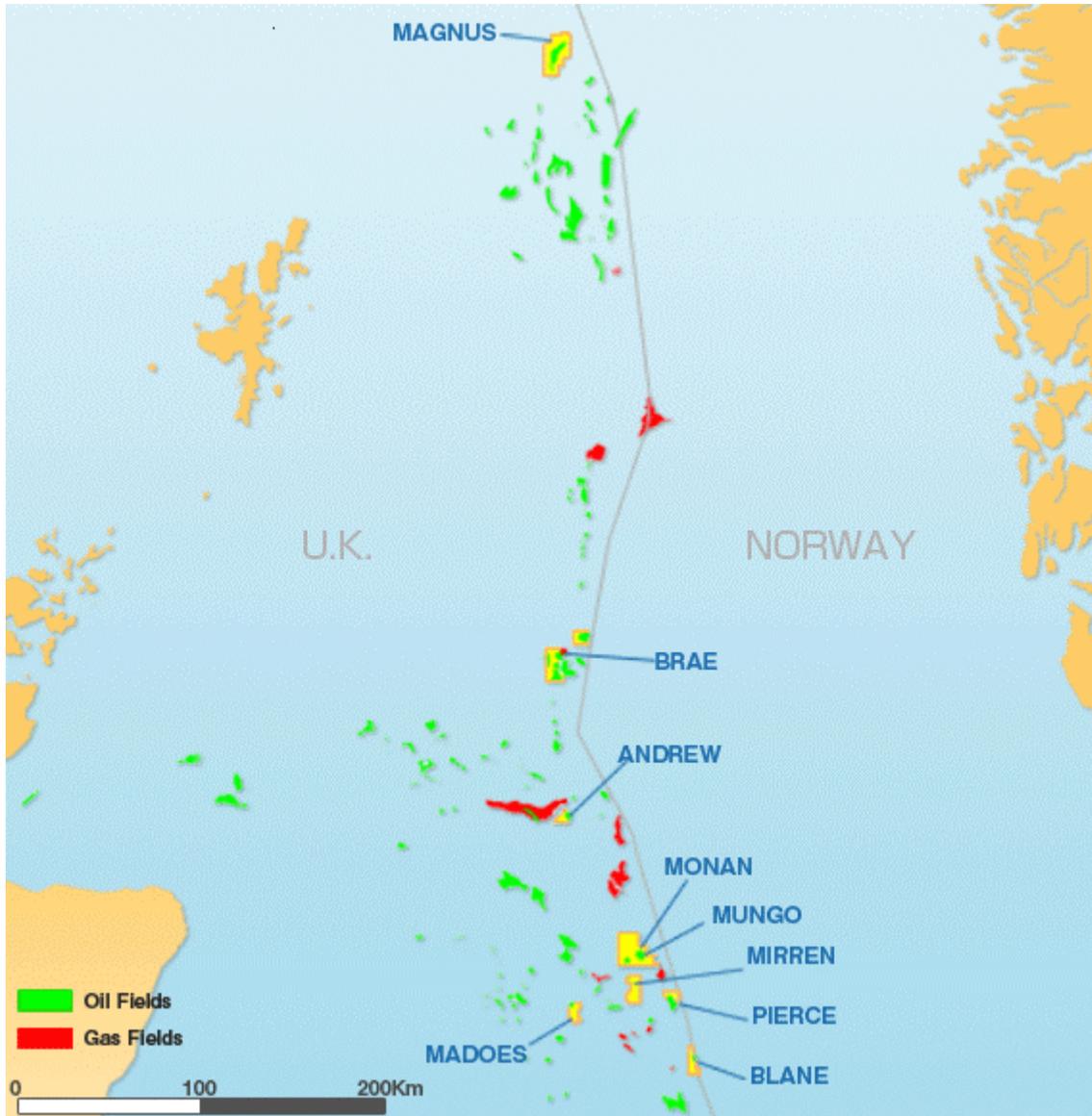
(%) = NOC Group Shareholding

**Range of Interests in Individual Fields**  
**6.1% to 100%**

**Operators**  
**NOEX USA, ConocoPhillips, Total, other**

**In 1989, NOEX USA began exploration, development, and production operations at an onshore field in Texas and offshore blocks in both deep as well as shallow waters in the Gulf of Mexico. In addition to continuing such existing operations as those in the Orchard North Gas Field, Aconcagua Gas Field, and Virgo Gas Field, NOEX USA purchased interests in certain producing assets in the Gulf of Mexico from Devon during 2005.**

# U.K. North Sea



## Fiscal 2006 Production Volume

16,900BOED

(oil: 10,300b/d, gas: 40mmcf/d)

## Project Company

MOC Exploration (U.K. ) Limited (MOEX) (50%)

Nippon Oil Exploration and Production U.K. Ltd.  
(NOEP UK) (100%)

(%) = NOC Group Shareholding

## Range of Interests in Individual Fields

2.0% to 38.2%

## Operators

BP, Shell, Marathon

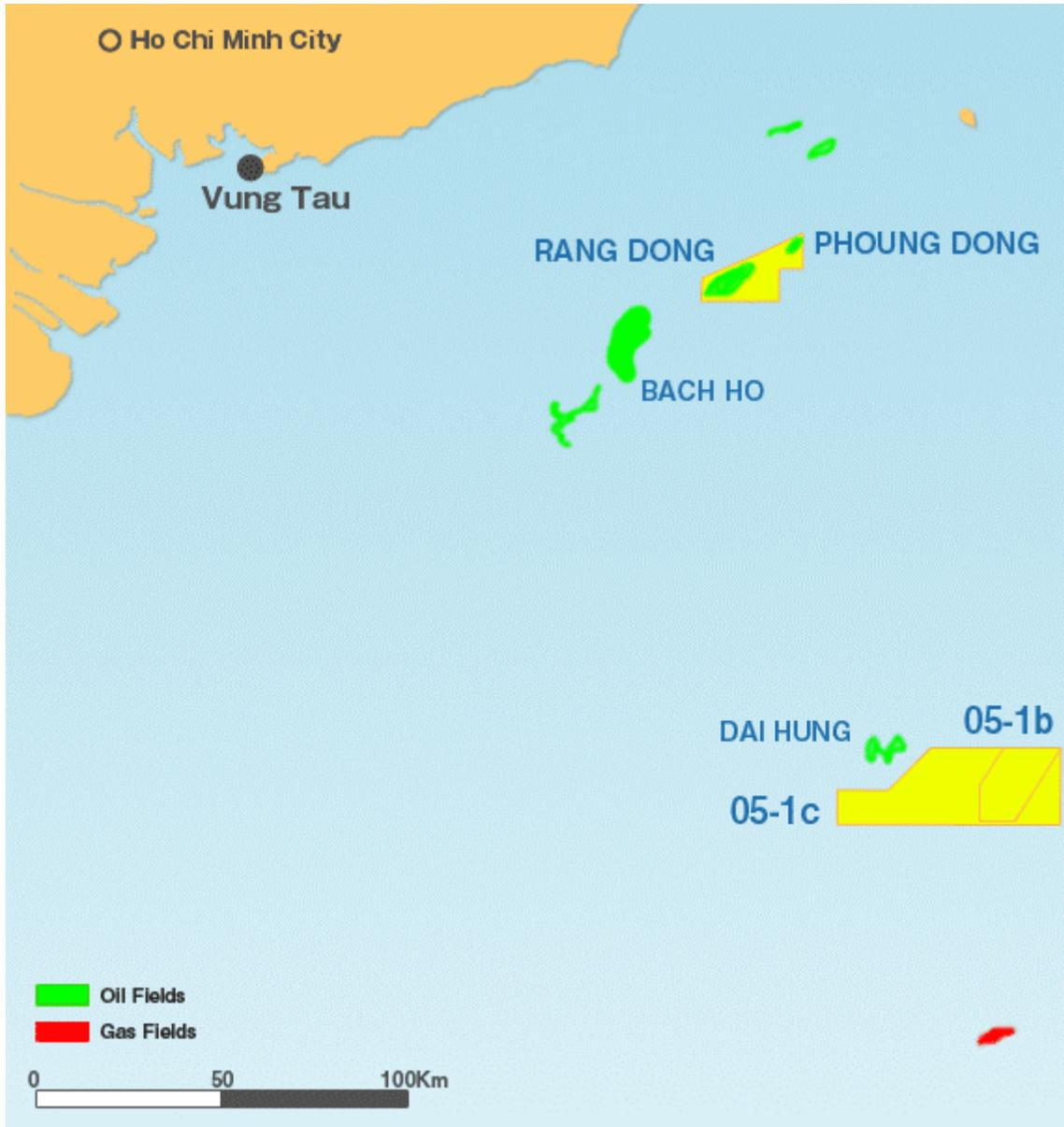
### ● MOEX

In 1994, MOEX acquired a working interest in blocks, including those in the Andrew Oil Field, the Mungo/Monan Oil Fields, the Pierce Oil Field, the Mirren/Madoes Oil Fields, and the Blane Oil Field. It is currently expanding its exploration, development, and production operations.

### ● NOEP UK

In 1996, NOEP UK acquired an interest in the Magnus Oil Field, and in 2002 it acquired interests in the Brae Gas Fields and the Fiddich Oil Field. It is currently engaged in development preparation and production operations.

# Vietnam



## Fiscal 2006 Production Volume

18,600BOED

(oil: 14,700b/d, gas: 24mmcf/d)

## Project Company

Nippon Vietnam Petroleum Co., Ltd. (JVPC)  
(97%)

(%) = NOC Group Shareholding

## Interest in Individual Fields

46.5%

## Operator

JVPC

- In 1992, JVPC acquired a working interest in block 15-2 offshore Vietnam.
- In 1994, JVPC discovered the Rang Dong Oil Field within block 15-2, and it began production in that field from 1998.
- In 2006, the Rang Dong Oil Field associated gas recovery and utilization project was approved as a Clean Development Mechanism (CDM) system under the Kyoto Protocol.

# Myanmar



## Fiscal 2006 Production Volume

12,200BOED

(oil: 1,600b/d, gas: 64mmcf/d)

## Project Company

Nippon Oil Exploration (Myanmar), Limited  
(NOEX Myanmar) (50%)

(%) = NOC Group Shareholding

## Interest in Individual Fields

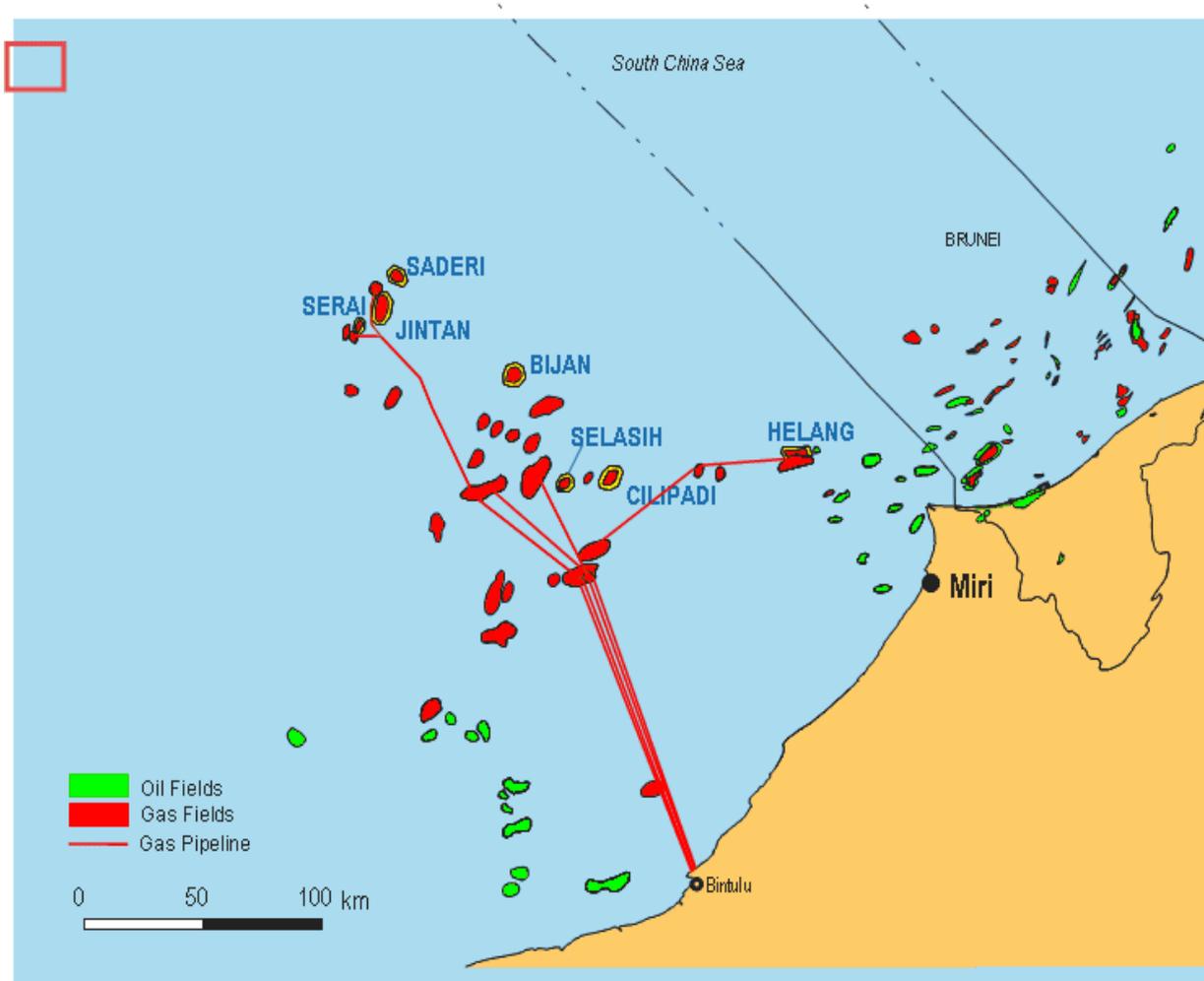
19.3%

## Operator

Petronas

- In 1991, NOEX Myanmar acquired a working interest in blocks M-13/14 offshore Myanmar. The following year, it acquired a working interest in block M-13/1 and discovered the Yetagun Gas Field in that block.
- In 2000, production at the Yetagun Gas Field commenced, with the produced gas supplied to the Ratchaburi power plants in Thailand.

# Malaysia



**Fiscal 2006 Production Volume**  
**32,100BOED**  
(oil: 8,900b/d, gas: 139mmcf/d)

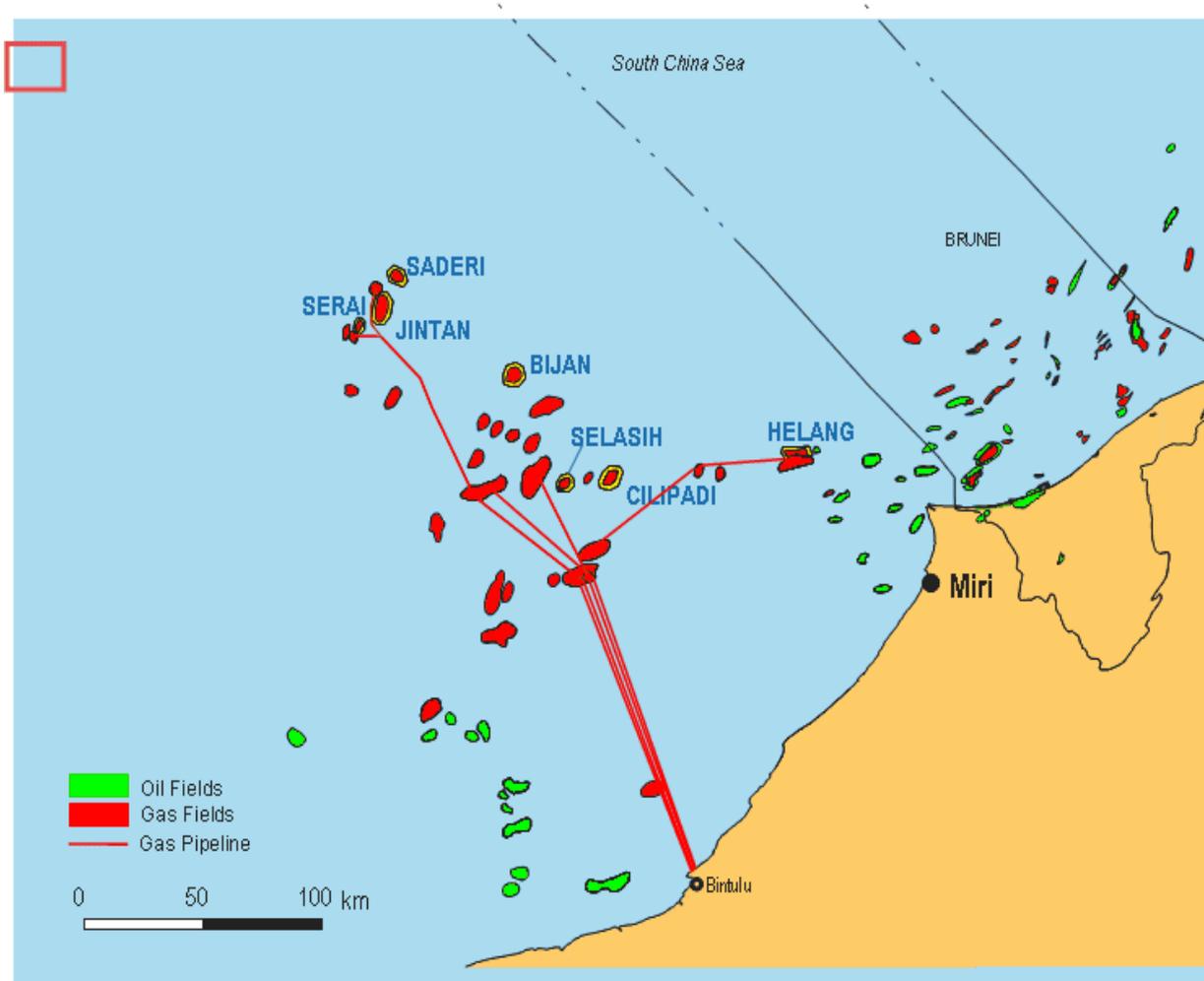
**Project Company**  
**Nippon Oil Exploration (Malaysia), Limited**  
**(NOMA) (78.7%)**  
(%) = NOC Group Shareholding

**Range of Interest in Individual Fields**  
**75%**

**Operator**  
**NOMA**

- In 1987, NOMA acquired a working interest in Block SK-10 offshore Sarawak, Malaysia.
- In 1990, NOMA discovered the Helang Gas Field, where production commenced in 2003.

# Sarawak



## Fiscal 2006 Production Volume

41,300BOED

(oil: 3,300b/d, gas: 228mmcf/d)

## Project Company

Nippon Oil Exploration (Sarawak), Limited  
(NOSA) (76.5%)

(%) = NOC Group Shareholding

## Interest in Individual Fields

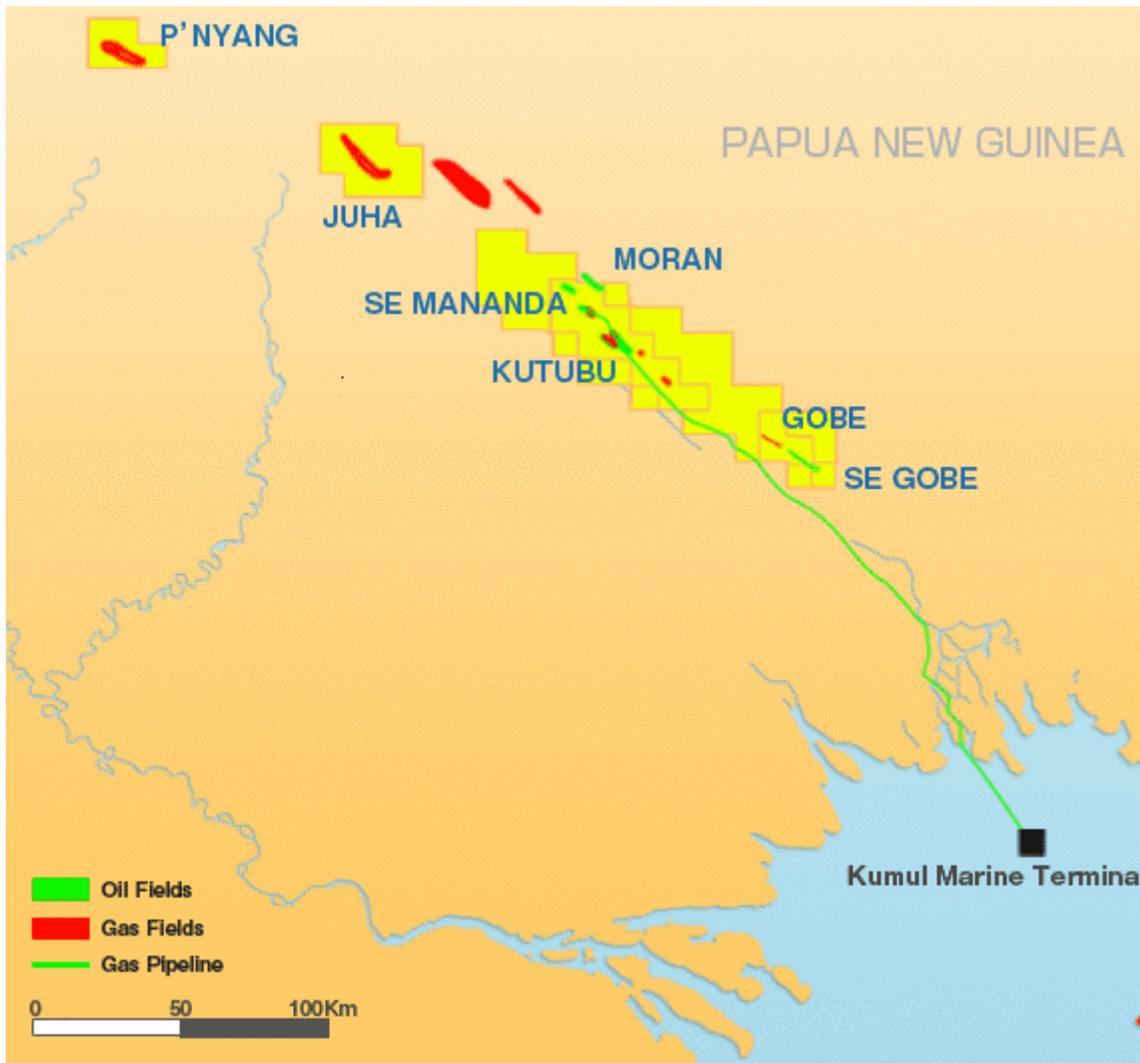
37.5%

## Operator

Shell

- In 1991, NOSA acquired a working interest in Block SK-8 offshore Sarawak, Malaysia.
- From 1992 through 1994, the Jintan and Serai Gas Fields were discovered in that block, and production there commenced in 2004.

# Papua New Guinea



## Fiscal 2006 Production Volume

2,300b/d

## Project Company

Japan Papua New Guinea Petroleum Co., Ltd.  
(36.4%)

(%) = NOC Group Shareholding

## Range of Interests in Individual Fields

2.8 to 12.5%

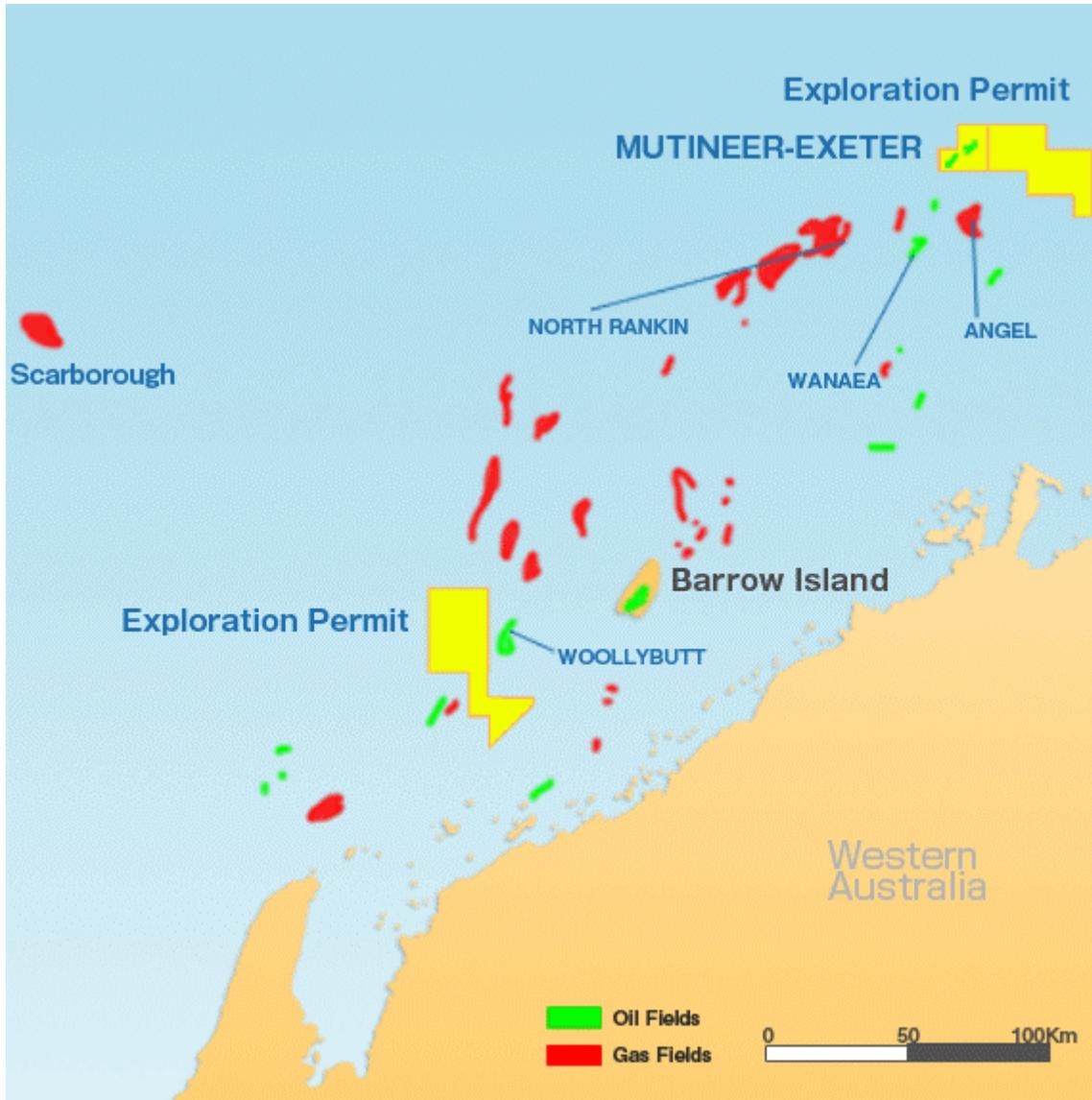
## Operator

Oil Search

● In 1990, Japan Papua New Guinea Petroleum acquired exploration rights in Papua New Guinea from Merlin. Subsequently, exploration, development, and production activities have been undertaken in the Kutubu, Moran, Gobe, and SE Gobe oil fields.

● In 2005, development work was undertaken in the SE Mananda and NW Moran oil fields.

# Australia



## Fiscal 2006 Production Volume

13,300b/d

## Project Company

Nippon Oil Exploration (Dampier) Pty Ltd

(NOEX (Dampier)) (100%)

(%) = NOC Group Shareholding

## Interest in Individual Fields

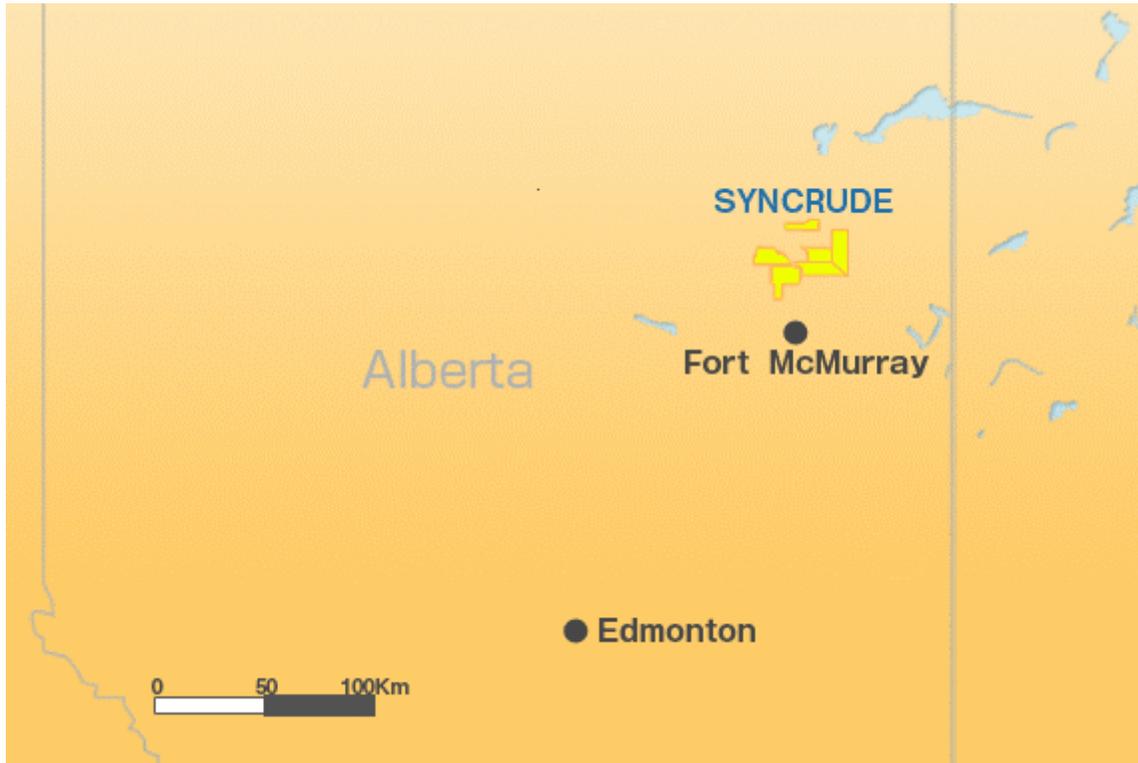
25%

## Operator

Santos

- In 1997, NOEX (Dampier) acquired a 25% working interest in Block WA-191-P. Subsequently, the Mutineer and Exeter gas fields were discovered in that block, and production there commenced in 2005.

# Canada



## **Fiscal 2006 Production Volume**

**10,700b/d**

## **Project Company**

**Japan Canada Oil Co., Ltd. (100%)**

(%) = NOC Group Shareholding

## **Interest in Individual Fields**

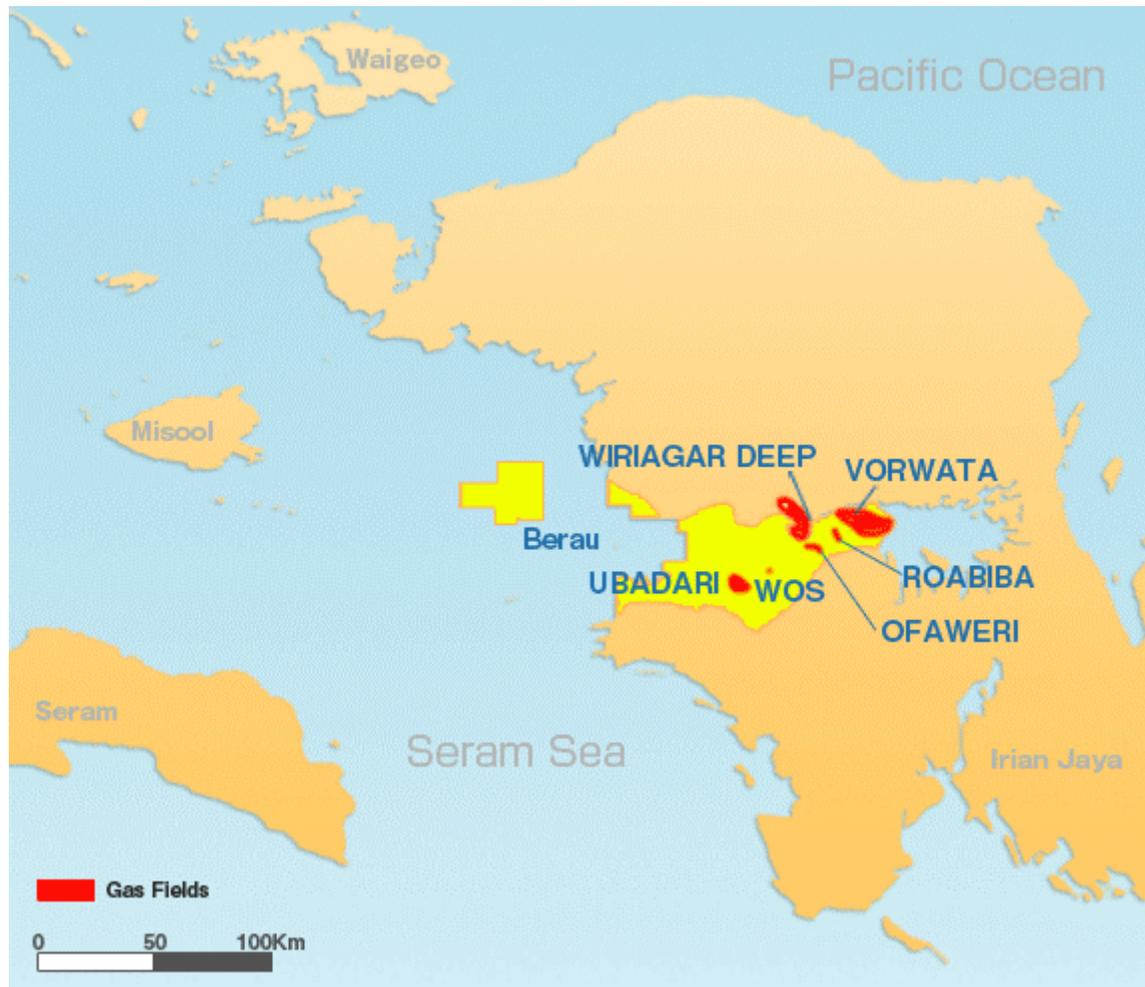
**5%**

## **Operator**

**Syncrude**

- **In 1992, NOEX acquired a 5% stake in the Syncrude project from PetroCanada. Subsequently, this stake was transferred to Mocal Energy Limited (a wholly owned subsidiary of NOEX), and production by the project is currently being increased.**

# Indonesia



## Fiscal 2006 Production Volume

—

## Project Company

Nippon Oil Exploration (Berau), Limited  
(NOEX(Berau)) (51%)

(%) = NOC Group Shareholding

## Interest in Individual Fields

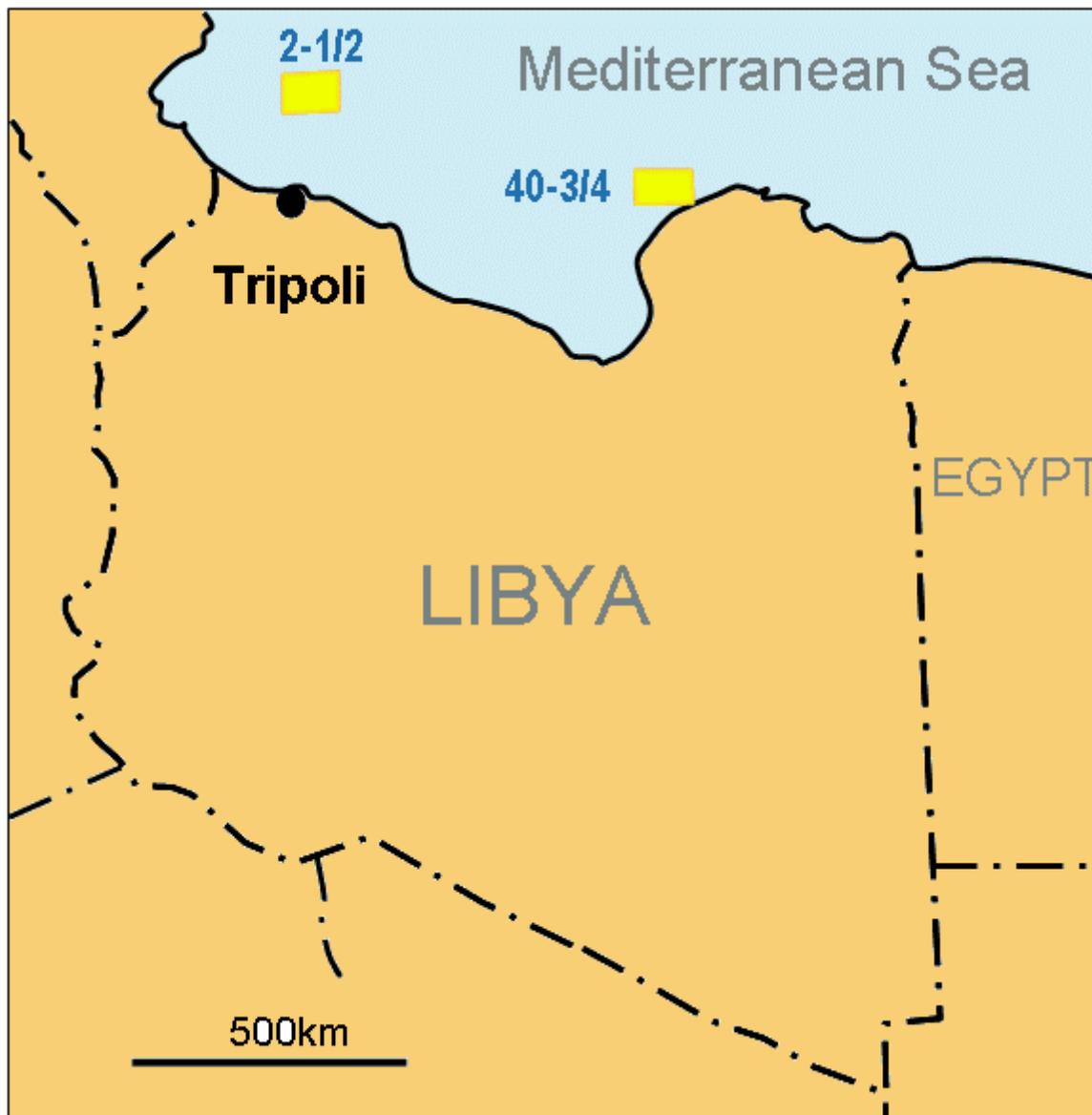
12.2% (after unitization)

## Operator

BP

- From 1990, using three test wells natural gas was discovered in the area. Subsequently, the Vorwata Gas Field, Wiriagar Deep Gas Field, and other gas structures were discovered.
- From 2003, those with interests in the Berau, Wiriagar, and Muturi blocks agreed to become partners in unitizing the blocks and undertake development work cooperatively.
- In 2008, production is scheduled to begin.

# Libya



## Fiscal 2006 Production Volume

—

## Project Company

Nippon Oil Exploration Limited (NOEX)

## Interests in Individual Fields

90% (2-1/2 block)

38% (40-3/4 block)

## Operators

NOEX (2-1/2 block)

Japex Libya Ltd. (40-3/4 block)

● NOEX won interests in two blocks (2-1/2 and 40-3/4) in a round of public bidding held in October 2005. Plans call for beginning exploration activities in those blocks.

## **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 oil-related products, and exchange rate and interest rate trends.**